

The Rise of Industry

Inventions, Consolidation, and the Captains of Industry

By 1900 - U.S. Industrial Capacity Dwarfed That of Both Germany and Britain.

Factors Encouraging Industrial Growth

- Natural Resources
- Favorable Government Policies
- Growing Population
- New Sources of Power
- more...

More Factors...

- Introduction of Machinery
- Improved Transportation & Communication
- Effect of Wars

American Inventors and Inventions

- American inventors developed important new technologies.
 - Charles Goodyear - vulcanized rubber
 - Elias Howe - sewing machine
 - Elisha Otis - the elevator
 - Gordon McKay - sewing machine for shoes
 - Christopher Sholes et al - the typewriter
 - Ottmar Mergenthaler - typesetting machine
 - William Burroughs - key-operated calculator

"The Wizard of Menlo Park"

- Thomas Edison
- Model for corporate industrial research
- Inventions include light bulb and phonograph
- Over 1,000 patents in lifetime

Steel and the Bessemer Process

- Henry Bessemer (GB) perfected steel processing in 1850s
- William Kelly independently developed same process in U.S.
- Inexpensive, removed impurities, led to strong and durable steel
- U.S. becomes a leading producer
- Used in railroads, buildings, bridges

Henry Ford

- Pioneer of the automobile industry
- Used standardized interchangeable parts and assembly line techniques
- Increased worker wages to improve work force retention (from \$2.50 to \$5 per day)
- 8-hour work day
- The Model - T

Railroad Expansion

- Transportation key to industrial growth
- Quick & cheap access to distant markets and raw materials
- Improved tech. in engines and rails

- 100,000 miles of track added between 1877 and 1893

Railroads cont.

- Standardization of gauge (width of tracks) encouraged development
- Adoption of standardized time zones
- Massive land grants and government subsidies
- Cornelius Vanderbilt - integrated rail system

Frederick Winslow Taylor

- "Scientific Management"
- Developed systems for maximum efficiency of people and machines
- Time and motion studies determine best method for completing tasks in least amount of time

Corporations

- Managerial Techniques
 - Division of responsibilities
 - Hierarchy of control
 - Cost accounting procedures
 - Middle-management
- Consolidation
 - Horizontal & Vertical Integration
 - Pools, Trusts, Conglomerates

"The Robber Barons"

- Andrew Carnegie - Carnegie Steel
 - Rags to riches
 - Vertical Integration of Steel Ind.
 - Drove rivals out of biz
- John D. Rockefeller
 - Standard Oil Trust
 - 40 corps. Controlled 90% refining
 - Trust broken up in 1911
- Both gave big \$ to charity

Views of Industrial Capitalism

- Farmers and workers
 - opportunities and mobility limited
- Middle Class
 - noted corruption in biz & politics
- Big Biz
 - likened corporate economy with individualism & equal opportunity

Social Darwinism

- Application to society of evolution & natural selection
- Only fittest individuals survive in marketplace
- The rich rewarded for hard work
 - those who fail are poor
- Horatio Alger

- Society benefits from strong & talented

Social Darwinism

- Economic life controlled by natural law of competition
- Coincided with Smith's Law of Supply and Demand
- Biz touted competition and free market but sought to eliminate competition and control free market

Social Darwinism

- William Graham Sumner
 - U.S. intellectual - promoter of SD
 - *Folkways* - individual should be free to compete without intervention
- *Gospel of Wealth* - Carnegie
 - wealthy have responsibility to advance social programs through philanthropy

Critics of Social Darwinism

- Lester Frank Ward - *Dynamic Sociology*
 - Govt. should preserve human welfare
- Henry George - *Progress & Poverty*
 - Proposed "single tax" to end uneven distribution of wealth
- Edward Bellamy - *Looking Backward*
 - promoted a govt.-run "single trust"

Corporations and Business Consolidation

Why corporations? Single proprietorships and partnerships proved inadequate to meet the needs of large-scale business. They were unable to raise sufficient sums of money, owners and partners had unlimited financial responsibility if suits were filed against the company, and the business could be disrupted with the death of an owner or partner.

