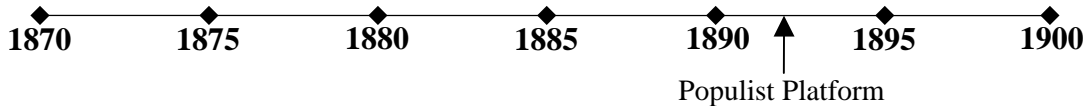


# LESSON 10: POPULISM, 1892— POWER TO THE PEOPLE!

## Student Handout 1

### POPULIST POLICIES FOR FARMERS



It is 1892, and farmers make up 50% of the American population. New farm machinery allows farmers to produce more crops than they did in years past, but unfortunately, this increased production has caused prices of farm goods to steadily decrease. Railroads help farmers sell their products in new markets, but they also make new land accessible for farming, which in turn adds to the problem of overproduction.



An 1890s-era tractor  
Wisconsin Historical Society. Used by permission. Image ID: 22888

Meanwhile, a problem exists regarding the nation's money supply, which is based on gold. The money supply cannot increase unless the amount of gold also increases, but this hasn't happened. Over the last 30 years, the money supply in America has remained relatively constant while the supply of goods has tripled. With more and more goods but the same number of dollars, sellers have had to keep lowering prices in order to attract buyers. This is known as deflation.

On top of decreasing prices for farm goods, shipping and storage costs have also increased. In addition, shippers charge smaller customers (such as farmers) more than they charge large companies; also, large companies can negotiate lower rates because of the amount of business they bring to the shipping companies.

As prices constantly drop, more and more farmers get squeezed out of business. They receive less every year for their crops, but the amount they have to pay for the loans on their land remains fixed. Hundreds of thousands of farmers have decided to leave their farms. Many farmers are angry, and some have teamed up to form the Populist Party. Farmers want something done. But what?

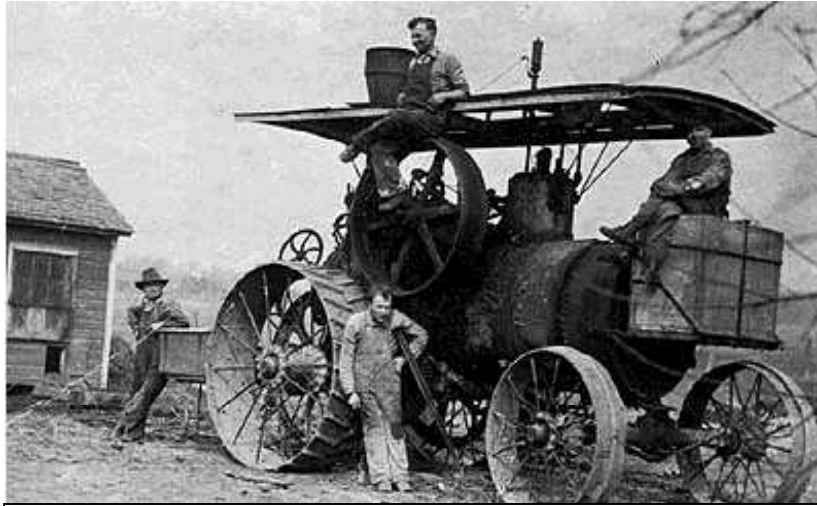
**BRAINSTORM POSSIBLE SOLUTIONS:**

# LESSON 10: POPULISM, 1892— POWER TO THE PEOPLE!

## Student Handout 2

### POPULIST POLICIES FOR FARMERS

It is 1892, and farmers make up 50% of the American population. New farm machinery allows farmers to produce more crops than they did in years past, but unfortunately, this increased production has caused prices of farm goods to steadily decrease. Railroads help farmers sell their products in new markets, but they also make new land accessible for farming, which in turn adds to the problem of overproduction.



An 1890s-era tractor

Meanwhile, a problem exists regarding the nation's money supply, which is based on gold. The money supply cannot increase unless the amount of gold also increases, but this hasn't happened. Over the last 30 years, the money supply in America has remained relatively constant while the supply of goods has tripled. With more and more goods but the same number of dollars, sellers have had to keep lowering prices in order to attract buyers. This is known as deflation.

On top of decreasing prices for farm goods, shipping and storage costs have also increased. In addition, shippers charge smaller customers (such as farmers) more than they charge large companies; also, large companies can negotiate lower rates because of the amount of business they bring to the shipping companies.

