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The collapse of Georgia's King Cotton economy wrought havoc in the state nearly a decade before the Great Depression, but the boll weevil—that scourge of legendary proportions—played only a minor role in the collapse.

The Myth of the Boll Weevil

Among those of us who trace our Georgia roots back more than a century, an oft-heard tale goes something like this: "Back years ago, my great-granddaddy was a big cotton farmer in a little town down in south Georgia. Owned thousands of acres of land. And then the boll weevil came along and wiped him out." Such stories, often delivered late at night and in the context of explaining why one is forced to work for a living, have a ring of truth. To the traveler on Georgia's back roads, the empiric evidence of a past economic collapse is abundant. In small towns and villages across the rural reaches of the state, one finds decaying Main Streets, abandoned rail stations, and once-grand homes gone to seed.

Indeed, the decade of the 1920s was one of wrenching economic and social change for Georgia and much of the South. In context it equals in importance other pivotal times and events in the state's history, on a par with the invention of the cotton gin, the Civil War, and the civil rights era of the 1960s. The popular myth holds that cotton production, which had so richly rewarded Georgia's agriculture-based economy for more than a century, was irreparably damaged by the arrival of the boll weevil. Farmers and businessmen alike suffered a blow from which recovery was impossible, or so the story goes. Historians and others who have studied the era point out there were other factors, including the post-World War I crash in cotton prices and the brief recession of 1920-21. Still, in popular thought, the boll weevil is assigned blame.

In writing this essay, it is not my purpose to attempt to exonerate the boll weevil. It was—and in fact remains—a potentially devastating plague for cotton farmers. Rather, I would like to suggest that *in context* the boll weevil was a relatively minor factor in the 1920s agriculture-based economic collapse in Georgia. I will postulate that the state's economy would likely have collapsed anyway due to other factors. Despite the havoc the bug wreaked in Louisiana, Mississippi and Alabama, in Georgia the weevil became more of a *coup de grace* for an already moribund economic system.

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Economics poses as a science, but as such, its discoveries are often those derived from *retrospective* observation. Even then, the lessons supposedly learned may not be of value in predicting *future* events as the myriad of factors that influence outcomes are often far removed from the outcomes themselves. In popular thought, the more simple and accessible the explanation, the more readily acceptable it seems to be, hence the assignation of blame to the boll weevil. The events of the second and third decades of the 20th century were complex, unique and new. Accordingly, I propose that the collapse of Georgia's economy in the 1920s and the subsequent demise of the state's rural economy can primarily be ascribed to three factors:

1. The effects of what we refer to today as "globalization," the intertwined nature of the world economy.

2. The lingering aftermath of the plantation-based agricultural system, and the Civil War of 1861-65 that ended it.

3. Well-meaning, but in the end erroneous, monetary and tax policy on the part of the Federal government, aided and abetted by lax state regulations controlling banking and finance.

An understanding of what happened requires a bit of historical perspective. In today's urbanized internet age, we tend to forget that up until World War I and for a number of years afterwards, the

The Mexican boll weevil crossed the Rio Grande River into Texas in 1892, working its way slowly eastward while devastating cotton crops along the way. It reached Georgia in 1915.

United States was primarily a rural, agrarian nation. There were exceptions, of course, but it was not until 1920 that a bare majority of Americans were city dwellers. There were mines and mills and industrial development, but in terms of agricultural products and national wealth, cotton was all important. It was profitable, and the economy of the South was almost completely dependent upon it. Between the first decade of the 19th century and the 1930s, cotton exports alone accounted for 100% of the positive balance of trade of the United States. Senator James Hammond's assertion that "Cotton is king" was true in 1858 when he said it, and still true more than half a century later.

The South following the Civil War was a defeated land. While the victorious North held the moral high ground with the abolition of slavery, the freed blacks were not welcomed there as immigrants. The geographic distribution of the African-American population in 1900 was roughly the same as it had been in 1860. Slavery had been abolished, but on a practical basis the now-freed slaves were offered little hope of migratory freedom and economic advancement. With few other options available, most of them returned to farming, most commonly as laborers and later as tenant farmers. Few in that day seemed to acknowledge the obvious fact that the former slaves, disenfranchised and relegated to the class of second-class citizens, were an integral and irreplaceable part of the agricultural economy.

