

## Politics in the Gilded Age



In the year 1800 it would scarcely have occurred to founding fathers such as Jefferson, Hamilton, or Madison, to consider that the role of the government was to regulate business. But the Constitution gave the right to control interstate commerce to the United States Congress, and in a case of *Gibbons v. Ogden* in 1824, Chief Justice John Marshall affirmed that it was the federal government's exclusive right to control interstate commerce. In the last half of the 19th century, however, it became apparent that large businesses, created as a by-product of industrialization, needed to be regulated, and justification for government involvement lay in the commerce clause. As corporations came more and more to dominate the lives of people, the tradition of *laissez-faire*, letting business operate unimpeded by government, was not only impractical but actually dangerous, for the “war between capital and labor” was often a bloody contest fought to the death by business owners and managers and the workers who served them. Inevitably, the government had to assume the burden of regulating the workplace, and it was the interface between government and the American economy that dominated the political life of the Gilded Age, a nexus that in large measure has continued ever since that time.

At the outset of the Civil War the federal government had been stretched far beyond its limits to cope with the extraordinary demands of supporting an army of over one million men. That demand ended once the war was over, but new areas of responsibility stretched the resources of government to such an extent that it could not cope with the rapid acceleration of events affecting the American society and economy. After the war the nation returned to peacetime activities—farming, manufacturing, railroad building, and all the advances stimulated by the arrival of the second Industrial Revolution.

The years between the end of the Civil War and the turn-of-the-century saw huge changes in economic and social conditions, which required political attention. The realignment of politics in the decade before the Civil War and the political requirements of reconstruction, however, left the parties and Congress preoccupied with issues that had little to do with the daily affairs of working people. Although there were some notable political figures in this era, a large majority of the national leadership could be considered little more than political mediocrities: the movers and shakers were all in business, though some made good use of their financial power to buy their way into high offices such as state governorships and the United States Senate. Wealthy



businessman such as Rockefeller, Vanderbilt, Carnegie, Morgan, and others who needed to use the political process for their own ends tended to “purchase” political support rather than getting directly involved.

During the Gilded Age, 1876-1900, Congress was known for being rowdy and inefficient. It was not unusual to find that a quorum could not be achieved because too many members were drunk or otherwise preoccupied with extra-governmental affairs. The halls of Congress were filled with tobacco smoke and spittoons were everywhere. One disgusted observer noted that not only did the members chew and spit incessantly, but their aim was bad. The atmosphere on the floor was described as an “infernal din.” The Senate, whose seats were often auctioned off to the highest bidder, was known as a “rich man's club,” where political favors were traded like horses, and the needs of the people in the working classes lay beyond the vision of those exalted legislators.

The dominant fact concerning the American political parties between 1875 and 1900 was that the parties were evenly divided. It was also an era in which political corruption seemed to be the norm; practices that today would be viewed as scandalous were accepted as a matter of routine. Businessmen wantonly bribed public officials at the local, state and national level, and political machines turned elections into exercises in fraud and manipulation. The narrow division between Republican and Democratic voters made both parties hesitant to take strong stands on any issue for fear of alienating blocs of voters. The result was that little got done.

During this period very little serious legislation was passed; between 1875 and 1896 only five major bills made it through Congress to the president's desk. Even discussion of the graduated income tax, by any definition a revolutionary measure, failed to arouse much interest or public debate. All the same, there was wide voter participation and interest in the political process; most elections saw about an 80% turnout. Yet unprecedented dilemmas being created by industrialization, urbanization, and the huge influx of immigrants were met with passivity and confusion.

**Republicans.** Republican presidents dominated the White House from the election of Abraham Lincoln in 1860 until election of Franklin Roosevelt in 1933. The only two Democrats elected during that interval were former Governor Grover Cleveland of New York, who was conservative enough that Republicans were more or less content with his election, and Woodrow Wilson, elected in 1912 when the Republican Party split between incumbent President William Howard Taft and Progressive candidate Theodore Roosevelt.

The Republican Party held a slight edge in national politics, largely on their repeated claim that it was the Democratic Party that had caused the Civil War. Republicans were noted for waving the “Bloody Shirt,” calling Democrats responsible for the blood that was shed over secession. Starting with General Grant, Republicans nominated former Civil War officers in every election through 1900 except in 1884, again cashing in on the legacy of the war. Union veterans gravitated heavily to the Republican Party; in fact, the Grand Army of the Republic was actually an auxiliary of the GOP.

Another part of the Republican base was African-American voters who tended to vote Republican—the party of Lincoln and emancipation—whenever they could. The gradual



disenfranchisement of blacks in the South tended to erode the Republican base as the century progressed. Republicans were also known as the party of business, and they supported protective tariffs, transportation improvements and a tight money policy. Their philosophy, derived from the fact that the party was dominated by business, was that what was good for business was good for everyone else, including workers.

