

Did Improving the Lot Improve the Lots of the People? Evaluating the Economic Mobility from the Homestead Act

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“[T]o the energetic and industrious man, without means, [the Homestead Act] has opened avenues unnumbered to independence and wealth (General Land Office Report, 1870 at 21)

“Laborers in other countries, who find it difficult to support their families, can here acquire wealth, social privileges and political honors by a few years of intelligent industry and patient frugality” (Henry Copp 1880, at 23).

Extended Abstract: After decades of debate on how to handle the disposition and settlement of public lands, the US congress passed the Homestead Act in 1862. The Act provided a clear path for bona fide settlers to receive “free” land by making improvements to a 160-acre quarter-section of land and occupying it for five years. Replete with implications for government revenues, settlement patterns, and securing sovereignty of the vast frontier, the central tenet of the debate preceding the Act’s passage pertained to the landless poor’s opportunity to improve their conditions. By the end of the homesteading era circa 1940, some 1.6 million applications were processed, transferring 270 million acres (about 10 percent of all US lands and nearly twice the acreage that was sold for cash) to private citizens. Despite being the largest land redistribution effort on record, little direct evidence exists on how it fared in delivering on its promise of upward economic mobility. ***Were homesteaders poor? Did they do better than the average frontier settler? Did the land wealth improve the lot of their children? In this paper we humbly begin this assessment by asking how homesteaders in Colorado differed from settlers that secured their land by direct cash purchase and detailing our ongoing efforts to provide a more complete answer.***

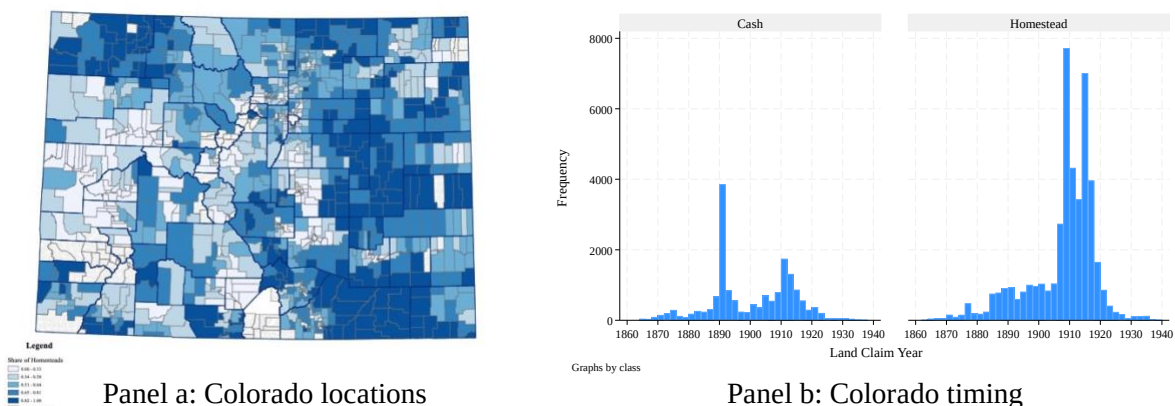
Proponents of the Homestead Act, like Horace Greeley, saw that it was a means of improving the welfare of the landless groups in society (Hibbard 1924). The General Land Office Report in 1866 echoed this belief, stating that “every man [...] by a few years labor [...] can make a comfortable home, and produce the means of subsistence sufficient to furnish not only the necessities but the conveniences of life.” The expectations have clear connections to economic theory by way of a large wealth effect. Upon receiving title, the fee simple land could be utilized as collateral for loans and transferred to others temporarily by lease or permanently by sale, providing a path forward relative to wage workers.

However, the reality of the settlement period and improvements were not so simple. The first come, first serve incentives induced a rush of settlement. Conditions on much of the frontier brought many challenges and perils for settlers including droughts, wind, hard blizzards, and insects. Some 40 percent that attempted to homestead abandoned their land before receiving title, losing all their investment into the land. That investment to make improvements could be substantial and the “free” land, which could not be collateralized while being proved up, marked just a portion of the total expense of starting a farm. Cash purchases remained available, and many were made contemporaneously with homesteading for \$1.25/acre. In other words, a homesteader saved about \$200 per quarter-section. Still, for one without the means to purchase the land outright, the Homestead Act did offer a way to secure title to the land. Whether or not doing so led to economic mobility has not been systematically assessed.

