Farmers

As late as 1900, four out of ten Americans still lived on farms. These farmers, like other Americans, were greatly affected by the Second Industrial Revolution. Most of them were no longer self-sufficient: they were market-oriented and grew crops or raised livestock for sale in America's burgeoning towns and cities. They sold their wheat, cotton, corn, beef or milk to others for cash and then used the money that they earned to buy other foods and goods. This made American farmers extremely vulnerable to changes in market prices for crops and livestock.

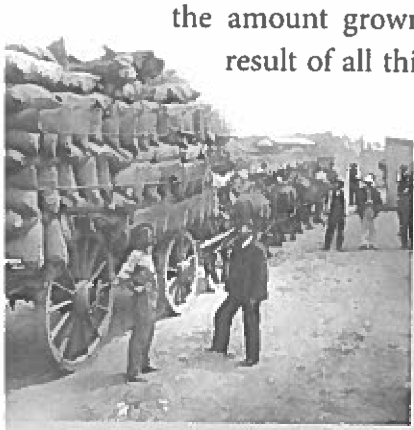
In the late 19th century, farmers experienced increasing difficulties as food prices dropped lower and lower. By 1890, the average price of wheat was less than one-third what it had been in 1870. Farmers blamed the railroads and bankers for their troubles. Because so many Americans were still farmers, their discontent had important social and political effects.

The Problems of Farmers, 1870–1920

Most farmers found their incomes were steadily falling, even as their expenses remained high. Why were crop and livestock prices dropping?

Agricultural Overproduction

The main reason for the drop in crop prices was overproduction. The opening of the Great Plains had greatly increased the number of acres under cultivation. At the same time, improvements in machinery and farming techniques had increased the amount grown on each acre. The result of all this was that American farmers were producing more crops than ever before. With so many crops, food prices naturally fell. City-dwellers benefitted from greater farm production and cheaper food. But many farmers were driven out of business.



A farmer and grain dealer negotiating price of wheat

International Competition

Railroad and steamship transportation created a new international market for food crops. Wheat-growers faced new competition from Canada, Argentina, Russia and Australia. Less of the American crop could be sold abroad. At home, even when American farmers had bad years because of poor weather, imported foreign grain kept prices low.

The Scarcity of Money

Another reason for the drop in food prices was the scarcity of money. Because of fluctuations in gold and silver prices, the government stopped minting silver dollars. Yet, as the population of the United States and the value of its goods and services grew, there was no longer enough money in circulation. This caused some prices to drop.

Meanwhile, even as their own prices dropped, American farmers continued to face high production costs and other difficulties, making it ever harder for them to make ends meet.

The Profits of "Middlemen"

Farmers usually did not sell their crops directly to urban consumers but to "middlemen" who connected them with urban markets. These middlemen were brokers or grain elevator owners, who bought crops at harvest time when prices were low. The farmer, who needed cash, had no choice but to sell to the broker or grain elevator operator at a low price. The middlemen made profits by selling later to urban markets when prices were higher. In some cases, farmers paid grain elevator owners to store their grain. Often the elevator owner charged exorbitant rates. Farmers resented middlemen for taking a share of what they thought should be their own profit.

High Shipping Costs

Farmers who shipped crops to grain elevators or urban markets had to pay for shipping by the railroads. Rates were often extremely high. Railroad companies generally charged less to carry freight over a longer than a shorter distance. This was because there were usually competing railroad lines for "long hauls" between major cities. Railroad companies tried to make up for what they lost in the cutthroat competition for long hauls by raising their rates for "short hauls"—shipments from small communities served by only one railroad. Railroad companies knew that whatever rate they charged, local farmers would have to pay it to reach their markets. In effect, a single railroad usually enjoyed a monopoly on local shipping.

The High Cost of Manufactured Products

While farmers were paid low prices for their crops, they paid high prices for manufactured or processed goods like kerosene, fertilizer, farm machinery, clothing and furniture. A high protective tariff kept out many cheaper foreign goods. In some cases, monopoly practices in American industry also kept the prices of manufactured products artificially high. Trusts kept up the prices of fertilizer, barbed wire, and harvesters.