Definition: A corporation is a form of business organization created by the grant of a state charter. The corporation enables a group of individuals to operate as a single "artificial legal person." The corporation can sue and be sued, hire and fire, buy and sell, manufacture and trade.

Advantages:

- \$ Easier to raise large sums of money through sale of stock
- \$ Liability of owners and stockholders limited to amount of stock owned
- \$ Investors can transfer ownership through sale of stock
- \$ Corporation not affected by the death of any one of the owners – shares transferable to heirs

Disadvantages:

- \$ As a state-created entity, business and financial records must be public
- \$ Corporation subject to taxes on its profits in addition to taxes paid by the stockholders on their dividends – known as double taxation
- \$ Contact between ownership and workers and/or customers may be infrequent

Monopoly: the elimination of competition. For a monopoly to be effective there must be no practical substitutes for the product or service sold, and no serious threat of the entry of a competitor into the market. This enables the seller to control the price. This is frequently achieved through the combination of competing corporations in order to control prices, production, and sales territory. Profits usually increased at the expense of the consumer.

Monopolistic Combinations:

- \$ The Pool – an agreement, usually secret, among competing companies to fix prices and output, or to divide sales territory. In the 1870s and 1880s competing railroad lines often formed pools. By the Interstate Commerce Act (1887), railroad pools were declared illegal.
- \$ The Trust – a more permanent consolidation than the pool. Stockholders of competing companies turned their stock over to a board of trustees and in exchange received trust certificates. In this way, the board of trustees gained full control and managed the member companies in such a way as to eliminate competition. The Standard Oil Company originated the trust arrangement with success and was imitated by other giant companies.
- \$ The passage of the Sherman Anti-Trust Act (1890) drove many businessmen to abandon the trust and to seek other forms of combination.
- \$ Horizontal Monopoly - involves bringing together firms in the same industry and at the same level in the production chain.
- \$ Vertical Monopoly - involves merging firms at different stages of the production process into a single unit. Some of the oil companies, for example, own oil fields, refineries, transportation systems, and retail outlets.

Other forms of business combinations:

- \$ The Holding Company – buys sufficient voting stock in different companies, called subsidiaries, to be able to control them. Some complex forms of the holding company have been declared illegal, but many holding companies legally exist today.
- \$ The Interlocking Directorate – an arrangement in which one or more men serve on the boards of directors of several companies. Interlocking directorates are legal unless they tend to lessen competition.
- \$ The Merger – the consolidation of two companies into a single corporation. The merger is legal unless it causes an unreasonable restraint of trade. It is the most common form of business consolidation today. Corporations that merge with companies from diverse fields are called conglomerates.

Advantages of Big Business:

Mass Production
Wide Distribution
Efficient Management

Abuses by Big Business:

Elimination of Competition
Power Over the Consumer
Exploitation of Workers
Influence Over the Government

Industrialism in America Building the American Powerhouse

Impact of Industry

- On different regions:
 - Between 1865 and 1910, impact was uneven
 - Most common in Northeast & Midwest
- On people:
 - A few businessmen made vast fortunes
 - Hundreds of thousands worked in dangerous conditions for little pay

Steel Production

- Increase in production of steel:
 - 2,000 tons in 1867
 - More than 7 million tons by 1900
- Steel was stronger & more durable than iron
- Made possible stronger train tracks, taller buildings, longer bridges, etc.

Andrew Carnegie

The millionaire should be "a trustee for his poorer brethren, bringing to their service his superior wisdom, experience, and ability to administer, doing for them better than they would or could do for themselves."

