

"Agricultural Problems and Gilded Age Politics"

In the years from the end of the Civil War in 1865 and the turn of the century some thirty-five years later, Americans witnessed the death of a rural and agricultural America dominated by farmers and the birth of an urban and industrial America dominated by bankers, industrialists, and city dwellers. This transformation of the United States made the country richer and more powerful than it had ever been before. It was accomplished, however, only with tremendous difficulty, especially for those in the American agricultural community. Farmers, large and small, witnessed numerous problems and dislocations during the era with which they found themselves unable to cope successfully. As the transformation of America took place, distressed farmers became angrier and angrier and would eventually participate in the most influential third political party movement ever.

I. Problems of the American Farmer during the Gilded Age

- **OVERPRODUCTION**

Without question the most vexing problem and the one that surpassed all others in both its negative effect and its difficulty to adjust to successfully was the problem of agricultural overproduction. In short, the American farmer produced far too much for his own good. In the years following the Civil War, agricultural production levels skyrocketed. The opening up of the Great Plains to the plow, the use of farm machinery which allowed the individual farmer to grow more, new farming techniques, and the spreading of the railroads (which made areas remote from rivers agriculturally viable by reducing transportation costs) all led to the flooding of the American market with agricultural produce.

As more and more crops were dumped onto the American market, it depressed the prices farmers could demand for their produce. Farmers were growing more and more and making less and less. If one looks at cotton production and prices during the Gilded Age, one can see the problem facing the farmer quite clearly. Between 1873 and 1894 cotton production doubled while the price of cotton fell from about 15 cents a pound to less than 6 cents a pound. The same phenomenon occurred in all other sectors of the agricultural economy.

Of all the problems facing the farmer, I believe that overproduction was the gravest because it caused so many other difficulties. Not making enough to recoup expenses because of depressed crop values, farmers attempted to compensate by growing more and more. This only made the problem worse. Furthermore, inadequate income drove farmers into ever-deepening debt and exacerbated problems in other areas.

- **Tariff Policies**

Farmers fell victim as well to the tariff policy of the United States during the Gilded Age. They were forced to buy all the manufactured goods they needed for survival on a market protected by tariff legislation at artificially high prices while selling what they produced on a largely unprotected and highly competitive market at depressed prices because of oversupply and foreign competition. Thus, the tariff policy of the country often worked a double hardship on agricultural interests.

The aim of American protective tariffs during the Gilded Age was to try to guarantee the American market to the American manufacturer of finished products at a profit. The federal government consciously sought to achieve this aim as a means of encouraging the industrial revolution after the Civil War. By putting an import tax or duty on manufactured goods being imported into the United States by foreign manufacturers, the government hoped to make them more expensive than the similar American manufactured goods. This virtually guaranteed that American consumers, seeking to maximize their disposable income, would buy American goods. Protective tariffs were one of the many reasons why American industry grew so quickly during the final third of the nineteenth century.

Industrial manufacturers and the people who invested in American industry as well as some of their employees were the strongest supporters of this protectionist tariff policy. They argued that protective tariffs were temporarily necessary to encourage investment in industrial concerns by making them less risky. They also claimed that infant industries in the United States needed this form of protection from more powerful and well established European competitors. They conceded that such a policy would raise costs to consumers in the short run. Only with tariff protection, however, could

the United States be rapidly industrialized. In the long run, America's dependence on foreign manufacturers would be ended, American dollars would be kept in America, consumers would benefit from newer and better products, and more jobs would be created for laborers.

Opponents of the country's tariff policy included consumers, farmers, small businessmen, etc. They argued that tariffs were simply rip-offs of the consumer by greedy robber barons and the bankers who supported them. They laughed at the idea that American big businesses were fledgling, infantile operations that needed protection. Farmers felt doubly discriminated against because they felt the tariffs were applied primarily to manufactured goods while agrarian interests were left to fend for themselves.

- **Monetary Policy**

During the Gilded Age, the federal government pursued a monetary policy that contracted the amount of money in circulation, making money scarcer and thus driving up its purchasing power and worth over time. This was done by limiting currency to gold rather than gold and silver or gold, silver, and greenbacks or paper money.

When the amount of money in circulation is contracted (such as occurred following the Civil War when silver was demonitized), purchasing power goes up. When the amount of money in circulation is expanded, purchasing power goes down. The first is referred to as "hard money" while the second is known as "soft money". Contraction or hard money equals deflation while expansion or soft money equals inflation.