As the decades progressed, the system of tenant farming became the mainstay of cotton production in much of the South. In Georgia, the average farm shrank in size from 430 acres in 1860 to a mere 82 acres by 1920. With an operation too small to achieve an economy of scale, a tenant held no interest in the land while his livelihood and that of his family was almost totally dependent on the outcome of the harvest. By 1920, about half of white farmers were tenants, but among blacks, the figure was closer to ninety percent.

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Cotton production in Georgia was non-mechanized until well into the twentieth century and highly dependent on African-American labor provided by the descendants of former slaves.

Another feature that came to characterize the cotton culture of the South was the system of credit that financed most activities of daily life. The majority of the population was directly dependent on agriculture as a source of income, but crops were generally harvested only in one season of the year. Lien laws enacted shortly after the Civil War allowed the farmer to operate almost entirely on credit, with debts to be paid in cash following the fall harvest. It was, in fact, the chain of credit that linked banker to broker, merchant to farmer, liveryman to landowner and so on in a network whose successful function was often dependent on a crop yet to be planted, and yet to be sold at a price yet to be determined. Whatever the system's faults and weak points, it managed to persist and grow from the latter third of the 19th century well into the World War I era.

The post-Civil War 19th century was a difficult time for Georgia. Despite Henry Grady's vision of the New South, for years the vast majority of the state remained rural, mired in a lifestyle little changed from a century earlier. By 1900, however, solid progress was being made. The state's network of railroads had grown steadily, opening trade and opportunity for once-isolated communities. The spinning and weaving mills that formerly characterized New England had begun to move south, closer to their raw materials and ready sources of labor. The number of banks in the state exploded, peaking near 800 in number by the middle of the second decade of the 20th century. Every hamlet and country crossroads seemed to have one or more banks, loosely regulated and uninsured, yet integral links in the chain of agricultural credit.

It is hard to predict the exact beginning of the end of Georgia's cotton economy. Personally, I would date it to January 1914, when Henry Ford offered a minimum wage of $5 per day at a time when the average income of a tenant farmer might be a tenth this amount. Though relatively few took advantage of it at the time, the lure of regular working hours and steady paychecks was tempting to a struggling farmer in the rural South.

Another seminal event occurred in 1914 with the start of World War I. The year was shaping up to be a record one in terms of number of cotton bales produced, most grown on credit. Since cotton was a commodity, an abundant supply meant lower prices, but then the advent of war in Europe added a particularly vicious twist. Cotton, which had been trading at around 12 cents a pound at the time of Archduke Ferdinand's assassination in Sarajevo in June, was to plummet to under seven cents a pound by the end of the year, the lowest figure in nearly two decades. Cotton was America's leading agricultural export and integral to her positive balance of trade. War in Europe could mean a sharp decrease in cotton exports, further increasing the already abundant supply. As much of the crop had been given as collateral for outstanding liens, farmers faced the risk of being forced to sell at rock-bottom prices to satisfy their creditors. The looming financial loss could be devastating.

The potential effect of this crisis was recognized by the U.S. Department of Agriculture. In August 1914 an emergency meeting convened in Washington to address the situation. In attendance were the Secretaries of the Treasury and Agriculture, as well as the newly formed Federal Reserve Board. The net result was a decision to allow nationally-chartered banks to loan money against receipts for cotton stored in certified warehouses, effectively monetizing the commodity. This credit bailout would allow farmers to hold out until prices rose, thus cutting losses and avoiding bankruptcy. The policy was later formalized in the United States Warehouse Act of 1916. Shortly thereafter, the balance sheets of many banks, both nationally and state-chartered, began to show significant line-items labeled "Advances on Cotton." As prices for the white fiber began to rise to previously unheard of levels in the ensuing months, the nature of this collateral as a commodity—subject to sudden and unpredictable changes in value—seemed forgotten.

Whatever the horrors of the Western Front, World War I was good for the American economy. Officially a non-combatant nation until April 1917, the demand for war-related goods spurred the already burgeoning growth of the industrial North while at the same time raising demand (and prices) for Southern cotton. Meanwhile, the necessary loosening of credit to finance the rapid economic expansion brought with it the seeds of inflation. Essentially non-existent in 1914 and 1915, inflation began with a vengeance in 1916, peaking at an annual rate that approached 20% in 1918. Based on the newly measured Consumer Price Index, a dollar in 1920 purchased only half of what it could have some four years earlier.