The Populists are a political group organized to help farmers. Their platform in the 1892 election stated, "There are but two sides. On the one side are the allied hosts of monopolies, the money power, great trusts and railroad corporations... On the other are the farmers, laborers, merchants and all the people who produce wealth." The Populists made some (but not all) of the following proposals for solving farmers' problems. Which would you support?

**PROPOSAL 1:**

The government should take over the railroads and run them. Right now, the railroads rip off the little guys—especially the hard-working farmers. It would be better to put control of the railroads in the hands of the people’s representatives.

**Do you support this proposal? Explain.**

**PROPOSAL 2:**

Right now, the amount of money in the economy depends on the amount of gold available. The government should add silver to the money supply, or simply print money not backed by gold. That way, the money supply would expand, prices would go up, and farmers would be able to pay off their loans and mortgages. With farmers thriving, other businesses in farming areas would also benefit.

**Do you support this proposal? Explain.**

**PROPOSAL 3:**

The government should subsidize farmers, paying the cost of planting, or perhaps paying off part of the mortgages on land owned by struggling farmers. These people work hard to scratch out a living. The government should help them out.

**Do you support this proposal? Explain.**

**PROPOSAL 4:**

The government should prevent immigrants from owning land. These immigrants keep coming to this country and starting farms, which increases the amount of crops produced and consequently drives down prices. Cutting down on the number of people who own land can limit the supply of crops and drive prices up.

**Do you support this proposal? Explain.**

# LESSON 10: POPULISM, 1892— POWER TO THE PEOPLE!

## Student Handout 3

### OUTCOMES

#### PROPOSAL 1—GOVERNMENT OWNERSHIP OF RAILROADS

##### What Actually Happened:

The Populists did make this proposal (see the Omaha Platform in Handout 4). It was not adopted in the U.S., but was in Japan, Russia, France, and other countries.

##### Benefits:

- Uniform track sizes and operating procedures
- Cheaper prices for shippers and passengers, since the government pays part or all of the costs
- Cheaper prices mean that trade within the country may increase

##### Unintended Consequences:

- **Higher taxes**—The government would most likely need to raise taxes in order to pay for the buyout and for operating the railroads thereafter. Higher taxes could then result in decreased demand and lower investment in other areas of the economy.
- **Corruption**—Most likely, a large government bureaucracy would have to be created to run the railroads, which would then create many opportunities for corruption. Corruption scandals involving government subsidies to railroads (Credit Mobilier) had already occurred.
- **Inefficiency**—Market competition forces private businesses to be efficient or they'll go out of business; the government doesn't face that pressure. Many private railroad companies had already gone out of business in the previous 25 years. The government would be more likely to keep less-used lines open, whereas competition would force private companies to close unprofitable lines. On the other hand, keeping unprofitable lines open would mean that passengers or shippers in lightly traveled areas would still have a transportation system available to them. If a private company chose to close such lines, these passengers and shippers would be stranded.

## PROPOSAL 2—ADD SILVER TO THE MONEY SUPPLY

### What Actually Happened:

The Populists did make this proposal (see the Omaha Platform in Handout 4). The government didn't add silver to the money supply, but the whole point of adding silver—to cause inflation—occurred anyway. Starting in about 1897, more gold was discovered around the world, and new techniques for refining gold were developed, increasing the amount of gold, which allowed for an increase in the money supply, which then led to inflation. Prices started rising in the U.S. economy.

### Benefits:

- Prices rose and farmers benefited, just as the Populists had argued. Prices did not increase rapidly, as some people feared, because the money supply increased slowly and because the economy expanded along with the money supply.
- Inflation meant that bankers made less money on earlier loans, since the dollars people used to pay back those loans were worth less than before. Although bankers weren't happy, they still made money, and the economy in general expanded rapidly as it recovered from the depression of 1893.

## PROPOSAL 3—SUBSIDIZE FARMERS

### What Actually Happened:

The Populists did not make this proposal (see the Omaha Platform in Handout 4). The government eventually implemented this proposal decades later, but not in this exact form.

### Benefits:

- Farmers would surely have benefited from government subsidies, at least in the short run.
- Subsidies might have saved many small family farms.
- Subsidies might have kept the prices of farm goods low by helping farmers pay their expenses, thus reducing the price they would need to charge for their crops.