The Republican Party consisted heavily of Northern Protestants and Americans descended from older generations. Ethnically they were supported by Scandinavians, German Lutherans, and English Methodists and Anglicans. They were shunned by Catholics because of their opposition to parochial schools, and immigrants sometimes disagreed with their policy that all teaching in schools must be in English. The Republicans divided into two camps, the Stalwarts and the Half Breeds. Although the two groups despised each other they did not differ on issues; the goal of each bloc was political power, nothing more.

**Democrats.** Before the Civil War the Democratic Party had become a heavily Southern party, and its strong Southern base continued until well into the 20th century. By 1900 the Democrats controlled most of the southern states, but they had difficulty electing a candidate to the White House; they could not win national office with a Confederate Civil War veteran. As mentioned above, the only Democratic president elected between 1860 and 1900 was Grover Cleveland, who was elected twice, in 1884 and 1892; he was the only American president with split terms. In the South, however, Confederate veterans had the advantage in most elections. The section was dominated by the so-called Bourbons, conservative old Southern leaders.

A few anti-tariff businessmen were Democrats, along with some merchants and other business people. Democrats were just as conservative on money issues as Republicans: the politics of business was common to both parties. The northern wing of the Democratic Party leaned heavily in favor of the working classes, whose demographic makeup included Roman Catholics of German and Irish descent, white Southern Baptists, and many of the working class immigrants once they became eligible to vote. Democratic machines in the cities such as Tammany Hall in New York worked hard to get them registered and active in politics.

Neither Democrats and Republicans were willing to take strong stands on issues important to the voters. The sectionalism that had been prevalent prior to the Civil War was still alive and well, and with the evenness of political party affiliations, candidates' personalities were important. Noted British historian James Bryce, who first visited the United States in 1870, observed firsthand the lack of action on specific issues. He wrote:

Neither party has, as a party, anything definite to say on these issues; neither party has any clean-cut principles, any distinctive tenets. Both have traditions. Both claim to have tendencies. Both have certain war cries, organizations, interest and listed in their support. But those interests are in the main interest of getting or keeping the patronage of the government. Distinctive tenets and policies, points of political doctrine and points of political practice, have all but vanished. They have not been thrown away, but have been stripped away by time and the progress of events, fulfilling some policies, blotting out others. All has been lost except office or the hope of it. (James Bryce, *The American Commonwealth*, 1888, (Indianapolis, 1995), Vol. II, p. 699.)



Neither the Democrats nor Republicans appealed to farmers, which led to the Granger movement, which in turn helped spawn the Populist movement, which eventually became the Populist Party.

Both political parties used machines to mobilize voters and manipulate the system. Shady tactics were openly pursued, and the charge to “vote early and often” started in this era, when political operatives sent their minions all over the cities voting in as many precincts as they could manage. In Philadelphia one ward politician boasted that, “One hundred years ago our forefathers voted for liberty in this city, and they vote here still!” The names of the signers of the Great Declaration had been placed on the voter rolls. One curious journalist noticed that a large number of voters listed the same address as their residence, and upon checking, the journalist discovered that the location was that of a house of ill repute.

Political leaders did not seem particularly embarrassed by the open corruption. Republican Stalwart and machine leader Roscoe Conkling of New York stated: “Parties are not built by department, or ladies' magazines, or gush!” To Benjamin Harrison's claim that Providence had helped him get elected, Pennsylvania Senator Matthew Quay responded, “Providence didn't have a damn thing to do with it!” (Harrison later discovered that his support had been bought by the machine: “I could not name my own cabinet. They had sold out every position in the cabinet to pay the expenses.”)

Since neither side wanted to take risks for fear of upsetting the balance of power, complex issues such as the tariff and money bills moved forward slowly. The little people—farmers, laborers, small businessmen—were left out of the political equation except at the local machine level. Journalists tended to oversimplify the issues, and campaigns took on a carnival style, with much sloganeering, booze, bands, girls, and ready cash spread around liberally.

At the city level, although the political machines were known for corruption and shady dealings, there was more to it than met the eye. Machine politicians actually worked very hard for their constituents; they would greet immigrants at the dockside, walk the streets in the working districts, and help poor people cut through the red tape generated by the city's bureaucracy. However, people who were awarded jobs as a result of political activity were obliged to contribute a portion of their wages to the political machines that got them their positions. Those funds, in addition to being used to bribe public officials, also went to provide direct support to those in the greatest need, a kind of ad hoc welfare system. Still, many were concerned about the level of corruption, although the time for full-blown urban reform had not yet arrived.

**The White House.** At the national level powerful public interests tended to dominate the political landscape. All the presidents from Abraham Lincoln's death until Teddy Roosevelt's accession were notably weak. All were more or less decent men, but none were activists. Page Smith calls them “forgettable” and characterizes them as follows:

Rutherford Hayes, who stole the office from Samuel Tilden (the office was so diminished in influence at that point that it was hardly more than petty larceny); James Garfield, who was shot before he could demonstrate his ability; Chester Arthur, a hack politician with a shady record in the pits of New York politics; Grover Cleveland, a cut above the rest; Benjamin Harrison, who



looked presidential and evoked the memory of an earlier and presumably better time; courageous Cleveland again, grown even more conservative in his years out of office; and then, finally, William McKinley, the "Major," a decent if undistinguished man, manufactured by Mark Hanna. (Page Smith, *The Rise of Industrial America*, p. 454. )

Presidents and cabinet members were hounded by jobseekers and political machine operatives seeking to collect on campaign promises made. Presidents were unwilling to challenge the Congress on the major issues of the day.

