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1 Introduction

The period from 1820 to 1860 was one of the most tumultuous in American economic history. During these four decades—decades that led, ultimately, to the American Civil War—the political arena was beset by rancor, and the American economy was profoundly transformed. The United States experienced the onset of modern economic growth, the spread of the factory system, and fundamental improvements in productivity and in internal transportation. Vast numbers of individuals changed their place of residence. Some moved short distances—from one rural county to another or from the countryside to a town or city—whereas others migrated from the long-settled states of the Northeast and South Atlantic regions to frontier locations in the Midwest and South Central regions.[1] Still others covered extraordinary distances, braving hardship in the hopes of striking it rich when gold was discovered in California in the late 1840s. European immigrants arrived on America's shores in increasing numbers in the 1840s and 1850s, permanently altering the political, social, and economic landscape, particularly in Northeastern cities. Divisions between North and South became starker, as one part of the country began to industrialize while the other—the South—remained largely rural. In short, the antebellum period was one of enormous economic, social, and political flux, as different sections of the nation took on their distinctive structures.

Several of the changes just listed are believed to have had important and lasting effects on the standard of living of free labor. Perhaps the most interesting is the fact that, as the prevailing wisdom has it, living standards greatly improved on average from 1820 to 1860 as a consequence of technological and other changes in production (e.g., mechanization, the factory system, better agricultural land) and in distribution (e.g., the building of canals and railroads). Quantitative evidence for the prevailing wisdom has been sought in estimates of real per capita incomes. According to Thomas Weiss (1992, 27), real per capita incomes were higher in 1860 than in 1820 by approximately 62 percent.

But the fact that real per capita incomes appear to have risen by a considerable amount in the antebellum period does not fully resolve the question of whether the standard of living of the average worker rose. Many scholars have reached the opposite conclusion (see, e.g., Commons et al. 1918; Ware 1924; Sullivan 1955; Hirsch 1978; Laurie 1980; Wilentz 1984; Ross 1985; Fogel 1989). These scholars believe that gains in the standard of living of many of the antebellum "working class" may have been much more modest in the long run and that economic well-being may have stagnated or even declined during certain subperiods—as evidenced primarily, but not exclusively, by movements in real wages.

Associated with these opposing views on the growth of living standards are divergent beliefs about the ability of the antebellum labor markets to cope with economic change. Broadly speaking, the "optimist" viewpoint is that markets or market-like processes were reasonably effective in responding to economic change, with the result that growth in antebellum living standards was generally steady and that most in the working class shared in the gains. Thus, for example, when early industrialization increased the general demand for nonfarm labor at the expense of farm labor, labor shifted out of agriculture, and potential gains in real wages could be—and were—quickly realized.

The "pessimist" viewpoint is far less sanguine about how effectively antebellum labor markets coped with change. Pessimists assert, for example, that nominal wages lagged behind when the price level rose in the mid-1830s and early 1850s, producing declines in real wages and (in the earlier period) a wave of strikes and labor agitation. The influx of immigrants starting in the late 1840s is alleged to have glutted labor markets and, together with the effects of inflation via the wage lag, to have put additional downward pressure on real wages. So pronounced was that downward pressure that one scholar has dubbed the period a "hidden depression" for labor (Fogel 1989). Recent research has uncovered other evidence that appears to bolster the pessimist case or at least challenge the view that antebellum living standards were rising consistently. For example, usage of publically provided poor relief—the antebellum equivalent of today's welfare—rose markedly between 1850 and 1860 (Kiesling and Margo 1997). Nutritional status, morbidity, and mortality appear to have worsened in the period 1820–50 (Margo and Steckel 1983; Komlos 1987; Pope 1992).

Scholars of both persuasions have suggested that antebellum economic development changed the relative demand for workers with different types of skills. But these scholars do not agree on exactly how demand changed.

For some, early industrialization produced a decline in the relative demand for certain types of skilled labor via the displacement of artisanal shops by factories requiring less-skilled labor, but others believe that industrialization actually bolstered the relative demand for various skills (Williamson and Lindert 1980; Goldin and Sokoloff 1982; Sokoloff 1984). Whether the antebellum wage structure would be persistently, or only temporarily, affected by these purported shifts in relative demands, however, depended on how readily labor could adapt—by acquiring new skills or otherwise shifting out of occupations with declining relative demand toward more lucrative pursuits.

Antebellum economic development occurred against the initial condition of a vast frontier. Industrialization and, more generally, economic development did not occur uniformly across the antebellum landscape. Capitalizing on economic opportunities frequently required migration, a response that was facilitated by falling costs of internal transportation and improved access to economic information. The optimist position is that antebellum labor markets were reasonably effective in guiding labor from low- to high-value locations, as evidenced by high rates of geographic mobility that arguably produced an erosion of wage differentials between locations. The opposing viewpoint, however, is that geographic imbalances in labor demand and supply were ubiquitous and persistent before the Civil War and that the emergence of spatially integrated labor markets was a milestone of a much later period in American history.