- Andrew Carnegie

Pennsylvania Oil Field

- First successful well drilled in Titusville, PA 1859
- Oil originally used for lubrication purposes
- Will come to be used in automobiles when internal combustion engine is invented

John D. Rockefeller

- Held virtual control over oil business with Standard Oil Co.
- Eliminated competition by lowering prices to run them out of biz, then raised prices when competitors were gone
- Controlled over 90% of American oil refining by 1879
- In a Trust shareholders of smaller companies give up control to larger firm which shares profits with them
- Controlling an entire industry is called a monopoly

Railroad

- Transportation was key to industrialization
- In 1860, most track was in the East
- Because there were few interconnected rail lines, moving freight long distances by rail was costly and took too much time because you had to load and unload freight several times.

Cornelius Vanderbilt

- Powerful in Railroad industry
- Consolidated and combined smaller rail lines to make them more efficient & economical
- Drove smaller companies out of biz by refusing to allow transfers onto his lines
- Controlled 4,500 miles of rail by time of his death
- Consolidation led to inexpensive and fast shipping of freight
- Establishment of time zones created uniform time in each zone

Positives & Negatives of Big Biz

Negatives

- Drove small companies out of biz
- Exploited workers
- "Cut corners"
- Bribed officials
- Overcharged
- Polluted
- Wasted Resources

Positives

- Invented & perfected new technology

- Lowered cost of products
- Improved overall quality of life
- Gave generously to charities

"Bosses of the Senate"

- Reformers argued that Trusts went against idea of free enterprise
- Large companies used power to influence government officials
- Influenced votes through bribes

- Interstate Commerce Commission formed in 1887 to control railroads

- Sherman Anti-trust Act of 1890 passed to regulate trusts
- Little significant enforcement took place until 1900s

Company Town

- The company owned the town and rented homes to workers
- Workers paid with scrip – company "money"

The workforce

- Women tended to work in textile mills, garment factories, tobacco factories
 - Usually paid less than half the wages of men in the same jobs
- By 1870, 1/3 of factory workers foreign born
 - Hired because they would work for much less \$

Steel Workers

- Worked long hours for low pay
- 12 hours a day, 6 days a week

Coal Miners

- Working conditions often dangerous because owners refused to pay for expensive safety features
- Coal miners worked deep underground and faced the perils of cave-ins and explosions
- Children often worked to help pay bills & support family
- By 1900, 2 million American children between 10 and 15 were working

Labor Unions

- Workers formed unions to try to improve working conditions
- Samuel Gompers founded the American Federation of Labor
 - Goals included 8-hour work day, right to collective bargaining

The IWW

- IWW = Industrial Workers of the World
- Most radical of the unions
- Led by Bill Haywood
- Organized the most ignored workers, including migrant workers
- Believed in strikes and work slow-downs

Violent Strikes

- The Government often supported management in strikes
- Employers publicized violence during strikes to turn public opinion against the labor movement

- In the 1892 strike at the Homestead Steel plant, striking workers were arrested
 - Many lost their jobs
 - Returning strikers had their pay cut by 50%
- President Cleveland sent federal troops to break up a railway workers strike against the Pullman Railway Car Company in 1894

Workers and the Union Movement

- **Workers** – came primarily from rural areas in U.S. – also Euro immigrants
 - “Old Immigrants” came before 1890
 - “New Immigrants” (So. & E Europe) came after 1890
 - New Immigrants came for job opportunities & to escape poverty & oppression
 - F.O.B.’s looked down upon by earlier imm’s and native born
 - Various ethnic groups tended to cluster in occupations
- **Wages & Working Conditions** – both were poor
 - Avg. U.S. worker income - \$500/yr – below min. req. for reasonable level of comfort
 - Little job security, long hrs, repetitive tasks
 - Workplaces unhealthy & unsafe – frequent accidents – uncompensated
 - Many women & children (as young as 5) worked for low pay
 - Unions formed to bring about positive change
- **Knights of Labor – 1st natl. union founded 1869 by Uriah Stephens**
 - Originally secret society – open to skilled & unskilled workers
 - Supported 8-hr day, = pay for = work, better wages, no child labor, safety & health laws, arbitration of labor disputes, no foreign contract labor, co-ops, graduated income tax, & nationalized railroads & utilities
 - **Terence V. Powderly – leader as of 1879 – expanded membership to over 700K by 1886**
 - Powderly against strikes – caused eventual decline in members
- **American Federation of Labor (AFL) – 1881- Samuel Gompers**
 - A conglomeration of skilled craft unions
 - Opposed to organizing women & unskilled workers (90% of workforce)
 - Supported higher wages, improved conditions, 8-hour day, use of union-made goods, laws to benefit labor
 - 500k members by 1900
 - Advocated collective bargaining but supported strikes if needed
- **Industrial Workers of the World (IWW, Wobblies) – 1905 – “Big Bill” Haywood - Unskilled labor** incl. miners, lumbermen

