ENTREPRENEURSHIP AND THE ECONOMIC HISTORY OF THE AMERICAN SOUTH:
THE CASE OF CHARLESTON AND THE SOUTH CAROLINA LOW COUNTRY

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ABSTRACT

The question of the role of the entrepreneur in the American South in the eighteenth and nineteenth centuries is examined. Focusing on Charleston and the South Carolina low country—roughly the first seventy miles inland from the coast—the author challenges the generally-accepted notion that this area's economic development historically was held back because its commercial classes lacked entrepreneurial vigor. He concludes instead that planters and merchants alike displayed considerable entrepreneurial vigor, but that their efforts were not always rewarded because of the character of the low country's natural- and market environments.

The question of the role of the entrepreneur in the American South has long fascinated and troubled economists and historians. Unfortunately, the question as put in recent years is less an open-ended one than an attempt to determine the precise degree to which the southern economy historically has been held back because of the failings of the region's entrepreneurs, indeed, the weakness of its commercial classes in general. In few places, we are told, were such failings so pronounced as in Charleston and the South Carolina low country, where planters and merchants alike not only lacked entrepreneurial vigor but, according to some, ascribed to a set of values other than those of the marketplace (Bateman and Weiss 1981; Doyle 1981; Doyle and Shick 1985; Jaher 1982a, 1982b; Radford 1974, 1981; Johnson 1980; Pease and Pease 1982, 1985). Such attributes purportedly contributed in a substantial way to the transformation of the area from one of the wealthiest in the world on the eve of the American Revolution to a state of relative underdevelopment by 1900, at which time the low country was perhaps the poorest part of the poorest census region in the United States.

I propose in this paper to reopen the question of the role of the entrepreneur in the economic history of Charleston and the South Carolina low country during the eighteenth and nineteenth centuries. While I shall have some things to say about the mentalité of the commercial classes in the area, I shall concentrate rather more on the nature of the entrepreneurial function in the low country and the structure and character of the economic world within which Charleston and low country entrepreneurs operated. In so doing, I hope both to point out some of the problems with recent work on these matters and to lay the foundation for a more powerful explanatory framework within which to study marketing, entrepreneurs, and the entrepreneurial function in the Plantation South. Only when the historiographical "integument" challenged herein is "burst asunder" can work on a deeper and more profound critical interpretation of these matters really begin.
Leaving aside an older and now thoroughly discredited view that the agricultural character of the South Carolina low country ipso facto precluded the development of bourgeois civilization, we find, albeit often only after a lengthy process of disinterment, that the major premise guiding many of the recent studies is that no society can be constituted bourgeois unless it is dominated by individuals whose behavior and values correspond closely with standards ostensibly set by Joseph Schumpeter but which, more accurately, correspond closely only with the stylized reductions of Schumpeterian ideas to which the authors of these studies themselves cling (Bateman and Weiss 1981; Doyle 1981; Jaher 1982a, 1982b; Pease and Pease 1985). According to these scholars and, of course, to Schumpeter as well, entrepreneurship connotes risk, innovation, and the creation and/or manipulation of conditions of economic disequilibria, which together often serve to move a given economy to higher levels of output and productivity. So far, so good. These scholars also imply, however, that real entrepreneurship in the nineteenth century was only to be found in those parts of the world where such conditions led to massive industrialization. As a result, it is Schumpeter's sophisticated, if flawed and somewhat circumscribed paradigm of economic change rather than history itself that is subjected to a "gale of creative destruction." For Schumpeter's paradigm in both its early and late forms allows room for entrepreneurship that led elsewhere than down the English or northeastern roads. Indeed, in attempting and sometimes succeeding in introducing new products and new methods of producing and handling existing products, in opening new markets, in developing innovative organizational structures and institutions in agriculture and commerce, and in industrializing to a surprising degree, the behavior of low country planters and merchants was quite consistent with Schumpeterian formulations (Schumpeter 1934, 1947, 1950).