Not that any of this seemed to matter in the cotton-producing South. While inflation was gnawing away at the value

AUTHOR'S COLLECTION

Georgia's agricultural-based economy was far too dependent on a single crop—cotton. In countless small towns across the state, the cycle of commerce revolved around its production.

of the dollar, the price of cotton zoomed more than 500% compared to its low point in 1914. By the summer of 1920, it was selling for near 40 cents a pound on average, far exceeding even the unprecedented rate of inflation. While there were forces to legitimately increase the price, in retrospect it was clearly an economic "bubble." Not unlike the 17th century Dutch burghers' affinity for tulips, or the early 21st century bankers' love of mortgage derivatives, everyone seemed to believe that it would go on forever, with cotton being the one true path to riches. So banks were willing to lend and farmers were willing to borrow, sure that the costs of their debts would be more than covered by the rich harvests ahead. Speculators and those eager to get in on the game drove up the price of land, while the basic costs of crop production were driven up by inflation.

It is reasonable to postulate that many in the South did not recognize the specter of inflation and the disastrous consequences it could bring. Much of the commerce of daily life was based on credit, and often at interest rates that were

Historically, much of America's cotton was exported, becoming an invaluable resource in the nation's balance-of-trade status.

quite high as the collateral against the loan was based on as-yet-to-be-harvested crops. Otherwise, many folk were in large part self-sufficient, sustained by the products of their farms and fields. While the price of consumer goods might rise, it still cost about the same to plant a home garden, or allow cattle to feed in one's pasture. Above all, cotton production finally seemed outrageously profitable, and that was what mattered.

Meanwhile, the actions and inactions of both the state and federal governments helped plant the seeds of economic destruction. The Federal Farm Loan Act of 1916 gave those in the agricultural segments of the economy access to long-term credit to enlarge and maintain their operations. Income tax rates increased to help fund the costs of the nation's entry into the war in 1917. Bank regulation was minimal, consisting mainly of perfunctory audits and public reporting requirements.

Much of cotton production was based on the labor of those who tilled the land but held no equity in it, and for these the wartime lure of well-paying jobs in the North was tempting. Labor agents were dispatched to the South to recruit workers, while southern farmers and governments alike urged tenants and laborers not to leave, citing the importance of agricultural production to the war effort. Some left, but the massive exodus was yet to come.

With the end of the war in 1918 it was forecast that a rebuilding Europe would keep demand for cotton high. The American economy seemed to be booming as well, perhaps attributable to the loosened credit and increase in commerce that had accompanied the war. Returning veterans eased the labor shortage, making the year 1919 a prosperous one for the nation. The future appeared to be bright.

The astute reader will note thus far I have not mentioned the boll weevil. The pest had crossed the Rio Grande into Texas in 1892, gradually working its way eastward and destroying cotton crops along the way. It was first identified in Georgia during the summer of 1915, its potential for destruction well recognized. Yet nothing happened—or so it seemed. For more than two decades agricultural scientists had been seeking ways to stop the weevil, and by the time of its arrival in Georgia, reports were widely circulating that they were on the cusp of success. Fertilizer and proper farming techniques were of help. Pesticides were soon to be available, although expensive and labor-intensive. With local exceptions, the state's total cotton production was little affected. During the years 1915 through 1920, cotton production remained in its historic range, driven by high prices and apparent apathy toward the risks of insect-borne destruction.

In 1920, things began to fall apart. The period between January of that year and August 1921 has been termed by economists the Great Recession. It was characterized by severe deflation and falling prices, especially in the agricultural sector. As it immediately followed the most intense bout of inflation in American history, the whipsaw effect on the economy was brutal. The presidential campaign of 1920 focused in large part on the economy. Warren Harding, the winner, promised to "restore" the value of the dollar through a sharp decrease in governmental spending. The Federal Reserve obliged by increasing the discount rate to a level not seen again until the Carter years of the late 1970s, effectively squeezing credit availability.