Farm Debt and the Cost of Money

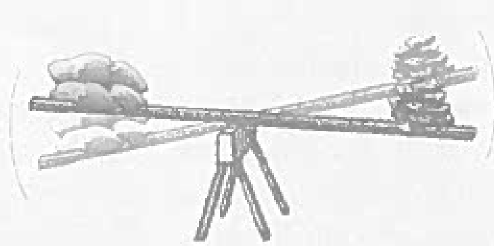
Farmers often borrowed money to buy land, make improvements, or purchase farm machinery. If the harvest was poor, farmers also took out loans simply to survive. They used their own farms as security for these loans. Banks and other lenders saw farmers as poor credit risks and charged them high rates of interest. If a family could not meet its payments, the bank might foreclose and seize the family farm.

Because most farmers were in debt, they favored a policy of **"cheap money,"**—that is, *inflated* currency. If prices rose, the real value of a farmer's payments to a bank to pay off his debt would be less.

Inflation occurs when prices rise—for example, when the price of a quart of milk increases from $2.00 to $3.00. The quart of milk is the same, but the money has changed its value. Because of inflation, the same amount of money ($2.00) has actually become worth less. To remember inflation, think of blowing up a balloon. Pumping air into the balloon causes it to increase in size—or *inflate*. Inflation occurs when prices increase, just like the size of a balloon when pumped with air.

Unfortunately, just the opposite of what the farmers wanted was happening: because of the scarcity of money (and other factors), food prices were continuing to drop. This **deflation** made farmers' loan payments increasingly hard to pay.

Many farmers believed that if the government would just print more paper money or flood the economy with silver coins and paper money backed by silver as well as gold, prices would rise again. This would then make it possible for them to raise their own prices and to repay their debts.



For example, a farmer might buy tools and seed for $10.00. He borrows the money from the bank. Suppose the farmer needs to sell 100 bushels of wheat to earn $10.00 to repay the loan. If prices go down, he will need to sell more wheat to earn the same $10.00 to pay off the loan. If prices go up, it will become easier for him to pay the loan because he can sell less wheat to make $10.00.

With recent mining discoveries of silver, it was hoped that the government could in fact make more silver coins and silver-backed paper money. In 1890, Congress passed the **Sherman Silver Purchase Act**. This law required the federal government to purchase a large amount of silver each month. Supporters predicted this would lead to an increase in the amount of money in circulation. However, the law was repealed in 1893 when the country entered into a depression.

Natural Disasters

In addition to these other problems, farmers were constantly subject to the forces of nature. A single bad year could wipe out the savings of many good years, increase the amount that a farmer borrowed, or even force a farmer to sell his land. In the 1880s, Southern cotton-growers suffered from the spread of boll weevils (*a type of beetle that eats cotton buds*), while wheat farmers on the Great Plans lost crops to grasshoppers and **droughts** (*lack of rainfall*).

Rural Isolation

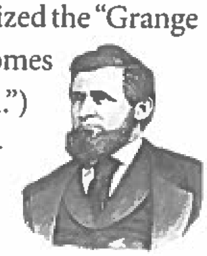
The problems of farm life were made worse by the psychological effects of isolation. A farming family worked long hours on the land, miles from neighbors and without the conveniences we have today, such as cars, telephones, radios, or televisions. Social life centered on market days and church services in the nearest small town. The problems of rural isolation and loneliness were especially acute on the vast Great Plains.

Farmers Organize to Overcome Their Problems

In the last quarter of the 19th century, farmers united to overcome the challenges confronting them in an industrial society.

The Grange Movement

In 1867, **Oliver Hudson Kelley** organized the "Grange Movement." (The name *grange* comes from the old French word for "barn.") The **Grange** was a national association of farmers' social clubs. Kelley hoped to break the rural isolation of



A Grange hall and a painting depicting a Grange meeting

farmers and to spread information about new farming techniques. He wished to modernize farming by providing farmers with the same opportunities for education and social interaction that existed in cities. The Grangers organized picnics, lectures, and other social activities. Within ten years, the Grange had more than 1.5 million members.