Rutherford B. Hayes was elected as a result of the compromise of 1877, which earned him the title of "His Fraudulency." Hayes was characterized by aloofness and a forbidding presence based upon his sense of moral rectitude. Mrs. Hayes became known as "Lemonade Lucy" for her refusal to allow alcohol to be served in the White House. Hayes announced early that he would not run for reelection, making him a lame duck from the start. During the great railroad strike of 1877 he was distressed and pleaded, "Can't somebody do something for these workers ... ?" The statement reveals his inadequacy as a leader.

James A. Garfield might have made an excellent president but he was assassinated during his first year in office. His inaugural address (on the Academic American web site) is worth reading. Vice President Chester A. Arthur, who had been removed from office because of issues of corruption in the New York Customs House, succeeded Garfield. One political crony, hearing of Garfield's death, is reported to have said, "Chet Arthur? President of the United States? Good God!" Page Smith says that Arthur surprised everyone and did a creditable job, all things considered, "thereby ensuring himself a place in history as a reformed crook." (Page Smith, *The Rise of Industrial America*, p. 457.)

In his first message to Congress Arthur recommended that civil service law be considered. He then prodded Congress to pass the Pendleton Act, a civil service reform bill that created the first Civil Service Commission. It was the first step towards creating a professional civil service that would rise above political machinations by using a merit system for promotion. The act would also ensure continuity in federal employees from one administration to the next, even if the White House changed parties.



It has already been noted that Grover Cleveland, Governor of New York at the time of his election, was said to be "a cut above the rest." The 1884 election was one of the muddiest in our history. Cleveland's opponent, Republican candidate James G. Blaine was scorned during the campaign as "Blaine, Blaine, James G. Blaine, that continental liar from the State of Maine!" because of charges of corruption involving railroad interests. He was also suspected of anti-Roman Catholic bias. (Some Republicans claimed the Democrats were the party of "rum, Romanism and rebellion," referring to their positions on temperance, the Catholic Church and secession. Blaine did not distance himself from such sentiments.) The fact that Grover Cleveland had allegedly fathered an illegitimate child led to the





jingle, “Ma, Ma, where’s my Paw? Gone to the White House Haw, Haw, Haw!” Cleveland’s supporters noted that the Governor had openly acknowledged the possibility of his alleged paternity and in fact had helped support the child—he directed his aides to “tell the truth.”

Some Republicans united in a group known as the “Mugwumps,” reformers unhappy with the high level of corruption in government. They abandoned Blaine during the campaign and were then known as “goo-goos.” The Mugwumps claimed they would support an honest Democrat. Cleveland, the reform-minded governor of New York, met the test. With the platforms virtually identical, the election was very close; Cleveland’s margin of victory was 25,000 votes out of 10 million cast and 37 electoral votes out of 401.

President Cleveland, whose administrations were split into two separate terms, was a rigid, self-righteous, haughty individual and thus did not inspire affection. However, he was honest, courageous, and possessed integrity. He had fought the New York City Tammany Hall machine and had become famous as the “veto mayor” of Buffalo and later the “veto governor” of New York. His stalwartness was both a blessing and a shortcoming once he was in office. People said of him, “We love him for the enemies he has made.”

Benjamin Harrison has the distinction of being the president who served between Grover Cleveland's two separate terms, and there is not much else with which to credit him. Historians generally consider him to have been a mediocrity who oversaw the admission of a number of Republican states into the Union and generously authorized pensions for Civil War veterans that put a severe strain on the treasury. He did sign into law the Sherman Antitrust Act and the Sherman Silver Purchase Act, though he did not vigorously support the passage of either bill. (Both are discussed further below.)

During President Cleveland’s second term he distinguished himself by taking an anti-imperialist position with regard to events in Hawaii (which are covered in the next chapter.) When presented with the treaty intended to make Hawaii part of the United States, Cleveland sent investigators out to the Hawaiian Islands to see what had happened. They reported that Hawaiian Queen Liliuokalani had been overthrown by an American-led insurgency, and Cleveland refused to send the treaty to the Senate.

The last president of the Gilded Age was William McKinley of Ohio, elected in 1896 with the assistance of his manager, Senator Mark Hanna of Ohio. President McKinley pursued a conservative, pro-business agenda and signed the second highest protective tariff bill in American history, the Dingley Tariff of 1897. The only higher tariff had been the McKinley Tariff of 1890. McKinley’s presidency was dominated by foreign affairs, most notably the Spanish-American War, which will be taken up in a later chapter.