Farm commodity prices in general fell sharply. From its all-time high in mid 1920, the price of cotton dived deeply, finally scraping bottom in the spring of 1921. When corrected for inflation, cotton's true price was near five cents a pound in 1915 dollars. Suddenly, it became an unprofitable crop, setting off a series of events that would spell the end of a way of life that had developed and persisted in the rural South for more than a century.

Damage from the boll weevil began to severely affect Georgia's cotton production in 1921. The state had produced on average from 1.5 to 2.0 million bales a year between 1915 and 1920. In 1921, less than 800,000 bales were harvested, and by 1923, less than 600,000. Tenant farmers began to leave in droves, some for the North and others to mill towns that offered steady salaried employment. Blacks streamed to the cities of the North, economic and social refugees from a system that had failed them. Farms were abandoned by the thousands, as cotton producing areas suffered massive depopulation over the coming decades. Some counties had lost as many as one out of three citizens in the decade of the 1920s alone. The absence of available labor caused further curtailment of farm crops. Merchants who had extended credit to farmers declared bankruptcy. Banks that had loaned to farmers and merchants failed. Between 1916 and 1925, approximately 45% of Georgia's banks ceased operation. In Washington County, where I live, the number of

GEORGIA DEPARTMENT OF ARCHIVES & HISTORY

White Plains bank, circa 1915

Every hamlet and country crossroads in the state seemed to have one or more banks, loosely regulated and uninsured, yet integral links in the chain of agricultural credit. Few of these survived the Great Recession.

banks dropped from eleven in 1920 to two by 1929, all *before* the onset of the Great Depression of the 1930s. Railroads that had linked rural areas to the outside world ceased operation as their lifeblood of commerce declined.

Those who stayed behind often continued to pursue the only occupation they knew—that of farming. By the latter part of the decade it was quite possible to achieve per-acre yields of cotton that equaled or exceeded those prior to the advent of the boll weevil. Cotton prices rebounded, but when weighed against the inflation-driven cost of production and the relative unavailability of labor, planting this once-valuable crop entailed significant financial risks for meager profit potential. Over the ensuing decades, Georgia's rural populations continued to fall, while that of its cities grew rapidly. By 1970, half a century after the onset of the Great Recession of 1920-21, many former cotton-producing counties had lost half of their residents.

It is interesting to speculate what might have happened if the boll weevil had not appeared, or if a cost-effective treatment had been found prior to its arrival in Georgia. All things considered it is likely that things would have turned out the same. The bubble in cotton prices would have eventually ended in a crash. The heavy and necessary use of credit to finance the economic system of the day would have resulted in bankruptcy for many whose livelihoods were dependent on cotton, either directly or indirectly.

The severe monetary inflation that characterized the World War I era masked the "true" value of the inflated price of cotton. The use of a commodity as collateral effectively weakened banks and other lenders whose financial futures were dependent on its maintaining its inflated value. In those pre-Keynesian days, economists might have expected deflation to follow as it did, while bankers seemed to turn a blind eye. Few realized that when it came, deflation would most greatly impact the agricultural sector of the nation's economy.

Pure economics aside, the system of farm labor on which cotton production was based was one that developed not because of its benefits for all involved, but instead because it seemed at the time the best among the alternatives. If good jobs and regular wages had been available earlier in the history of the South it seems likely many would have sought them instead of struggling year-to-year as tenants. If the freed slaves had been afforded true economic and social equality after the Civil War, the system of cotton production that depended upon their labor would not have developed. When such freedom was available, many availed themselves of it, depleting agricultural labor pools in what came to be known as the Great Migration.

In Georgia, at least, the boll weevil began to do its damage after the tipping point for economic collapse had been reached. Unschooled in the corrosive effects of inflation, the wisdom of monetizing a commodity, or the inevitable failure of a labor system based on near-peonage, the average farmer or man on the street would have more easily blamed the problems on an invasive insect. The failure was of such magnitude as to permanently damage and in some cases destroy the very underpinnings of the system that had brought wealth to so many. As the rest of America sped into the glitter of the Roaring Twenties, the simple and uncomplicated story of a culture destroyed by the boll weevil took on a life of its own, an accepted but erroneous bit of historic fact, a myth that exists to this day.

Until the early twentieth century, Georgia was a state of small towns, some larger than others but most with economies highly dependent on cotton.

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