While I believe, then, that risk-taking and innovation were to be found in the low country and in many other parts of the South and shall marshal evidence in support of this belief later in the essay, the employment of such delimited criteria to establish the existence and strength of entrepreneurs and entrepreneurship may itself be problematic, as many economic and business historians over the past forty years or so have pointed out. That is to say, the assumption that Schumpeter's views on entrepreneurs and entrepreneurship are shared throughout the business historical world is erroneous; broader views, ranging from that associated with Israel M. Kirzner (1979, 1983, 1984) to that associated with Arthur H. Cole (1949, 1959), are also widely held in fact. If, for example, we utilize Cole's famous definition of entrepreneurship in our consideration of the low country's economic past, a definition which in Schumpeterian terms emphasizes the importance of both the creative and adaptive response, the idea that low country society was devoid or deficient in entrepreneurial talent becomes impossible to fathom, much less accept. Under the terms of this definition, entrepreneurship is "...the purposeful activity...of an individual or group of associated individuals, undertaken to initiate, maintain, or aggrandize a profit-oriented business unit for the production or distribution of economic goods and services with pecuniary or other advantage the goal or measure of success" (Cole 1949, 1959). If the merchants and planters of the low country—managers of perhaps the most heavily commercialized agricultural complex in North America up to 1860, men and women integrally involved in such key business functions as planning, organizing, staffing, directing, coordinating, reporting, and budgeting—did not possess entrepreneurship, as defined by Cole, they possessed nothing at all (Gullick 1937). To be sure, honor, paternalism, and virtue had
their places as well, but in this low country, only at the edges of the rice swamps and in musty corners of the counting houses on Bay Street, two flights up, toward the back.

So much for problems of specification. We could, of course, continue on with such problems, having by no means exhausted available supply, but rather than criticizing recent authors, for example, for sometimes proceeding as though every northerner were Samuel Slater and every southerner George Fitzhugh, let us move on to empirical questions relating to economic behavior and cultural values. First, however, a few comments about the seemingly schizophrenic economic history of the low country itself, for no area planted by Europeans in North America experienced such an impressive economic rise, nor such a troubling descent.

Permanent European settlement in the South Carolina low country began 315 years ago in April 1670 when an elderly Puritan named William Sayle led a small band of Englishmen down from the frigate Carolina and onto the eerie lowland the Kiawah Indians then called home. After a tentative period of adjustment, experimentation, and consolidation which lasted for several decades, the white settlers gained an economic foothold in the area and early in the eighteenth century began to erect the economic complex that would inform the area’s history for the next two hundred years. I am speaking, of course, about the plantation agricultural complex, a complex which in the low country was based upon bound labor until the mid-1860s and upon labor that was at least nominally free after that time. Once begun, specialization in the plantation-production of agricultural staples—rice primarily, but indigo and cotton at various points as well—would be inextricably linked with the area’s economic destiny until after 1900, indeed, in some ways, to the present day. All other economic activities—lumbering, naval stores production, commerce, manufacturing, mining and services—merely complemented or supplemented the production of plantation staples both during the eighteenth century, when the low country experienced its meteoric economic rise, and during the nineteenth century, when it endured its long and painful fall (Coclanis 1982, 1984, 1985a, 1985b).

It is, in fact, the extent to which low country planters and merchants clung to rice and other agricultural staples in the face of declining profits in the nineteenth century that provides scholars looking for irrationality, entrepreneurial lethargy, or a pre-bourgeois mentalité with the prima facie evidence so essential to their case. Maximizing men and women, they contend, would have abandoned rice and cotton for more profitable pursuits, preferably higher value-added activities such as those sweeping the northeastern quadrant of the United States (Bateman and Weiss 1981; Pease and Pease 1985). That such a scenario is both plausible and, on the surface, reasonable is beyond debate, but given the historical conditions shaping the low country economy and the structural factors inhibiting change, the fact that the planters and merchants of the area rose and fell with plantation staples in the main nonetheless can be attributed neither to entrepreneurial lethargy nor to a pre-bourgeois mentalité, as we shall see.