**Issues.** The major political issues of the Gilded Age were the tariff, currency reform and civil service reform. The first two issues were of obvious interest to businessmen, and they lobbied and spent freely to gain support for favorable tariff legislation and business-friendly monetary policy. Their efforts were countered vigorously by progressive groups opposed to tight money and high tariffs that raised the cost of consumer goods. Civil service reform was a widespread reaction to the rampant political corruption of the era.



**Tariffs.** What many Americans failed to understand was that the tariff issue is complex, as there are two kinds of tariffs with two distinctly different purposes. Ordinary revenue tariffs are modest taxes placed on imports to fund agencies responsible for goods and people entering the United States. Customs and immigration services were financed heavily by revenue tariffs. Tariffs can be specific (assessed in dollar amounts) or ad valorem (assessed as a percentage of the cargo's value).

Protective tariffs are quite different, and their purpose is to support American businesses and industries. Those high tariffs enable American producers to compete successfully with foreign competitors as the tariffs are passed along to consumers, thus raising the price of imported goods and making American products more attractive. Today, for example, the government places tariffs on many products such as automobiles imported from Japan and shoes imported from Italy. High tariffs were clearly not beneficial to consumers during the Gilded Age. Yet, the idea of high protective tariffs was sold to industrial workers on the grounds that if American businesses lost out to foreign competition, workers' jobs would be threatened. On election day management representatives might warn their workers, "If you want your job to be here tomorrow, be sure to vote for the party that supports high tariffs!"

Protective tariffs were first passed during the second James Madison administration. High protective tariffs were the norm until the Underwood Tariff of 1913 signed into law by President Woodrow Wilson lowered tariffs significantly for the first time since 1857.



**Currency Reform.** Another important issue dealing with economics was that of Currency Reform. The basic issue rests

upon the premise that the amount of money in circulation determines its value. Combined with that idea is the fact that currency which is not backed by solid resources (i.e. gold or silver), generally paper money, tends to lose value rapidly. During the Revolution, for example, when the United States owned little gold or silver, the paper money in circulation was all but worthless, having a real value at times of about two cents on the dollar.

*Five Hundred Dollar Note—President McKinley*

For most of early American history the country's money supply was based on a bimetallic system, that is, both gold and silver were considered specie (hard currency.) Once Alexander Hamilton, the first Secretary of the Treasury under Washington, had brought government



finances under control, the government managed to support itself through a combination of tariffs, land sales, and occasional modest duties or excise taxes. American paper soon began to retain most of its face value.

The issue of the Bank of the United States and various state banks complicated the issue, for state banks had at times offered their own paper notes which circulated as “money,” but their value was unstable. The U.S. Bank tended to stabilize currency, but it was a hot political issue for much of the early 19th century.

The chief political issue regarding the money supply was whether money was “hard” or “soft.” Hard money advocates, generally bankers and operators of other financial institutions, as well as businessmen, wanted a stable currency that was not subject to inflation. Investors, speculators, and people who tended to be in debt (farmers in particular) favored a loose or soft money policy, because inflation tended to ease their financial burdens.

The financial needs of the government during the Civil War led to a variety of taxes, including the first income tax, which was enacted in August, 1861, and called for a 3% tax on incomes over \$800. By 1865 the income taxed produced 20% of federal receipts, but currency was still short, so the government adopted a “softer” money policy. The treasury issued \$500 million in paper money not backed by gold or silver—“greenbacks.” As the fortunes of war ebbed and flowed, so did the value of the greenbacks, which occasionally sunk to as low as 35 cents on the dollar.

Eventually the huge debt generated by the Civil War was converted to government bonds, which were paid off over time, and the greenbacks were gradually taken out of circulation. In 1873 a Coinage Act made gold the sole monetary standard, even though large quantities of silver were being produced by western mines. The resultant tightening the money supply brought deflation of currency, which aroused anger among people who benefited from inflationary policies. Currency reform thus became a hot political issue for several decades. For years many believed that a “gold conspiracy” was behind the issue and that politicians were beholden to those interests.

The controversy between “silverites” and “gold bugs” continued and was one of the key issues that led to creation of the Populist Party. Farmers in particular were hurt by tight money policies and demanded reform. However, both major parties tended to favor tight or hard money. The formation of the Greenback Labor Party, which advocated a return to paper money, provided little relief, and the issue would remain contentious for another quarter of a century.

