**CHAPTER 20: POLITICS AND EXPANSION IN AN INDUSTRIALIZING AGE, 1877-1900**

PARTY POLITICS IN AN ERA OF SOCIAL AND ECONOMIC UPHEAVAL, 1877-1884

* Between 1877-1894 not one political party could control a majority.
* It was not until 1896, in the aftermath of a massive depression that hit when the Democrats and a new third party, the Populists, were in office, did the Republicans consolidate their power and build a coalition that would control Congress and the presidency for the next fifteen years.
* There was high voter turnout, for those that could vote.
* Government generally ignored the social consequences of industrialization and focused instead on encouraging economic growth.
* How can we explain this refusal and, at the same time, account for the enormous popular support for parties? The answer lies in the political ideology of the period and two major symbolic and economic issues that preoccupied lawmakers. The first involved the economic issues of the tariff and the money supply. The second issue focused on civil-service reform, aimed at awarding government jobs on the basis of merit rather than political connections.

### Contested Political Visions

* Political parties in the late 19th c. energized voters by appealing to economic self-interest and by linking their programs to deeply held beliefs about the nature of family and the proper role of government.
* After the war, Republicans justified their support for the tariff and defended their commitment to Union widow’s pensions as a protection for the family home and female wage earners. Men, in particular, associated loyalty to party with a sense of masculinity. They thought high tariffs imperiled the family and threatened economic disaster.
* Neither Republicans nor Democrats believed the government had the right to regulate corporations or to protect the social welfare of workers.
* City and state governments vied for control. Cities often could not change their system of government, alter their tax structure, or regulate municipal utilities without state approval.
* Both parties thought that the other was committing voter fraud, which both were.
* By linking economic policy to family values, both national parties reinforced the appeal of their platforms. And encouraged the participation of women in the political process.

### Patterns of Party Strength

* In the 1870s and 1880s each party had its centers of regional strength.
* The Democrats ruled the South, southern sections of border states like Ohio, and northern cities with large immigrant populations.
* They campaigned for minimal government expenditures, opposed tariff increases, and generally attacked what they considered to be “governmental interference in the economy.” They also supported immigrant supporters.
* The Republicans, mostly in rural and small-town New England, Pennsylvania, and the upper Midwest.
* State and local party leaders managed campaigns.
* Although the struggle to define the legitimate use of governmental authority shaped the general debate between the two major parties on the federal level, family tradition, ethnic ties, religious affiliation, and local issues often determined an individual’s vote.
* In the North, ethnicity and religion were the most reliable predictors of party affiliation.

### The Hayes White House: Virtue Restored

* Hayes major presidential achievement was to restore respect for the office after the Grant Scandals.

### Regulating the Money Supply

* How do you create a money supply adequate for a growing economy without producing inflation?
* Should the Civil War paper money be retained and expanded, or phased out, leaving only a currency backed by gold.
* The controversy dragged on.

### The Spoils System

* Spoils system – appointing friends to government positions.
* A small but influential group of upper class reformers including MO Senator CARL SCHURZ and editor E.L. GODKIN – had campaigned for a professional civil service based on merit.
* Cautiously embracing the civil-service cause, President Hayes launched an investigation of the corruption-riddled NYC customs office in1877 and ordered the resignation of 2 high officials.

### Civil-Service Reform Succeeds

* James A. Garfield won the 1880 Republican presidential nomination. Chester A. Arthur was his running mate and recently removed from office in NYC by President Hayes.
* Democrats nominated Winfield Scott Hancock and the Green backers nominated James Weaver.
* Garfield won the elections.
* Garfield was assassinated in 1881, which brought to the White House Vice President Arthur, the very symbol of patronage corruption, gave a powerful emotional thrust to the cause, as civil-service reformers portrayed the fallen President as a spoils system martyr.
* In 1883 Congress enacted a civil-service law introduced by Senator George Pendleton of OH
* The PENDELTON CIVIL SERVICE ACT set up a commission to prepare competitive examinations and establish standards of merit for a variety of federal jobs; it also forbade political candidates from soliciting contributions from government workers.
* In 1884, a Democrat got the White House, Grover Cleveland.

POLITICS OF PRIVILEGE, POLITICS OF EXCLUSION, 1884-1892

*1884: Cleveland Victorious*

* The Democrats chose Grover Cleveland because he seemed to be against the corruption that was in government.