Grangers tried to replace middlemen by forming their own "farmers' cooperatives." These cooperatives bought machinery, fertilizers, and manufactured goods in bulk at a discount. They also sold their crops directly to markets in towns and cities. But because of their lack of experience and expertise, most of these cooperatives eventually failed.

Granger Laws

Once farmers had organized into Granger clubs, they quickly turned to politics. They especially blamed the railroad companies for their problems. In several states in the Midwest, Grangers elected candidates to their state legislature. These states passed new laws regulating railroad and grain storage rates.

The railroad companies protested bitterly against the "Granger laws," arguing that these new regulations took away the value of their property illegally, without "due process."

In *Munn v. Illinois* (1877), the U.S. Supreme Court upheld one of the "Granger laws" as constitutional. Illinois had passed a law regulating grain elevators. A grain elevator owner challenged the law as a violation of his private property. The Supreme Court ruled that a state government could regulate a private utility if that utility was serving the public interest.

Nine years later, the Supreme Court limited this ruling. In *Wabash, St. Louis and Pacific Railroad v. Illinois* (1886), the Supreme Court held that state governments could not regulate railroads running through more than one state, since the Constitution had given the power to regulate interstate commerce exclusively to Congress. Since most railroads ran through several states, the *Wabash* decision invalidated many of the "Granger laws."

The Historian's Apprentice

"[A] statute of a state, intended to regulate or to tax or to impose any other restriction upon the transmission of persons or property or telegraphic messages from one state to another, is not within that class of legislation which the states may enact in the absence of legislation by Congress, and that such statutes are void even as to that part of such transmission which may be within the state."

—U.S. Supreme Court, *Wabash, St. Louis, and Pacific Railroad v. Illinois* (1886)

▶ Write a paragraph explaining, in your own words, why the U.S. Supreme Court ruled differently in the *Munn* and *Wabash* decisions.

The Interstate Commerce Act (1887)

In reaction to the *Wabash* decision, Congress passed the **Interstate Commerce Act** only one year later. The act marked the first step towards federal regulation of unfair business practices. It prohibited giving different rates to different customers for hauling freight the same distance. It also banned price-fixing agreements (**"pooling"**) or charging more for "short hauls" than for "long hauls" along the same route. Railroad companies were required to publish their rates, which were to be "fair and reasonable." An **Interstate Commerce Commission** was created to investigate complaints against railroads and to enforce the act. It was the first federal regulatory agency created to watch over an industry

The Populist Party, 1892–1896

Even after passage of the Interstate Commerce Act, farmers continued to have difficulties. Farmers—mainly Grange members—formed regional political associations, known as **"Farmers Alliances,"** in the Northwest and the South. The Farmers Alliances generally focused on local politics. In the early 1890s, the leaders of the Farmers Alliances formed a new national political party—the "People's Party"—better known as the **Populist Party.** The Populists were convinced that rich industrialists and bankers had a stranglehold on government, and that the Democratic and Republican Parties had both "sold out" to the banking interest. They further believed that bankers were using their control of government

to restrict the money supply so that their own gold would become even more valuable. To fight this conspiracy, the Populists wanted to unite all laboring men—both farmers and industrial workers.

The Populist Platform of 1892

The Populists held a national convention at Omaha, Nebraska, in 1892. They nominated a candidate to the Presidency and drew up a party platform with many innovative proposals. The "**Omaha Platform**" contained many ideas that were later enacted into law.

In the election of 1892, the Populists elected five Senators and received more than a million votes for their Presidential candidate. Their main strongholds were areas where prices had dramatically dropped: cotton prices in the South, wheat prices in the Northwest, and silver in the Mountain states.

The Election of 1896

The Depression of 1893 began only a few months after the election. Populists blamed the depression on the scarcity of money, which at that time was backed by gold. Without enough money, prices kept spiraling downwards. Free coinage of silver, the Populists reasoned, would increase the money available through **bimetallism.** This would raise farm prices and make farm loans easier to repay. Populist leaders focused their attention on this issue to attract "free silver" Republicans and Democrats to their party.