- Advocated militant agitation, obstruction of industry, damage to biz in case of disputes
- Aimed for single, united org. of all trades, skill levels, & races
- Sought to build a cooperative society
- Never more than 60K members – declined by 1920
- **Railroad Strike of 1877 – 1st major natl. strike**
 - Protesting 10% wage cut by B&O RR – spreads to other lines
 - Fed. troops used to put down riots in PA, MD, W.VA & Illinois
 - \$5 million in property destroyed
 - Workers went back to work at lower wage
- **Haymarket Riot (5/4/1886) – Haymarket Sq., Chicago**
 - Followed nationwide strike for 8-hr day sponsored by AFL & Knights of Labor
 - Anarchists joined protest meeting by strikers in Haymarket Sq. – several workers shot on previous day at McCormick reaper plant
 - During the meeting, a bomb killed 7 policemen – police fired into crowd, killing 4 protestors
 - 8 anarchists convicted of murdering police (no clear evidence)
 - **Labor unions become linked with radicalism, violence**
 - Knights of Labor blamed for the riot
- **Homestead Strike (1892) – one of most violent in U.S.**
 - Carnegie Steel cut wages – led to strike by Amalgamated Assoc. of Iron, Steel, and Tin workers (AFL affiliate)
 - 300 Pinkerton detectives serving as company guards brought in to protect strikebreakers (scabs)
 - Fired on picket lines, killing 7 & setting off a riot
 - PA Gov. sent in Natl. Guard to restore order
 - Homestead plant mgr. Henry Frick wounded by assassination attempt by a radical anarchist
 - Union gave in after 4 mos. – Union membership declined
- **Pullman Strike (1894) Pullman Palace Car Co.**
 - Workers protesting 25% wage cut & company town policies
 - Led by **Eugene Debs – American Railway Union** turned isolated strike into natl. action – paralyzed rails from Chicago to Pacific
 - Strikebreakers brought in
 - U.S. Attn. Gen. Richard Olney (on 3 railroad B of D's) secured injunction against strikers for restraining commerce and refusing to move railcars carrying U.S. mail
 - Cited **Sherman Anti-Trust Act** (1890) which forbade “combinations in restraint of trade”
 - Debs arrested for defying the injunction – weakens strike
 - **President Cleveland** sent 2,000 troops to restore order & keep mail moving – 700 railcars burned, 13 dead, 53 wounded
 - **Injunctions become frequent weapon of management**
 - **Along with blacklisting, lockouts, and yellow dog contracts**

- Management used violence of strikes as propaganda

The Rise of the American City

“The greater part of our population must live in cities – cities much greater than the world has yet known. In due time we shall be a nation of cities.”
Josiah Strong, 1898