To explain processes as complex as economic growth and development is admittedly a difficult task, but to treat of such processes as if they were solely or even chiefly functions of volition simply will not do. For growth and development result from a particular conjuncture of many sets of forces—environmental, market, technological, institutional, and, yes, ideational—rather than one alone. Thus, even if we grant for the sake of argument that
the planters and merchants of the low country wanted entrepreneurial vigor, this concession would not allow us to say much about the historical performance of this area's economy, unless we also knew of the environmental possibilities, market opportunities, technological availabilities, and institutional easements or barriers confronting such groups, lethargic or otherwise, at any given time. With this in mind, let us revoke the grant made above and attempt briefly to explain how the low country really worked.

The first thing we must do to understand the low country's rise and fall, to explain, as it were, whence the area's early wealth came and where it later went, is to abate ourselves of the notion that low country planters and merchants were economically irrational, for they adhered to the social ethos of the market throughout the eighteenth and nineteenth centuries and over that period of time always attempted to respond rationally to market signals and signs. That their attempts were not always successful, indeed, were increasingly unsuccessful, says less about their resolve than about the ironies of the growth process and the vagaries of the market itself.

For the low country's rapid rise and its subsequent lapse into stagnation and decline both followed from a rational commitment the white settlers made or, given the environmental possibilities, perhaps were forced to make early in the eighteenth century: a commitment, firm and absolute, to the production of plantation staples with bound labor. Unforeseen structural rigidities associated with this commitment—most notably, those arising directly or indirectly from the utilization of slave labor and from the production function for rice cultivation—reinforced the low country's environmental limitations, however, and locked the area into a pattern of development that was conducive to economic growth under conditions prevailing in the eighteenth century—great external demand for low country staples—but which would thwart progressive economic adjustments if these conditions ever changed. Such conditions did, in fact, change in the second half of the nineteenth century and demand for low country staples abated, the complex dynamics of which process of abatement I have discussed in detail elsewhere. Once this occurred, the low country faced economic ruin, notwithstanding the strenuous efforts of the area's planters and merchants at least to salvage a bad situation, if not lead the low country to economic salvation (Coclanis 1984, 1985a, 1985b).

Indeed, local entrepreneurs were aware of the low country's economic problems well before the knell sounded for the area in the late nineteenth century and their periodic attempts to diversify the economy in the decades before the Civil War, when the low country's decline was still relative rather than absolute, were not totally unsuccessful. Though both small and rudimentary by northeastern standards, the low country's manufacturing sector, for example, had attained some significance by the late antebellum period. In 1849, the value of the annual product of manufacturing activity in the area exceeded $3 million; a decade later the value of the same approached—if Ernest Lander is correct, may even have exceeded—$5 million and Charleston was the third leading manufacturing center in the entire South, trailing only Richmond and New Orleans (Lander 1960; Bateman and Weiss 1981, p. 13). Moreover, by that time, lumbering and naval-stores production, important activities in the colonial period, had regained some importance in parts of the low country as well. Clearly, the low country remained wedded to plantation staples in the antebellum period, but this bond did not completely foreclose dalliances with other activities, particularly once the romance or at least the profits in staple production began to fade out.
As profit possibilities in plantation staples continued to decline in the decades after the Civil War, diversification efforts in the low country intensified, resulting in new thrusts and forays not only into manufacturing and the forest industries but also into phosphate mining and truck farming. Despite such efforts, staple production still remained preeminent, however, and the low country produced almost 43 million pounds of clean rice as late as 1899. Considering the dismal rates of return on rice, the figure above is staggering and, given our argument, must perforce be explained (Coclanis 1984, 1985a, 1985b).