Bankers, businessmen, investors and lenders supported hard money, arguing that it was a prerequisite to industrialization. Unless money retained its worth, people with money would not invest in risky industrial ventures and bankers wouldn't lend.

Farmers and debtors were the strongest advocates of soft money. They felt it was insane to limit currency to gold while Western silver mines were turning out tons of equally acceptable metal for currency. By coining both gold and silver, Americans who lived in areas where banks and money were scarce would have a better chance of obtaining currency. Farmers and debtors argued that soft money or inflation would provide badly-needed debtor relief. It would mean that those constantly in debt could repay in dollars that were easier to come by and worth less than in dollars, as was presently the case, that were harder to obtain and worth more.

The hard money policy the government pursued during the Gilded Age worked a real hardship on debtors such as farmers. Not only did they have to repay principal and interest on debt but had to do so with dollars that were increasingly harder to come by and that had greater purchasing power than those they had originally borrowed. Farmers, who were constantly in debt because of the nature of agriculture and its problems during this era, found themselves caught in this double bind year after year.

- **Tax and Bank Policies**

The government, once again to encourage rapid industrialization, gave significant tax break to industries that were not given to farmers. As industry became more and more profitable and agriculture less so, banks were increasingly reticent to lend money to agrarians. When they did, it was at a higher rate of interest. Farmers also suffered from the fact that most of the banks were located in the urban, industrial Northeast while there were fewer in rural agricultural areas. Thus farmers were driven to the credit merchant in the crop-lien system.

- **Differential Freight Rates**

The urban, industrial Northeast was the recipient as well of low railroad rates because it was the most overbuilt area of the country. Since the roads were losing money because of excessive competition in that region, owners often tried to make it up in less competitive areas such as the farming areas of the South and the Midwest by charging more for rail service. Thus, farmers felt that the higher transportation costs they were forced to pay and which made agriculture less rewarding were in order to subsidize the industrial interests they increasingly detested.

- **Tenant Farming, Sharecropping, and the Crop-lien System**

As agriculture became less rewarding, more and more farm owners lost their farms when they could not repay bank loans and their mortgages were foreclosed on or they could not pay their tax liabilities and their farms were auctioned off as a result. During the Gilded Age, more and more farmers lost their land and slipped down the agricultural ladder into tenant farming, sharecropping, and the crop-lien system.

Tenant farmers rented the right to farm someone else's land for a cash payment. Since money was so scarce (especially in the South following the loss of the Civil War), landless farmers would farm someone else's land and at the end of the growing season would give up a predetermined share of whatever they grew as the rental payment - 1/3 of any cotton crop and 1/4 of any grain crop.

Since food and clothing were necessary during the growing season and because of poverty and a scarcity of money in rural areas, the crop-lien system emerged and spread during the Gilded Age and beyond. A sharecropper could obtain food, clothing, and other necessities of life on credit from either the landowner or a credit merchant during the growing season in return for a contractual lien against whatever share of the crop in the field was sufficient to meet the credit they were extended plus interest. The landowner or credit merchant charged a credit purchase price that was approximately 60% higher than the cash purchase price. Interest rates were generally unspecified until the end of the growing season but averaged nearly 25% annually.

By the time the crop came in, it was all gone to the landowner for the right to farm the land and to the credit merchant for food and clothing. Indeed, most sharecroppers under the crop-lien system ended the year in debt to the credit merchant and were thus legally obligated to continue the relationship the next year to pay off the debt. Year after year, the landless farmer fell deeper in debt. Many were trapped for life.

The system hurt all the more because the credit merchant could dictate the crop that would be grown by croppers he extended credit to. In the South, that meant cotton because it was non-perishable and could always be sold somewhere at some price. This, however, exacerbated the problem of overproduction and depressed the price of cotton even further. It was an endless cycle.

- **Loss of Status and Power**

One of the factors hardest for farmers to deal with was the recognition that a rural and agricultural America dominated by farmers had given way to an urban and industrial America dominated by those interests. Farmers found the major political parties of the Gilded Age unresponsive to their demands that government deal with their problems. Farmers no longer controlled the social, economic, or political systems and this was a bitter pill to swallow.