One reason for this gap in the historical assessment is the lack of data and the subsequent reliance on anecdotal evidence drawn from the wide swath of individual experiences which could either be positive or negative depending greatly on the place and time in which a given individual’s homestead history occurred. We address this problem by drawing on the Bureau of Land Management’s (successor to the General Land Office) digitization efforts of the land patents across the United States. These records provide information on when each piece of the federal public domain was transferred, under which land law or statute, and to whom. By geocoding the land claimants, we are able to devise an algorithm to match the patent recipients to the individual US Census records from 1880 through 1940. This permits us to follow the individuals both before and after they homesteaded and assess how their economic status compares to others through time.

At this juncture, we have focused on Colorado as a proof of concept. The state had robust homestead activity. At 22 million acres homesteaded – or about one-third of the state – it follows only Montana and Nebraska in terms of acres homesteaded. In figure 1, we provide an overview of the patent choices made both spatially and temporally.

FIGURE 1
TIMING AND LOCATION OF HOMESTEAD AND CASH-SALE LAND PATENTS IN COLORADO



Notes: Panel a shows the share of land claims that were homesteads as of the 1930 census by minor civil division. Panel b shows the number of cash and homestead claims across years, with homesteads being adjusted by five years to account for the residency requirement.

Rates of homesteading vis-à-vis cash purchases varied across the state. The flatter regions generally saw higher rates of homesteading with the mountainous regions seeing lower rates. We use within-county variation in settler decisions to explore the impacts of the Act. We also point out the timing of claims, which also generally reflect a national trend. During the initial homesteading era, cash purchases were often more common. The specific spike in 1890 followed the Powell Closure of the public domain in 1888 and subsequent repeal in 1890, inducing a rush of pent-up demand to purchase land lest the closure be restored. More notably, homesteading continued well beyond Frederick Turner’s proclaimed “closure of the frontier” in 1890, with most of the activity occurring in the 1910s and 1920s.

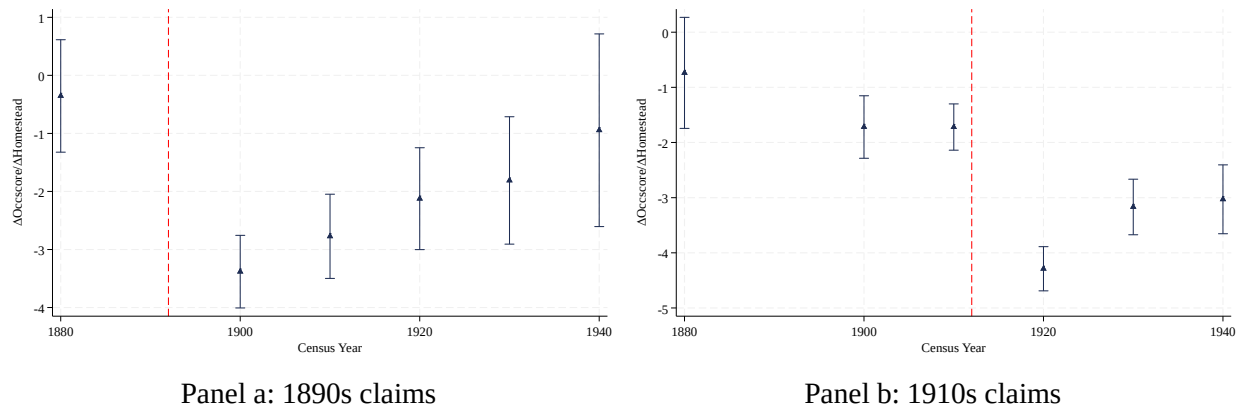
Of these 218,000 patents in Colorado, we have matched 78,000 to the individual US census records (a 36% match rate). This match rate is relatively high for matching census records relative to others’ efforts. Still, a few reasons can explain the 66 percent not matched. First, several of the patents are transfers to the State of Colorado or large transfers to railroad companies, meaning many patents were never going to be linked to individuals. Second, to the extent cash purchasers did not move to the region, the linking is much more difficult. From the US Census, we have focused on the occupation score index (occscore) to provide a sense of economic status. In particular, we were interested in learning whether homesteading served as a “ladder up” for settlers and allowed them to move up the income distribution, both locally and nationally. We look to estimate regressions of the form:

$$Rank_i = \theta 1(Homesteader_i) + \beta X_i + \varepsilon_i$$

At this point in time, we have only constructed a counterfactual from other cash purchasers. These preliminary results provide little evidence that successful homesteaders found any upward mobility relative to those that secured their land with cash. In fact, the evidence suggests that homesteading decreased upward economic mobility relative to other land-owning peers. In figure 2, we show the relative difference in occscores across the census years for those that made land claims in 1890s (panel a) and those that made land claims in the 1910s (panel b). Looking at land claims in the 1890s, we see that in 1880 the individuals that homesteaded did not have statistically distinct occscores from those that were able to and chose to purchase land with cash. But in 1900, after the claims were made, the distinction is clear and large, with homesteaders over three occscore points lower, or about 30 percent of the occscore standard deviation. This seeming setback erodes over time but does not appear to vanish. The pattern is similar for land claims made in the 1910s. Prior to claiming land, homesteaders appear slightly worse off than those cash-purchasers, but appear to become substantially worse off following homesteading, with a small but incomplete recovery over the next two decades.

These results appear to be robust across time periods and modeling choices, including the controls for place of origins (place of birth fixed effects), birth year, gender, marital status, and nativity of parents. More importantly, for the subset of individuals that we are able to link through time, we find that the change in the occscore for homesteaders following the land claim is less positive than cash purchasers, moving up only two occscores compared to four. This at least indicates that the patterns in figure 2 are not solely due to some bias in the cohort we are able to match directly after land claim.

FIGURE 2
ESTIMATED OCCUPATION SCORE CORRELATION WITH HOMESTEADING



Notes: Estimated coefficients for homestead indicated on Occscore by census decade and settlement period. Each coefficient comes from a separate regression that includes claim year fixed effects and county of claim fixed effects. 1890 claims are for patent claims from 1890 to 1899, adjusting homestead patent years by five years. 1910 claims are those from 1910 to 1919. The dashed redline separates the period before the land claim and the period after the land claim.

Although this initial comparison appears to be robust, we are far from prepared to conclude that the homestead act categorically made people worse off. First and foremost, we have only compared them to other land patent claimants, meaning we have no sense of how homesteaders fared compared to others in the area that did not secure land – whether by never attempting to or not completing the homesteading process – or to those that never migrated west at all. Assessments of mobility relative to these additional groups are underway and will certainly provide a more robust answer to the question. Second, as has been found in the literature on economic mobility from immigration, it may be that the homesteading generation finds little upward mobility (and even some downward), but the opportunity does lift the subsequent generation. For this, we are connecting our data to the Census Tree (censustree.org) to assess the intergenerational impact of securing land. Third, we are also in the process of scaling up our linking process to expand the geographic scope of the sample to the entire western portion of the US, where distinct geographic conditions could mean different outcomes than we have found in Colorado.

Our research contributes to the historical assessment of the Homestead Act, extending the quantitative efforts to identify the effects on the land and regional development to those individuals and families that did the settling. It also relates to the literature on migration to seek opportunity and whether this contributes to economic mobility, albeit regarding a particular opportunity to secure land wealth at a pecuniary discount. Due to the relationship with land, it also contributes to the property rights literature, not only on the economic effects of securing title to an asset, but also how the process of securing title may alter the recipients and outcomes. Finally, our novel approach to assessing this historic episode can inform current debates over land redistribution policy around the globe.

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