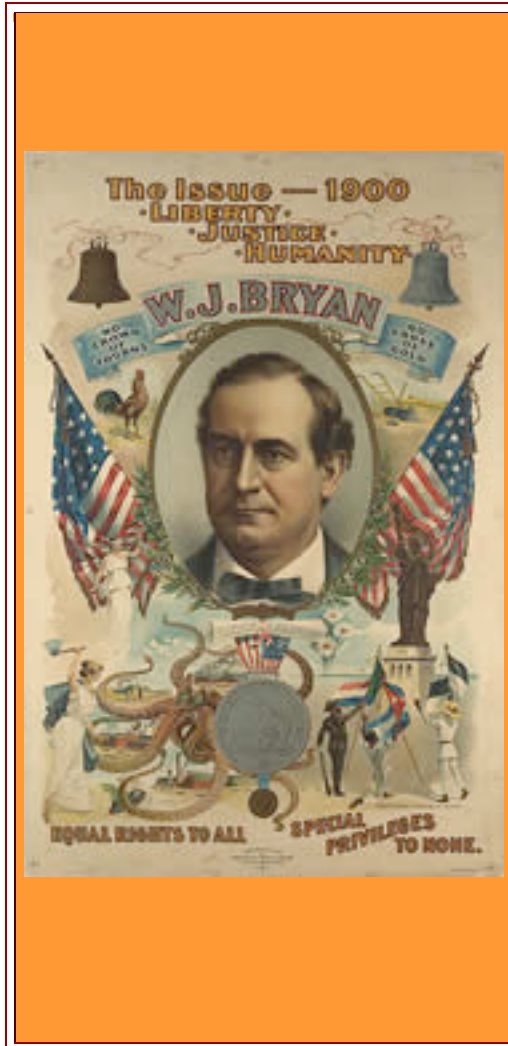
While the discontinuation of silver coinage foreclosed an important method of expanding the currency supply, the actual supply of silver increased. As demand dropped, the price of silver fell, contributing to the deflationary cycle. Thus the silverites gained support from farmers, debtors, and speculators who wanted larger money supply; they demanded “Free Silver,” i.e., unlimited coinage of silver, which would be inflationary.

The admission of four new western states under President Harrison led to increased Congressional pressure in support of silver, and in 1890 the Sherman Silver Purchase Act was





passed. The act required the treasury to purchase 4.5 million ounces of silver per month to be converted into coins and silver certificates (paper money backed by and redeemable as silver.)



## The Cross of Gold

The issue came into sharp focus during the 1896 Democratic national convention. A populist Democrat from Nebraska, gave a speech which became known as the famous oration Bryan said of the gold backers:

“They tell us that the great cities are in favor of the gold standard; we are in favor of the silver standard. Burn down your cities and leave our farms, and you will have the support of the farmers all over the country, 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, the honest laboring interests, and the toilers everywhere, we will answer their demand that you shall not press down upon the brow of labor this crown of thorns, you shall not crucify mankind upon a cross of gold.”

Bryan became the Democratic candidate for president in a year, supported by the Populist Party. He was also the candidate of the Populist Party, and that decision ended the era of the silver standard. Republican William McKinley won the 1896 election and pro business policies. The accession of Vice President Theodore Roosevelt, who helped usher in the Progressive Era.

**Civil Service Reform.** President Andrew Jackson had argued that the spoils system—the awarding of government positions to loyal political supporters—actually enhanced the democratic process. (The term “spoils system” originated with New York Senator William L. Marcy, who said, “To the victor belong the spoils” following Jackson’s victory in the election of 1828. ) Jackson believed that any average, intelligent citizen was able to perform the mundane tasks of government clerks and officials. As political machines gained more control over partisan activities, however, the awarding of government jobs was increasingly seen as a source of corruption. Thus the movement for civil service reform was fueled to some extent by a desire to reduce political corruption. In addition, as society grew more complex during the industrial, the ability to perform routine tasks under government employment also became increasingly complex. It was apparent for these reasons that a professional civil service was required, with employees who would no longer be subject to the political winds.

As mentioned earlier, President Hayes's advocacy of civil service reform put him on a collision course with Congressional bosses. He removed Chester Arthur and Alonzo Cornell from the New York City Customs House for failure to carry out reforms. Both were underlings of New York Senator and Republican political boss Roscoe Conkling, who thought it an attack on him or his machine. Conkling invoked senatorial privilege and got the Senate to withhold consent for replacements for months. President Hayes stuck to his guns, however, and eventually got enough Democratic support to get his appointees approved.

When President James A. Garfield was assassinated four months after assuming office, people were shocked to discover that the assassin was a disgruntled office seeker who had been trying to get a position in Garfield’s administration. Garfield had showed great promise before his assassination, and support for civil service reform grew significantly. The reason behind the assassination attempt, along with evidence of fraud in government, especially in the Bureau of Indian Affairs and in railroad supervision, led to the founding of the National Civil Service Reform League in 1881.

The result of the reform agitation was passage of the Pendleton Civil Service Reform Act in 1883, signed by President Arthur. The act in effect ended the spoils system by classifying certain jobs, which meant they could not be awarded on the basis of patronage. In addition the United States Civil Service Commission was established to construct a system under which people would be hired on merit rather than on the basis of political connections. By 1900 about half of all federal employees were classified, and today virtually all regular civil servants, with the exception of high level policy appointees, are controlled by the civil service system.