II. The Unresponsiveness of the Republican and Democratic Parties to Agrarian Needs

During the Gilded Age from 1877-1896, political competition between the two major parties was incredibly intense and close. Elections were more often than not decided by less than 1% of the popular vote and what happened in a string of key swing states determined which party would control the White House for the next four years. Given these circumstances, it was incumbent on the parties to anger as few voters as possible. The Republican and Democratic parties, therefore, refused to take firm public stances on the major issues of the day - currency policy and tariff policy - which were both divisive and polarized. While the government pursued a "hard" money policy and protective tariffs in general, the parties tried to cloud their issue stances by appealing to party loyalty and using "bloody shirt" oratory or nominating favorite son candidates from the key swing states. While smart politically, it ignored the plight and demands of agrarians.

The Gilded Age also witnessed intense population increases from urbanization and immigration in the industrial states of the Northeast. In the American political system, population equals political power. Gaining more and more seats in the House of Representatives and votes in the Electoral College, the Northeast had the votes to swing the country, Congress, and the presidency in favor of urban and industrial interests. Farmers therefore found little receptivity to their demands either in Congress or from the major political parties.

III. The Agrarian Reaction: Self-Help Programs to Political Demands

- **The Grange Economic Self-Help Cooperatives**

In the 1870s, a farm organization known as the Patrons of Husbandry, but more popularly called the Grange, arose and instituted a cooperative program to help farmers help themselves. The buying and selling coops founded by the Grange attempted to put more money into farmers' pockets by eliminating middlemen from these economic transactions.

Despite heroic efforts by Grangers, the cooperative movement failed for a variety of reasons. The middlemen - the targets of the movement - fought back by refusing to let farmers sharecrop land they owned, denying the farmers credit at mercantile stores they ran, or refused to buy or process the farmers' crops at any price whatsoever. The cooperative

stores set up by the Grange also failed because they were underfinanced and could not afford to offer goods for sale on a credit basis. This forced poor farmers into the hands of credit merchants who charged higher prices but made credit available under the crop-lien system. The selling cooperatives also failed because farmers were unable, given their poverty, to wait for everyone's crop to be collected, processed, transported, and sold at a higher price. Farmers, desperate to convert their remaining crop into cash to meet debts and live between growing seasons, were forced to sell to a local buyer at whatever price they could get.

- **The Farmers Alliance**

Because of the failure of the Grange to solve agrarian problems through its self-help programs, farmers began to become more militant. The Farmers Alliance, a much more politically-oriented organization, began to attract more and more support in the 1880s as it demanded a governmental response to the plight of the farmer.

The Farmers Alliance called upon the federal government to institute a "subtreasury program" to help farmers avoid being forced to sell their non-perishable crops on a glutted market when they could command the least for their labors. Farmers hoped to wait until the glut which occurred at the end of each growing season and temporarily depressed prices to their lowest point had dissipated and given way to scarcity when prices would rise. This, however, would require financial subsidization from the federal government. Theoretically, when farmers placed their crop on deposit in federal storage facilities, the Treasury Department would loan the farmer up to 80% of the crop's current value and hold on to the crop as collateral. When scarcity drove prices up, the farmer would sell and repay the government with a nominal rate of interest. Not surprisingly given the temper of the times, the proposal was considered revolutionary and rejected by Congress and the political parties.

The subtreasury plan was far from the only demand of the Alliance, which realized that agrarian difficulties could never be solved by the farmers themselves. The situation was so grave that the organization demanded a complete agenda of programs and laws which would give justice and perhaps prosperity to the beleaguered farming community. Among these demands were the abolition of national banks, the free coinage of silver to inflate the currency system and provide debtor relief, the enactment of a progressive income tax to shift the tax burden to rich industrialists, the lowering of protective tariffs on manufactured goods, the direct election of U. S. senators, and governmental regulation or nationalization of the railroad and telegraph industries.

During the middle and late 1880s the Farmers Alliance pressured the Republican and Democratic parties and Congress to deal with the situation by meeting their political demands. When the parties and government refused or passed laws that farmers viewed as ineffective shams, such as the Interstate Commerce Act and the Sherman Silver Purchase Act, the members of the Alliance made the decision to abandon traditional politics and form a third party of their own making. That party and the agrarian challenge of the status quo resulted in a political realignment and an end to the Gilded Age political system.