- **Urban Growth – from 1860 to 1910 – urban pop. ↑7X**
 - 1920 census – 1st time most Americans lived in urban areas
 - Growth due to immigration, migration of blacks, company towns
 - Lg. urban areas contained variety of ethnic groups
- **Urban Transportation – stimulated and was stimulated by growth**
 - Bricks & asphalt used to pave streets
 - 1870 – NYC opened 1st elevated railway
 - 1873 – SF cable cars
 - 1883 – Brooklyn Bridge – steel-cable suspension span
 - 1888 – Richmond, VA opened 1st electric trolley line
 - 1897 – Boston opened 1st subway
- **Urban Politics – the political machine**
 - **Political machines** a product of voting power of lg. immigrant communities
 - Machine consisted of a group of “**bosses**” who turned out voters for the political organization
 - Bosses provided food, fuel for needy, jobs for unemployed, expedited solutions to neighborhood problems
 - This won loyalty to the boss & the machine
 - Machine supporters rewarded w/ jobs in city govt., city agencies, in the transit system, or within the machine itself
 - Machines also involved in corruption
 - **William Marcy (Boss) Tweed** in New York’s **Tammany Hall** controlled 60K jobs.
 - **Tweed Ring** openly bought votes, encouraged judicial corruption, & controlled NYC politics during 1860-70’s
 - also took \$200 Million in bribes & kickbacks
 - **Cartoonist Thomas Nast** raised public awareness of the Tweed Ring with scathing images of criminal activity
- **Police forces were established to maintain law and order**
 - Hampered by poorly defined duties
 - Ineffective in controlling theft, prostitution, gambling
 - Relationships developed between police & institutions they were supposed to watch over – leading to bribery, etc.
- Reforming Urban problems
 - **Reformers sought to counter poverty & other problems by focusing on moral uplift**

- YMCAs & YWCAs formed to provide housing & recreation
- Salvation Army effective in providing emergency aid, housing, street kitchens
- Comstock Law & other “anti-vice” laws sought to eliminate obscenity, pornography, prostitution, etc.
- The **Social Gospel movement** fought problems of urban society with religion – blame for problems rested w/ society, not poor
 - Washington Gladden – true Christianity requires churchgoers to fight social injustice
 - **Walter Rauschenbusch** (*Christianity and the Social Crisis*) – strong advocate of Social Gospel - stated that churches should unite to reform abuses of industry & fight for peace
 - **Settlement Houses** (e.g. Hull House) founded to offer literacy & crafts classes, job training, and a sense of dignity to the poor
- **Most immigrants settled in “ethnic islands” – provided identity & cultural cohesiveness**
 - Ethnic papers, theaters, markets, churches links to homeland
 - **Americanization** – move to assimilate immigrants
 - Eventual acculturation – understanding of laws, govt., customs, & traditions – usually 2nd or 3rd generations
 - **Nativism** – Immigrants discriminated against because of race, religion, political beliefs, economic competition w/ native-born
 - Led to moves to restrict or bar immigration
- **Improved quality of life** – due to increased purchase pwr & better diet
 - Longer life, more leisure time (urban middle class), new forms of recreation & entertainment
 - Increased interest in spectator sports (baseball, football, boxing, etc.)
 - Musical comedy, vaudeville, circuses, Wild West shows, movies
 - Reading a popular pastime (literacy ↑↑)
 - Adventure & romance novels
 - Newspaper circulation ↑ 9X
 - Especially Yellow Journalism – sensational stories
 - Popular magazines – inexpensive, geared toward mass audiences

Hayes to Cleveland 1877 - 1897

Rutherford B. Hayes (R-OH)

- ◆ Defeated Sam Tilden (D-NY) in super-close election decided in Congress
- ◆ Straight party-line vote in electoral commission gives victory to Hayes
- ◆ Compromise of 1877 softens the blow
- ◆ Hayes brings dignity back to the White House after “Grantism”

- ◆ Generally a pro-biz Republican

Political Quarrels of the Hayes Administration

- ◆ Political infighting within Rep. party between Stalwarts and Half-Breeds
 - Stalwarts = strong supporters of Grant & party loyalty
 - Half-Breeds = more liberal & reform-minded Republicans
 - Stalwarts led by Roscoe Conkling (NY)
 - Half-Breeds led by James Blaine (ME)