### Unintended Consequences:

- **Higher taxes**—The government would most likely need to increase taxes in order to pay for the farm subsidies.
- **Corruption**—Farmers would have an incentive to make their condition look worse than it really was in order to get more money from the government. The possibility also existed that some might try to bribe government officials.

- **Inefficiency**—The government bureaucracy in charge of giving the subsidies might pay out too much money or incorrectly decide who needs it most.
- **Continued overproduction by farmers**—If overproduction of food posed the underlying problem and drove prices down, subsidies would most likely have made the problem worse by keeping more farmers in business.

### **PROPOSAL 4—PREVENT IMMIGRANTS FROM OWNING LAND**

#### What Actually Happened:

The Populists did make this proposal (see the Omaha Platform in Handout 4). In 1913, California enacted a similar proposal that prevented Japanese immigrants from owning land.

#### Benefits:

- Preventing immigrants from owning land would have left more land for American citizens.

#### Unintended Consequences:

- Governments of the countries from which the immigrants came may feel insulted by this blatant discrimination against their former citizens. They may retaliate against American businesses or citizens in their country. Thus, business in general could suffer.
- In a competitive market such as farming, reducing the number of people who can own land will lead to less efficient use of land. Low demand for land often results in a greater number of inefficient farms. Conversely, high demand increases the price of the land, which increases costs, and that drives inefficient farmers out of business more quickly.
- Discrimination against immigrants damages America's image as a land of opportunity, which may affect investments, trade, and—obviously—immigration. By only targeting one group, the proposal in California had little effect on the amount of crops produced—but it had a big effect on U.S.-Japanese relations, resulting in protests, a souring of the U.S.'s image abroad, and boycotts of American products in Japan.



# LESSON 10: POPULISM, 1892

## Student Handout 4

### Primary Source: The Omaha Platform, 1892

We declare, therefore—

First.—That the union of the labor forces of the United States this day consummated shall be permanent and perpetual; may its spirit enter into all hearts for the salvation of the republic and the uplifting of mankind.

Second.—Wealth belongs to him who creates it, and every dollar taken from industry without an equivalent is robbery. “If any will not work, neither shall he eat.” The interests of rural and civil labor are the same; their enemies are identical.

Third.—We believe that the time has come when the railroad corporations will either own the people or the people must own the railroads; and should the government enter upon the work of owning and managing all railroads, we should favor an amendment to the constitution by which all persons engaged in the government service shall be placed under a civil-service regulation of the most rigid character, so as to prevent the increase of the power of the national administration by the use of such additional government employees.

FINANCE.—We demand a national currency, safe, sound, and flexible, issued by the general government only, a full legal tender for all debts, public and private, and that without the use of banking corporations; a just, equitable, and efficient means of distribution direct to the people, at a tax not to exceed 2 per cent per annum, to be provided as set forth in the sub-treasury plan of the Farmers’ Alliance, or a better system; also by payments in discharge of its obligations for public improvements.

1. We demand free and unlimited coinage of silver and gold at the present legal ratio of 16 to 1.
2. We demand that the amount of circulating medium be speedily increased to not less than \$50 per capita.
3. We demand a graduated income tax.
4. We believe that the money of the country should be kept as much as possible in the hands of the people, and hence we demand that all State and national revenues shall be limited to the necessary expenses of the government, economically and honestly administered. We demand that postal savings banks be established by the government for the safe deposit of the earnings of the people and to facilitate exchange.

TRANSPORTATION.—Transportation being a means of exchange and a public necessity, the government should own and operate the railroads in the interest of the people. The telegraph and telephone, like the post-office system, being a necessity for the

transmission of news, should be owned and operated by the government in the interest of the people.

LAND.—The land, including all the natural sources of wealth, is the heritage of the people, and should not be monopolized for speculative purposes, and alien ownership of land should be prohibited. All land now held by railroads and other corporations in excess of their actual needs, and all lands now owned by aliens should be reclaimed by the government and held for actual settlers only.

For the full platform, go to:

<http://www.wwnorton.com/eamerica/media/ch22/resources/documents/populist.htm>

### **QUESTIONS FOR ANALYSIS**

1. List at least five groups that would not support the Omaha Platform; list the specific parts of the platform each group wouldn't like.
2. Which parts, if any, of the Omaha Platform do you consider radical?
3. Was the Omaha Platform a practical document that could have actually benefited farmers had it been implemented, or was it unrealistic and impractical?