That the low country still produced so much rice in 1899 testifies, as suggested earlier, not to economic irrationality but to rationality shaped, conditioned, and, in some ways, imprisoned by forces over which the inhabitants of the area had little control. Such were the environmental and structural limitations by then that rice, despite its many drawbacks, constituted the best hope the inhabitants of the low country had, a shocking and depressing prospect indeed! Two hundred years of specialization in plantation staples, production for the most part under coercive labor conditions for international and extra-regional markets, had left the low country, a fragile ecological area with limited economic possibilities from the start, with a regional economic structure characterized by what some developmental economists have called structural disarticulation, factorial distortions, and asymmetrical development. The low country economy, that is to say, was structurally disjointed, lacking organic linkage between the pattern of domestic production and local developmental needs. Oriented toward production for distant rather than regional or local markets, the low country economy was able, on the one hand, to capture productivity gains made possible by international specialization but, on the other, was rendered dangerously dependent upon the vagaries of this wider economy. When net proceeds from its exported staples were high, as in the eighteenth century, the low country did very well; when net proceeds dropped precipitously in the late nineteenth century, however, the area was brought to its knees since the structure which had emerged over time acted to impede growth once demand for low country staples waned.

Simply put, this structure—born of a mechanistic need in the eighteenth century to produce and export staples—lacked the balance, flexibility, and complexity that generally are associated with sustained growth and development. In this, the low country resembles other plantation areas, wherein structural impediments typically prevent the attainment in the long run of developmental levels commensurate with economic potential, however limited a given plantation area’s potential may, in fact, be.

In such areas, the economic structure is generally characterized by an inordinate primary sector and small secondary and tertiary sectors, a thin, disarticulate internal market, a linear "conveyor belt" transport system, and an urban system tending toward primate form rather than lognormalcy. As a concomitant of the "hydrocephalic" urban hierarchy in many plantation societies, both capital markets and financial services are highly centralized as well. Investment in human capital—by which we mean investment in education, health care, etc., rather than in capitalized labor—is slighted in such areas and the distributions of income and wealth are highly skewed. Nonhuman capital accumulation in plantation societies historically has proved to be relatively low and the bourgeoisie is often of the comprador variety, finding it much easier to buy and sell or to innovate along established economic lines than to try something completely new. All of these attributes were evident in the low country and each contributed in its own way to the area’s economic decay (Coclanis 1984,
1985a, 1985b).

The severity of these structural impediments, moreover, was exacerbated in the low country because of the particularly intransigent nature of the area's principal staple: paddy rice. Indeed, one need not subscribe to Wittfogel's (1957) notion of "oriental despotism" to realize that a hydraulic agricultural regime in which labor and capital intensity are high—the South Carolina low country included—is likely to experience difficulties and delays in responding to seemingly unambiguous market signals and signs (Coclanis 1984). Furthermore, the inertial tendencies inherent in a hydraulic regime are reinforced in this case by the fact that marginal labor productivity in the production of paddy rice declines very slowly rather than very fast. That is to say, paddy rice can respond to added increments of labor with relatively equal increments of output for so long that seemingly rational shifts to other crops, other economic activities, or even to other geographic regions often are held back (Geertz 1971; Hirschman 1977; Coclanis 1984). It should not surprise us, then, that in the low country, an area where economic options were few in any case, the cultivation of paddy rice remained very important until the early twentieth century, despite the fact that it was produced far less efficiently than in those areas with which the low country had to compete in the marketplace.

By 1920, however, the equilibrating power of the market had finally triumphed and the era of commercial rice production had ended, the area's lifeblood drained to the last. Without rice the low country was reduced for the most part to what it was before rice: a desolate wasteland. The low country's economic collapse, it is important to note nonetheless, did not result from illogic but from an economically rational, if extremely risky growth strategy, a strategy which despite such risks probably provided the best opportunity for sustained growth the low country ever had.