In view of the critical role that the antebellum period played in American economic history, it might be thought that many of the issues under debate would have been long resolved in the historical literature. But they have not been. The reasons have less to do with the framing of questions or with methodology (although these aspects of the analysis are sometimes important) than with sources of evidence. Simply put, research on these (and many related) issues has been seriously hampered by a lack of suitable wage data. Contemporary economists are blessed—some might say overwhelmed—with an abundance of data on labor markets. But the student of the antebellum period—and, more generally, the nineteenth-century United States—has not been so fortunate. Historians have previously had to make do with sources of antebellum wage evidence that were severely limited in temporal, geographic, and occupational coverage; consequently, progress in illuminating many important issues has been slow or nonexistent.

This book offers a new interpretation of wages and labor markets before the Civil War. Broadly speaking, the interpretation can be seen as a synthesis of the opposing viewpoints just described, although it contains novel findings that neither could have anticipated without the availability of a substantial body of new evidence (see below). The new interpretation has three parts:

1. The Long Run. In the aggregate, between 1820 and 1860, real wages grew at about 1 percent per year, approximately the same as the growth rate of real output per worker. Thus, on average, antebellum economic growth did "trickle down" to many in the working class.

2. The Short Run. While real wages grew in the long run, pessimists are right to emphasize their erratic behavior over certain subperiods. Real wages grew less rapidly from the 1820s to the 1830s than previously thought, and the late 1840s to the mid-1850s was a period of generally declining real wages. Deviations of real wages from their long-run growth path appear to have been caused by a mixture of nominal and real shocks that were incompletely adjusted to in the short and medium run. Declines in real wages over subperiods may help explain certain declines in nutritional status and were also instrumental in the rise in pauperism in the 1850s.

3. The Effectiveness of Labor Markets. Antebellum labor markets had a reasonably good, if occasionally spotty, record of coping with economic change. Labor markets adjusted to trend growth in the general demand for nonfarm labor insofar as wage gaps between the farm and the nonfarm sectors for unskilled labor were small. Some wage differentials between locations were eroded over time in a manner consistent with simple models of labor supply and demand. However, antebellum development did alter the structure of wages, favoring educated labor at the expense of other groups; and a gap in unskilled wages emerged between the South and the North in the 1830s.

Support for the synthesis draws heavily on the analysis of two bodies of archival evidence that were newly collected for this book. The first is the *Reports of Persons and Articles Hired,* a collection of monthly payrolls documenting the wages of civilian workers employed at United States Army posts throughout the country. A sample of approximately sixty-two thousand wage observations has been collected from this source and put into machine-readable form. The second body of evidence is the manuscript Census of Social Statistics, conducted in 1850 and 1860. This source gives information at the local level on average monthly or daily wages for different types of labor and on the weekly cost of board. Data from a sample of states have been collected and computerized from this source. I also make extensive use of information on antebellum prices and on the labor force collected or produced primarily by other scholars. The tools of cliometrics—formal economic models and econometrics—are employed throughout, but I believe that the key ideas in the book can be understood without detailed knowledge of these techniques.

Chapter 2 discusses the prevailing wisdom on the growth of nominal and real wages from 1820 and 1860 and also introduces the data on which the new interpretation is based. Chapter 3 uses these and other data to construct annual series of nominal and real wages for three occupation groups (common laborers, skilled artisans, white-collar workers) in each of the four major census regions (the Northeast, Midwest, South Atlantic, and South Central states) over the period 1820–60. These series, along with related series presented in chapters 5 and 6, are the principal empirical contribution of the book.

Chapters 4–6 are concerned with the allocative effectiveness of antebellum labor markets. Chapter 4 examines gaps in wages between the farm and the nonfarm sectors because the shift of labor out of agriculture is a key feature of economic growth. The existence of wage gaps would be prima facie evidence of an impediment to growth. Data from the Censuses of Social Statistics are used to measure the size of wage gaps in 1850 and 1860.

Chapter 5 modifies the wage series produced earlier so that they can be used to study the evolution of regional differences in real wage levels by occupation group. Aggregate nominal and real wage series for common laborers, artisans, and white-collar workers are presented in this chapter. Real wages were initially higher in the Midwest than in the Northeast, but the regional wage gap declined in the North as the Midwest's share of the labor force increased. I also find, however, that a North-South gap in unskilled wages emerged in the 1830s. Using the data from the census manuscripts, I also study whether real wages at the local level remained persistently high or low between 1850 and 1860, discovering instead that wages tended to regress to the mean, as would be expected of an interlinked set of local labor markets.

Chapter 6 examines the most famous location-specific shock to labor markets in all nineteenth-century American history—the California Gold Rush. The Gold Rush is an interesting natural experiment to use to study allocative effectiveness because capitalizing on the discovery of gold required the costly reallocation of labor to a distant, and sparsely populated, area. Because the army maintained forts in the state before and after the discovery of gold, it has proved possible to construct wage series spanning the Gold Rush period. I find that real wages rose during the initial phase of the Gold Rush but subsequently declined as labor migrated into California.

Chapter 7 uses the findings of the previous chapters, along with findings presented elsewhere, to develop the new interpretation discussed earlier. Chapter 8 concludes with some brief observations on the relevance of the findings for a current audience.