### Tariffs and Pensions

* Cleveland had embraced the belief that government must not meddle in the economy.
* The tariff issue was controversial, some wanted it high, and others wanted it low depending on what they were producing.
* Most farmers thought the tariff inflated farm-equipment prices and, by impeding trade, made it hard to sell American farm products abroad.
* Cleveland’s call for lower tariffs arose initially from the fact that in the 1880s the high tariff, was feeding a growing budget surplus. This surplus tempted legislators to distribute the money in the form of veterans’ pensions or expensive public works programs.
* Cleveland viewed the surplus as a corrupting influence.
* He said that the lower tariffs would not only cut the federal surplus but also would also reduce prices and slow the development of trusts.
* This struck many corporate leaders as highly threatening.
* In 1887 he vetoed a bill that would have pensioned all disabled veterans (even if their disability had nothing to do with military service) and their dependants. Because there was a lot of fraud there.

*1888: Big Business and the GAR (Grand Army of the Republic) Strike Back*

* The Republicans turned to Benjamin Harrison.
* Harrison won the election.
* He rewarded his supporters.
* The pension rolls soon ballooned from 676,000 to nearly a million. This was America’s first large scale public-welfare program.
* In 1890, the Republicans also enacted the MCKINLEY TARIFF, which pushed rates to an all time high.
* 1880s – the government was very much out of touch with the plight of the disadvantaged.

### The Grange Movement

* Great Plains farmers struggled.
* When relief did not come they set up cooperative ventures.
* In 1867, under the leadership of OLIVER H. KELLEY, A Department of Agriculture clerk, Midwestern farmers formed the GRANGE, or PATRONS OF HUSBANDRY, as it was officially called.
* The Grange offered information, emotional support, and fellowship.
* They printed the latest findings on livestock and planting. They also organized biweekly social gatherings, including cooperative meals and lively songfests.
* However, its central concern was the farmers’ economic plight. They wanted to: help farmers “buy less and produce more, in order to make our farms more self-sustaining.”
* They believed that farmers were the true backbone of society.
* Grangers attacked the RRs, in WI, MN, and IA they lobbied state legislatures in 1874 to pass laws fixing maximum rates for freight shipments.
* The RRs challenged this
* In *Munn v. Illinois* (1877) the Court not only rejected the RRs appeal but also upheld an IL law setting a maximum rate for the storage of grain.
* Congress passed the INTERSTATE COMMERCE ACT (1887), reaffirming the federal government’s power to investigate and oversee RR activities and establishing a new agency, the INTERSTATE COMMERCE COMMISSION (ICC), to do just that. Although it did not curb the monopolistic practices of the RRs, it did establish the principle of federal regulation of interstate transportation.
* Despite promising beginnings, it failed. RRs gained a foothold again in state legislatures. And their cash-only cooperatives failed because few farmers had that much cash.

### The Alliance Movement

* THE FARMERS’ALLIANCE MOVEMENT – first arose in the South and the West.
* It began in Texas and spread from there.
* Like the Grange, they advocated farmers’ cooperatives to purchase equipment and supplies and to market their cotton.
* They mostly failed because they lacked the capital to finance them.
* Alliance members generally comprised not only the poorest farmers but also those most dependent on a single crop and most geographically isolated.
* In 1889 the Southern and Northwestern Alliances loosely merged and adopted terms for the candidates in the 1890 midterm election. They wanted to reform the American economic system.
* Their objectives included: increasing government action on behalf of farmers and workers, included tariff reduction, a graduated income tax, public ownership of the railroads, federal funding for irrigation research, a ban on land ownership by aliens, and “the free and unlimited coinage of silver.”
* They had early success.
* The supporters split on the idea if they should start a new party or operate within the Democratic Party.
* In February 1892 alliance leaders organized the PEOPLE’S PARTY OF THE UNITED STATES, generally called POPULIST PARTY.
* They ran James Weaver in the election.
* The Populist platform restated the alliance goals while adding a call for the direct popular election of senators and other electoral reforms.
* IT also asked for a plan where farmers could store their nonperishable commodities in government warehouses, receive low-interest loans using the crops as collateral, and then sell the stored commodities when market prices rose.