**Regulating Commerce and Business.** In the year 1800 it would scarcely have occurred to founding fathers such as Jefferson, Hamilton, or Madison, to consider that the role of the government was to regulate business. The Constitution, however, assigned responsibility for controlling interstate commerce to the United States Congress, and in the case of *Gibbons v. Ogden* in 1824, Chief Justice John Marshall affirmed that it was the federal government's exclusive right to control commercial transactions between the states.

The accepted approach to the relationship between government and business for most of American history had been that of *laissez-faire*—letting business operate more or less unimpeded by government. People believed government interference with business could have no beneficial effects. Yet as the power of corporations grew, along with their size and numbers of employees, and as sharp competitive business practices rendered the playing field uneven, it became clear that corporations, especially large ones operated by the so-called robber barons, were responsible for significant amounts of hardship in people's lives.

During the last half of the 19th century it became apparent that large businesses needed to be regulated, as corporations came more and more to dominate the lives of people. As a result, the tradition of *laissez-faire* was not only impractical but actually dangerous, for business-labor relations often degenerated into bloody contests fought to the death between business owners and managers and the workers who served them. The inevitable result was that the government had to assume the burden of regulating the workplace. It was the interface between government and the American economy that dominated the political life of the Gilded Age, a nexus that in large measure has continued ever since that time.

**Social Darwinism.** Working in favor of continuing the *laissez-faire* approach was the concept of Social Darwinism. Charles Darwin's "Origin of the Species," published in 1859, was a very controversial work. Its impact soon reached beyond the subject of biological evolution (which had put it at odds with many fundamentalist religious beliefs), and it moved into the social arena. The idea of survival of the fittest, an offshoot of Darwin's original thesis, was applied to the human environment. The idea was to let people wade in to the morass of life and either get stuck or crawl out under their own power. Survival of the fittest thus became the social (and international) byword. When combined with Adam Smith's idea of allowing the market to determine success and failure in the business world, it meant that businesses were expected to do whatever was necessary to survive. Only by defeating their competitors could they hope to prosper. Business practice became ruthless and cutthroat, and survival went not only to the fittest, but also to the wildest, the most crooked, and the most corrupt organizations. Something had to be done.

Businesses quickly realized that in order to continue to operate in the *laissez-faire* environment that had persisted from revolutionary days they would have to fend off attempts by government to become more involved in an economic policies. Since businesses required political support, and since politics required healthy injections of money, business-political alliances were forged, which did not always serve the public well. Railroads, for example, offered free passage to Congressman and other government officials and their friends and even went so far as to give them complimentary shares of stock in building corporations for railroad expansion. When John D. Rockefeller was developing standard oil, it was said that he "did everything with the



Pennsylvania legislature except refine it.” Practices of that sort, which would today violate Government ethics many times over, were considered a normal part of doing business during the Gilded Age.

In particular, people who depended on railways for business purposes were hurt by the fact that at least on the local level, where railroads had a monopoly on transportation of goods from producer to market. Shipping rates were uneven and often unfair, especially on lines where no competing systems were available. In addition, large corporations such as Carnegie Steel or Standard Oil were able to pressure rail companies not only to give them favorable rates and rebates (refunds under the table), but they also forced shippers to pay drawbacks—payments for goods shipped by the giant companies’ competitors. They pulled no punches in defeating competition through discriminatory rates. Farmers in particular were subject to the will of the railroad operators, especially when the roads owned and operated grain silos and other storage facilities, which farmers had no choice but to use.

**The Interstate Commerce Act.** As a result of all those questionable practices, Congress passed the Interstate Commerce Act of 1877, which stated:

*All charges made for any service rendered or to be rendered in the transportation of passengers or property as aforesaid, or in connection therewith, or for the receiving, delivering, storage, or handling of such property, shall be reasonable and just; and every unjust and unreasonable charge for such service is prohibited and declared to be unlawful.*

It further declared that rebates, drawbacks and other under-the-table payments were illegal. Although the Act had to be strengthened by subsequent legislation, the Interstate Commerce Act was the first step in bringing transportation facilities under government oversight.

**The Sherman Antitrust Act.** The first major break with the concept of *laissez-faire* came with the 1890 Sherman Antitrust Act. Businesses were prohibited from using monopolistic practices or acting in restraint of trade and taking unfair advantage of competitors. Like the Interstate Commerce Act, the Sherman Act had to be modified and tightened by later legislation, but the mere passage of the act demonstrated that the age of unbridled corporate excess was coming to an end.

Major sections of the **Sherman Act** were:

*SEC. 1. Every Contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal. Every person who shall make any such contract or engage in any such combination or conspiracy, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court.*

*SEC. 2. Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on*



*Conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court.*

## **AGRICULTURAL DISCONTENT & The POPULIST MOVEMENT**

The Populist movement began in the late 19th century, and its roots lay in the discontent of farmers. As settlers moved from eastern farms and their lush, green settings, where neighbors were within hailing distance of each other, out onto the Great Plains, they had to make substantial changes. They had to learn new kinds of farming, as annual rainfall was much lower than in the East. The soil was often hard and unyielding, and they had to learn what was known as “dry farming.” And because they needed to grow crops such as wheat and corn in large quantities, the size of farms was larger than the East and the distances between farms substantial.