Key Provisions of the "Omaha Platform"

- Free and unlimited coinage of silver at a ratio of 16:1 (1 ounce of gold should be equal in value to 16 ounces of silver).
- The direct election of Senators, instead of their selection by state legislatures.
- Government ownership of railroads, telegraphs and telephones.
- The use of the secret ballot in elections so voters could not be unfairly pressured.
- Introduction of a graduated (or progressive) income tax—taxing the wealthy at higher rates than others—to reduce the government's dependence on tariffs for revenue.
- Postal saving banks, so that people would not need to rely on private banks to protect their savings.
- Use of the "initiative" and "referendum," to make politicians more responsive to the people (see page 126).
- Restrictions on immigration.
- An eight-hour workday for industrial workers.
- Limit the Presidency to one term in office.
- Use government warehouses to store farm goods until food prices were higher.

The Historian's Apprentice

Which of these Populist proposals later passed into law and are still with us today?

> *"There are two ideas of government. There are those who believe that, if you will only legislate to make the well-to-do prosperous, their prosperity will leak through on those below. The Democratic idea, however, has been that if you legislate to make the masses prosperous, their prosperity will find its way up through every class which rests upon them. You come to us and tell us that the great cities are in favor of the gold standard; we reply that the great cities rest upon our broad and fertile prairies. Burn down your cities and leave our farms, and your cities will spring up again as if by magic; but destroy our farms and the grass will grow in the streets of every city in the country. . . Having behind us the producing masses of this nation and the world, supported by the commercial interests, the laboring interests, and the toilers everywhere, we will answer their demand for a gold standard by saying to them: "You shall not press down upon the brow of labor this crown of thorns; you shall not crucify mankind upon a cross of gold."*
>
> —William Jennings Bryan, Speech at the Democratic National Convention

The Democratic Convention. The incumbent President, Grover Cleveland, was a Democrat. Many farmers and workers saw his policies, however, as increasingly conservative. As President, Cleveland had halted the government purchase of silver, had used federal troops to put down the Pullman Strike, and had failed to lower tariffs significantly. As a result, Democrats became divided. At the Democratic Convention of 1896, "free silver" Democrats—those who thought the government should allow unlimited coinage of silver—defeated Cleveland's supporters after a bitter struggle. **William Jennings Bryan**, a 36-year-old Congressman, won his party's nomination after delivering his brilliant **"Cross of Gold" speech**, exalting the farmer and denouncing banking interests for attempting to "crucify mankind upon a cross of gold."

William Jennings Bryan

The Democratic nomination of Bryan on a "free silver" platform placed Populist leaders in an awkward position. They decided to nominate Bryan too, rather than to divide the "free silver" vote. This brought Populists under the control of the Democratic Party and ended their independence as a separate party.

The Election: McKinley versus Bryan. Republicans nominated William McKinley, who favored the gold standard, a high protective tariff, and the non-interference of government in business. Behind McKinley stood the organizing ability of wealthy Ohio businessman Marcus Hanna. Hanna solicited money from large business owners and raised ten times as much campaign money as Bryan's supporters. John D. Rockefeller was frightened by Bryan, and his company contributed to McKinley's campaign. In the Northeast, many people blamed President Cleveland for the depression and looked upon the Democratic candidate, Bryan, as a lunatic. Hanna's propaganda convinced workers that Bryan's election would bring about a general economic collapse and cost them their jobs. Most newspapers also supported McKinley. In the West, people viewed the silver issue with religious devotion. Bryan campaigned throughout the country, giving more than 600 speeches. The election itself turned out to be very close. Bryan swept the South, the Great Plains, and the Rocky Mountain states, winning 6.5 million votes. But McKinley won the Northeast, the Midwest, and the Pacific states of California and Oregon—giving him 7 million votes and a majority of the electoral votes. Bryan ran for the Presidency again in 1900 and 1908, but lost each time. Although the Populists disbanded, many of their ideas were later adopted. You will learn about these changes in the next chapter.