Election of 1880

- ◆ Gen. Winfield S. Hancock (D-PA)
- ◆ Stalwart Repubs. Wanted Grant for a 3rd (non-consecutive) term
- ◆ Half-Breeds wanted Blaine
 - Compromise candidate - James Garfield (R-OH) - a Half-Breed
 - VP candidate - staunch Stalwart Chester Arthur (R-NY)

Election of 1880

- ◆ Republicans present a united front against the Dems
- ◆ Garfield narrowly wins (40K pop vote)
- ◆ Makes Sen. Blaine his Sec. of State
 - Garfield made political appointments in NY that Conkling opposed
- ◆ Garfield shot in July, 1881 by Charles Guiteau - disappointed Stalwart office-seeker

Chester A. Arthur

- ◆ NY machine politician prior to presidency
- ◆ People had low expectations for him - thought he would fail
- ◆ Supported Civil Service Reform
- ◆ Worked toward mending factional rifts in Rep. party
- ◆ Fought against "Pork-Barrel" spending - vetoed millions in wasteful appropriations

Civil Service Reform

- ◆ Following assassination of Garfield - new emphasis on curbing spoils system
- ◆ Arthur cooperated w/ Congress to end granting of civil service positions as political rewards - The Pendleton Act (1883)

The Pendleton Act of 1883

- ◆ Applicants for some fed. jobs (>10%) tested to determine merit
 - an effort to reduce jobs given for political reward
- ◆ Prohibited collecting \$ from fed. officeholders for party campaigns
- ◆ Basis of modern federal civil service system

Election of 1884

- ◆ Dems win White House for 1st time in 28 years with Grover Cleveland (D-NY)
- ◆ Reps. rejected Arthur & nominated James Blaine
- ◆ Blaine favored patronage - Cleveland had a record of fighting it
- ◆ Republican reformers (Mugwumps) backed Cleveland instead of Blaine

Grover Cleveland

- ◆ Considered an able president
 - honest and independent
- ◆ Focused on lowering tariff rates
 - Tariffs a source of fed. revenue and biz protection
- ◆ Fought fraud in Civil War veterans pension claims
- ◆ Earned anger of biz and vets groups

Election of 1888

- ◆ Republicans win back the White House with Benjamin Harrison (R-IN)
- ◆ Reps. wrongly portrayed Cleveland as anti-biz and favoring free-trade (no tariffs)
- ◆ Big biz contributed \$\$\$ to defeat him
- ◆ Harrison lost pop vote but won electoral
- ◆ Reps. also gained control of Congress

Benjamin Harrison

- ◆ Instead of cabinet, Harrison followed advice of 3 prominent Republicans
 - Blaine (NY), Thomas Reed (ME), William McKinley (OH)
- ◆ Rep. controlled Congress passed McKinley Tariff of 1890
 - Highest rates ever - as high as 50%
 - Domestic prices ↑, Reps. pay in 1890

"Czar" Reed

- ◆ Reed revolutionized the role of the Speaker of the House
- ◆ Changed procedural rules for reaching quorum
 - # present instead of simply # voting
- ◆ The "Reed Rules" increased efficiency of doing business
 - Also increased the power of the Speaker
- ◆ "Billion Dollar Congress"

Cleveland Rocks!

The 1892 Presidential Race

- ◆ Grover Cleveland (D-NY)
- ◆ Benjamin Harrison (R-IN)
- ◆ James Weaver (Populist -IA)
 - Party of farmers and laborers
 - Platform geared toward pro-farmer & Labor reforms
- ◆ Cleveland wins - due in part to Populist draw and public resentment of Repubs.

Populism Movement of the People

Development of the Populist Movement

- Movement started by farmers
- Post-Civil War deflation caused farm prices to fall
- Farmers could not pay debts
- Farmers demanded reforms

How was the Populist Party Formed?