Indeed, history has shown time and again that the problems inherent in plantation economies—disarticulation, factorial distortions, and economic asymmetry—are acceptable in an economistic, if not a moral sense so long as net proceeds from staples are sufficient to generate sustained gains in per capita income or output. It is only if and when net proceeds become insufficient to do so that such problems become unacceptable. When insufficiency becomes chronic, an economy enthralled to plantation staples pays a terrible price. Such insufficiency, alas, came to characterize the low country economy during the second half of the nineteenth century. The low country's collapse came, however, because net proceeds were insufficient rather than because of market specialization in plantation staples per se. If one chooses to criticize the economic behavior of the planters and merchants of the low country, let him do so, then, on the grounds that they underestimated the risks involved in staple production for distant export markets and not because they lacked entrepreneurship or a market mentalité. For throughout the eighteenth and nineteenth centuries they acted both rationally and vigorously, albeit within the limitations imposed by the environment, the low country's economic structure, and the area's role in the international economy (Coclanis 1984, 1985a, 1985b).

That scholars have often misinterpreted the economic behavior of low country planters and merchants is the result, I believe, of two factors: one, their failure, as implied above, to devote sufficient attention to the economic environment within which the inhabitants of the low country operated; the other, their failure to recognize or at least appreciate rational economic behavior when they see it. Only upon the realization that efficient, rational, energetic economic behavior will not always nor even necessarily lead to long-term deve-
Development can scholars begin to understand the low country's tortuous economic course. For the area's road to economic ruination was paved with efficiency, rationality, and energy during both the eighteenth and nineteenth centuries.

The white inhabitants' early commitment to the production of plantation staples, we have already argued, was the result of rational calculation. Similarly, the fact that the labor force that would produce these staples would be both bound and African was the result of decisions arrived at largely on the basis of rational criteria: the man/land ratio, relative labor costs for servants and slaves, differential epidemiological experiences for whites, Indians, and blacks in the malarial swamps of the low country, and considerations relating to human capital—knowledge about rice cultivation in particular—to name but a few (Coclanis 1984, 1985a, 1985b). Once established, the rationally-conceived plantation complex of the low country, which included some of the largest and most heavily capitalized business units in North America, was supported by a marketing structure that at least until 1840 and probably considerably longer was not only more efficient than the marketing structure operating in the agricultural North but which greatly facilitated the low country's expansion and growth until demand for the area's staples gave way (Bruchey 1972). Indeed, if we define marketing, as the American Marketing Association has often urged, as "the performance of business activities directed toward and incident to the flow of goods and services from producer to consumer or user," a more efficient marketing structure than that which existed in the low country and other parts of the Plantation South in, let us say, 1860 is difficult realistically to conceive, as even Harold D. Woodman—a Marxist historian who views the antebellum South as essentially pre-capitalist—has pointed out (Cox, Goodman, Fichandler 1965, p. 13; Woodman 1968, p. 186).

In light of the well-known efficiency of the factorage system, the nature and quality of the low country's transportation and warehousing facilities, the size and reputation of the area's banks, and the business climate created by the state—low taxes, a very modern, "developmentalist" code of commercial law, and a stable and basically consensual political order—the marketing structure of the low country, which, of course, must be distinguished from its economic structure, was certainly conducive to economic expansion and growth based on the production and exportation of plantation staples, just as its creators intended it to be (Coclanis 1984; Woodman 1968; Smith 1958; Greb 1978; Horwitz 1977; Ford 1983). Once market conditions for low country staples turned unfavorable in the second half of the nineteenth century, however, neither this structure nor entrepreneurial will were enough to save the low country economy. Ironically, once the low country lapsed into stagnation an idea began to spread that the white inhabitants of the area were then and had always been relatively impervious to the market ethos and, thus, untainted by the tawdriness ostensibly affecting the human spirit in the market age. Many of the white inhabitants of the area, it is instructive to note, actively encouraged the promulgation of this idea or at least did nothing to discourage it. It seemed nobler to them perhaps to say that they had never fought for growth and development than to admit that they had fought and lost. Thus, to use Eric Hobsbawm's phrase, a tradition was "invented"—that low country society historically had been an aristocratic one, one that danced often and well, but not to the tune of the market (Gaston 1970; Hobsbawm 1983). However interesting this tradition in intellectual terms, as a basis for economic history, I have attempted to show in this essay, it deserves cavalier treatment today.
REFERENCES