Farming life on the Great Plains was thus a lonely existence. Women in particular, sometimes isolated from all but their family for weeks at a time, often suffered from depression brought on by the lack of human content. It was said on the Great Plains, where the wind blows freely and often unceasingly, that women were often driven mad by the wind. (In the musical “Paint Your Wagon,” about homesteading in the West, is a song “They Call the Wind Mariah.” One line goes, “Mariah makes the mountains sound like folks was up there dyin’.”)

To combat their isolation farmers began to organize into social groups. They would come into the towns on Saturday night and enjoy hot meals, music, dancing and conversation. That conversation often turned to sharing their troubles, such as being beholden to railroads for transporting their goods and renting out the silos and storage facilities where grain was loaded before being shipped. Farmers were chronically in debt—they had to invest in supplies, machinery and labor before their crops were harvested and sold, and thus often had to borrow money to stay in operation. Farmers were therefore economically hampered by the interest rates they had to pay on loans. Many were deeply indebted to mortgage companies.

To make their troubles worse, as farmers got better and better at their jobs, with more efficient farming methods and equipment, they drastically increased the supply of agricultural goods they were producing, including grains, livestock, and other commodities. Furthermore, with increased, faster transportation both on land and on sea, they began to face competition from other parts of the world, as Argentinean beef farmers, for example, competed with American beef producers. The increased supply of farm products drove prices ever lower, to the point where farmers found themselves trapped between rising costs and falling prices.

An additional hardship came from the fact that the tightness of currency tended to cause prices to remain stable or even decline. (It is a myth is that inflation hurts everybody; people who have fixed debt find that inflation, which brings rising prices, helps them pay off their loans faster.)

The actual amount of money in circulation per capita was decreasing during this period.

Conservative money interests wanted to retain the gold standard and limit the supply of silver currency, while soft-money advocates wanted not only more silver coins but even greenbacks—paper money with no specie backing—to be circulated.





All these factors, along with discriminatory railroad rates, unfavorable marketing arrangements, and high protective tariffs, which raised the price of manufactured goods that farmers needed, were the constant subject of conversations among farmers. Their discontent led to the creation of the Granger movement, the “Patrons of Husbandry,” a secret organization designed to promote the interests of farmers. Having begun as a social movement to counter the lonely, hard life of the farmer and his family, the grangers soon turned to political action. Part of their activities were of the self-help variety, including such things as the sharing of information on farming through education, cooperative ventures to purchase silos and machinery, and to bring pressure on groups they saw as their oppressors, namely railroads and banks. But they sought political solutions as well.

The Grangers were aided by others who faced many of the same problems, such as small businessmen and merchants. They began to sponsor legislation and got laws passed at the local and state level in the 1870s and 80s. Eventually, around 1890 these somewhat diverse groups congealed into a national political party, the People's Party or Populists. Recognizing that they needed help from the federal government, which had the constitutional authority to regulate interstate commerce, they entered big-time politics.

The populists were not outright Socialists, but many of their goals resembled those of the European socialist parties which were flourishing at the same time. The Populists’ goals included more equitable distribution of wealth, and a humanistic social system. The Populists had what was referred to as a “millennial outlook”—a utopian view of the future—and they were often strongly religious people. Populist reformers wanted to be “governed by good men.”

Many conservative interests saw the Populists as a threat to the basic economic system of the United States, but the free market economy had always worked against the farmer. If the free market functions on the laws of supply and demand, and supply vastly outstrips demand, the results are likely to be disastrous for the suppliers; in fact, that condition has been the lot of American farmers for much of our modern history. (In 1922 the price of a loaf of bread compared with other commodities was the lowest it had been in 500 years.)



The Populists were an enthusiastic lot, and it was said that the atmosphere of Populism was like that of a revival meeting, probably including many shouts of “Hallelujah” and “Amen!” To get a firm picture of the populists goals and attitudes, read the Populist Party Platform of 1892. In that year they fielded a presidential candidate **James B. Weaver**, a former Republican, who earned over one million popular votes, almost 10 percent of the total, and 22 electoral votes, one of the most successful third-party efforts in American political history to date.

Despite their successes, however, the Populists had trouble building a national party. They were perhaps too

radical for the time, and many of their ideas seems someone akin to the Communist and Socialist parties of Europe. Ultimately the Populist party failed to survive. They did well in 1892, but they lacked the money, organization and candidates to follow through in 1894. In that year their total vote was up 50%, but they made few electoral gains. Fusion with the Democratic Party seemed to be the only answer, but many Populists didn't agree with that approach. In 1896 however they endorsed the Democratic candidate, William Jennings Bryan for president, and thus virtually giving up their party identity. (Bryan's Cross of Gold speech gives considerable insight into why the Populist found him so appealing.)