THE 1890S: POLITICS IN A DEPRESSION DECADE

*1892: Populists Challenge the Status Quo*

* Cleveland won the election (Democrat – won with support for the gold standard – he got the conservative business support).

### The Panic of 1893: Capitalism in Crisis

* Cleveland soon confronted a major crisis, an economic collapse in the RR industry that quickly spread.
* Weakened by agricultural stagnation, RR growth slowed in the early 1890s, affecting many related industries, including iron and steel. The first hint of trouble ahead came in Feb. 1893 with the failure of the Philadelphia and Reading RR.
* The bankruptcy came at a time of weakened confidence in the gold standard.
	+ When a leading London investment bank collapsed in 1890, hard-pressed British investors sold millions of dollars worth of stock in American RRs and other corporations and converted their dollars into gold, draining US gold reserves.
	+ Congress’s lavish veterans’ benefits during the Harrison administration drained government resources as tariff revenues were dropping because of the high McKinley Tariff.
	+ The 1890 Sherman Silver Purchase Act Further strained the gold reserve. – This required the government to pay for its monthly silver purchases with treasury certificates redeemable for gold or silver, and most chose gold.
	+ The election of Cleveland endorsed the gold standard, his party harbored many advocates of inflationary policies.
* When Cleveland took office, the gold reserve plummeted and this alarmed people.
* The collapse of a RR early in 1893 thus triggered an economic crisis.
* Fear fed on itself as panicky investors converted their stock holdings to gold.
* Stock prices plunged, gold reserves sank, 74 RRs and more than 15,000 commercial institutions, including 600 banks failed. After the panic of 1893 came four years of hard times.

### The Depression of 1893-1897

* Industrial unemployment soared into the 20-25% range.
* The harsh winters made matters worse. Rural America faced ruin as agricultural prices dropped by more than 20% between 1890-96.
* Some American turned to protest.

### Business Leaders Hunker Down

* Cleveland said boom and bust economic cycles were inevitable. He said the government could do nothing and he focused on the gold standard. He called for the repeal of the Sherman Silver Purchase Act – and Congress got rid of it (he thought it was the problem).
* It kept dwindling – he turned to JP MORGAN and AUGUST BELMONT – they agreed to lend the government $62 mill. In exchange for US bonds at a special discount. They purchase gold to replenish their reserve. Meanwhile Morgan and Belmont resold the bonds for a substantial profit. This helped to restore the confidence in the government’s economic stability.
* The gold drain stopped, and the Treasury offered $100 million in bonds in 1896 they sold quickly.
* Cleveland saved the gold standard, but at a high price.
* Cleveland’s policies split the Democratic party
* The depression also helped reorient social thought. Middle class charitable workers realized that character flaws did not cause poverty – that even sober, hardworking people could succumb to economic forces beyond their control.

THE WATERSHED ELECTION OF 1896

* McKinley ran against William Jennings Bryan (Democrat). McKinley (Republican) won.
* His win allowed for a political realignment that would influence American politics for a generation.

*1894: Protest Grows Louder*

* The Republicans won both houses of Congress.
* Free Silver split most Americans. Conservative upheld the gold standard. Others thought silver was ok
* Gold advocates recognized that paper money must be based on more than a government’s ability to print it and uncontrolled inflation could be catastrophic.
* The silver advocates knew from experience how tight-money policies depressed prices and devastated farmers.
* However, they could not express themselves clearly.

### Silver Advocates Capture the Democratic Party

* At the 1896 Democratic Convention the southern and western delegated adopted a platform of free and unlimited coinage of silver.
* The Populists endorsed Bryan (they did not want to steal votes from him)
* The Republican platform embraced the high protective tariff and endorsed the gold standard.

*1896: Republicans Triumphant*

* Urban voters realized that higher farm prices, a major free-silver goal, also meant higher food prices, so they voted for McKinley.
* DINGLEY TARIFF (1897) – pushed rates to all-time high levels, and the CURRENCY ACT OF 1900 officially committed the US to the gold standard.
* With returning prosperity, rising farm prices after 1897, and the discovery of gold in Alaska, these measures aroused little protest.
* McKinley easily won a second term.
* Bryans’ defeat and the Republicans’ emergence as the party of prosperity and the sound dollar killed the Populist Party and drove the Democrats back to their regional base in the South.
* Progressivism was emerging – Many of the Populists’ reform proposals would be enacted into law in the progressive years.