- Emerged from the farmers Alliance Movement, incl. Southern Alliance & National Colored Farmers Alliance
- Lobbied for laws protecting farmers
 - Wanted rate protections from RR's
 - Protection from foreclosure

More...

- Found power in numbers
- 1st Populist convention in 1892
 - Omaha, Nebraska
- Nominated James B. Weaver (IA) for President

Populist Ignatius Donnelly...

- We meet in the midst of a nation brought to the verge of moral, political, and material ruin. Corruption dominates the ballot-box, the legislatures, the Congress... We seek to restore the government of the Republic to the hands of the "plain people."
 - Speech given at 1st Populist Party Convention

Populist Leadership

- Populist politicians inexperienced in national politics but good speakers
 - Able to inspire listeners to the cause
- Mary Elizabeth Lease
 - "Raise less corn and more hell!"

Populist's 1892 Omaha Platform

- Financial Reforms
 - Free coinage of silver at 16:1 (to gold)
 - Graduated Income Tax
 - Federal Loan Program for Farmers
- Transportation & Communications
 - Govt. owned & operated railroads
 - Government control of Telegraph & Telephone systems

Platform Continued...

- Governmental Reforms
 - Direct Election of Senators
 - **Becomes 17th Amendment (1913)**
 - Secret Ballots to end fraud
 - Initiative - citizen-introduced bills
 - Recall - removal of officials
 - Referendum - citizens vote on proposed legislation

Who did the Populists represent?

- Farmers
- Labor
 - supported 8-hr day & a ban on private corp. armies to break strikes
- Native born Americans

- supported restrictions on immigration
- ban on alien land ownership

What improved their popularity?

- Hard economic times in the 1890's
- Populist candidates did well in 1892 election
- 5 senators, 10 representatives, 3 state governors, 1500 state legislators in 1st election

Presidential Election of 1892

- Grover Cleveland (D) wins
- 2nd time elected but not consecutive (lost re-election in 1888 to Benjamin Harrison)
- Defeated Harrison (R) & Weaver (P)
 - Weaver carried only Kansas
 - 8.6% of popular vote

Panic of 1893

- A 4-year-long severe depression
- Caused by agricultural depression, reduced gold reserve, & RR failures
- Widespread unemployment and farm foreclosures
 - Coxey's Army - 1894 protest march
 - Pullman strike (1894) - workers force back by 1st use of court injunction

Cleveland's Response...

- At first - called for repeal of Sherman Silver Purchase Act
 - Got repeal but angered Silverites
 - Gold drain continued
- Tried to solve treasury crisis by borrowing gold from banker J.P. Morgan
 - saved the gold standard

Election of 1896

- Nation's monetary system the main issue
- "Free Silverites" vs. "Goldbugs"
- Would U.S. money be based on silver and gold or only gold?

Gold vs. Silver standards

- Backing the dollar with only gold meant lower prices for goods
- Backing with silver & gold meant more money would circulate
- This meant higher prices because an increase in supply of money raises prices (money not worth as much) - need more to buy goods

Election of 1896 Candidates

- Republican William McKinley
 - Supported Gold Standard
 - Also protective tariffs
- Democrat William Jennings Bryan
 - Supported Bimetallism
 - "Cross of Gold Speech"
- Populists also nominated Bryan

Their stands on the major issues

- McKinley stood for the Gold Standard, high protective tariffs, & non-interference by govt. in business

Their stands on the major issues

- Bryan stood for free coinage of silver, lower tariffs, & govt. protection of the economic well-being of the people

Results of the election...

- McKinley won a close election
- Middleclass voters, afraid that inflation caused by bimetallism would hurt their savings and stocks, tipped the scales toward McKinley

Where did the Populist Party go?

- Many Populist platform stands were adopted by the major parties
- Conditions requiring reforms began to improve
- Populist presidential candidates unsuccessful in 5 straight elections

Where did they go?

- Farm prices rose due to increased foreign & domestic demand
- Some Populist Party goals emerge later as goals of the Progressives
 - Particularly the reform of industry