In the end, however, the Populist movement succeeded. If you examine carefully the specific goals of the Populist platform of 1892, as you move ahead and survey the results of the Progressive Era 1900-1916, you will notice that almost every one of the Populist goals was addressed at least in part. In some cases they did not get everything they wanted--no political party ever does--but the Populists changed the landscape of America. The last message of the Populist Party is that third parties are important for the country. At the present time, 2004-2005, we have no viable third party in United States. The two major parties are divided roughly evenly as the last two elections have shown. It is likely that much of the political rancor that exists in the country in early 21st century comes from the fact that there are many dissatisfied people in the country; but neither of the major parties meets their needs, so the angriness of much of the American political spectrum comes from the fact that there is no third party where people can comfortably vent their grievances.

**Summary:** By the 1890s the nation was approaching a state of crisis. With increased on industrialization in the workplace is becoming ever more dangerous, and businesses refuse to accept responsibility for injuries to workers. As farmers became far more efficient in producing crops supplies tended to outstrip demand regularly and thus depressing prices. From time to time farm production would be severely impeded by droughts storms infestations of locusts and other parasites, and it became increasingly challenging for farmers to make economic progress. In the mid-1890s a serious depression made things worse, and the Populist rebellion grew in strength. Historian H. W. Brands characterized the 1890s as *The Reckless Decade* in his book with that title.

The Gilded Age was a time of enormous progress for the country. Production expanded in unimaginable proportions, living standards rose dramatically for millions, great fortunes were amassed, millions of immigrants found hope on America's shores and technology began to supplant human muscle power with machine power, with huge increases in productivity. But all that progress had a price. As reformer Henry George pointed out, the existence side by side of massive evidence of progress with appalling conditions of poverty is one of the paradoxes of the age. Labor was nearly crushed, and a massive workers' rebellion might have occurred with no-one-knows-what results. Reform was essential, and it came in the form of the Progressive Movement.

## THE ROLE OF THE SUPREME COURT IN CONTROLLING BUSINESS

To fully appreciate the role of the United States Supreme Court in controlling business, one needs to go back to the cases decided by the John Marshall Court. I argued in Part 1 of this



course that John Marshall made the country safe for capitalism through rulings in his most important decisions. In *Fletcher v. Peck* he affirmed the sanctity of contracts; in *Dartmouth v. Woodward* he defined the corporation; in *Gibbons v. Ogden*, he affirmed the power of the government to control interstate commerce. The precedents set by Marshall in those and other cases, sometimes called judicial nationalism, made it easier for later courts to support government intervention in the private arena, a situation mandated by the exigencies of Gilded Age business. Despite Marshall's willingness to support federal government intervention in commercial matters, the course in the Gilded Age remained reluctant to abandon the concept of *laissez faire*. Their tendency toward narrow interpretations would relax during the progressive era.

- *Slaughterhouse Cases*, 1873. State of Louisiana gave 25-year monopoly on all slaughterhouse operations in New Orleans (ostensibly for health reasons.) Appeal rested on 14th amendment; Supreme Court said it didn't apply--it never intended to make Congress the legislature for the "most ordinary and usual functions" of government or to make the Supreme Court a perpetual censor of all state legislation.
- *Stone v. Farmers' Loan and Trust Co.* 1886. State law regulating railroad rates must allow the RR to make a profit. (But what was a fair profit? Who decides?)
- *Chicago, Milwaukee and St. Paul Railway Co. v. Minnesota.* 1890. Corporations are allowed to use their property to make a "reasonable" profit. Legislatures could not define "reasonable." Had to be a judicial finding.
- *U.S. v. E.C. Knight.* 1895. The Sugar Trust. Combination of 4 Pennsylvania Companies. Interstate commerce begins with movement. Manufacturing monopoly unrelated to interstate commerce. (98% does not necessarily restrain trade)
- *Munn v. Illinois.* 1877. Sustained state regulation of grain elevator rates. The public "has a direct and positive interest"--if a business is clothed with public interest, then it is subject to public control. Important precedent for later regulations controlling utilities.
- *Wabash (etc.) v. Illinois.* 1886. States have no constitutional power to regulate interstate railway rates passing through territory, even absent federal legislation. Decision augmented demand for federal regulation.
- *Smith v. Ames.* 1898. Nebraska Law set rates directly through enactment. Court found legislature's rates "unreasonable" and thus constituted taking property "without due process of law." The court becomes, in effect, a regulating agency.
- *Cincinnati, New Orleans and Texas Pacific Railway Co. v. I.C.C.* 1897. The commission does not have the power to fix railroad rates. Takes all the clout away from I.C.C., which can now require only publication of rates and equal rates for all customers.

**SUMMARY:** *AMERICA AT THE TURN OF THE CENTURY* is on the verge of **PROGRESSIVISM**. Conditions were such that if improvements and reforms were not made, the country might have gone through serious civil unrest, perhaps workers riots, revolution, or unknown events.

[Gilded Age Part 1](#) | [Gilded Age Part 2](#) | [Gilded Age Home](#) | Updated June 19, 2010

