

# THE GILDED AGE

CORRUPTION, SCANDAL, DEPRESSION

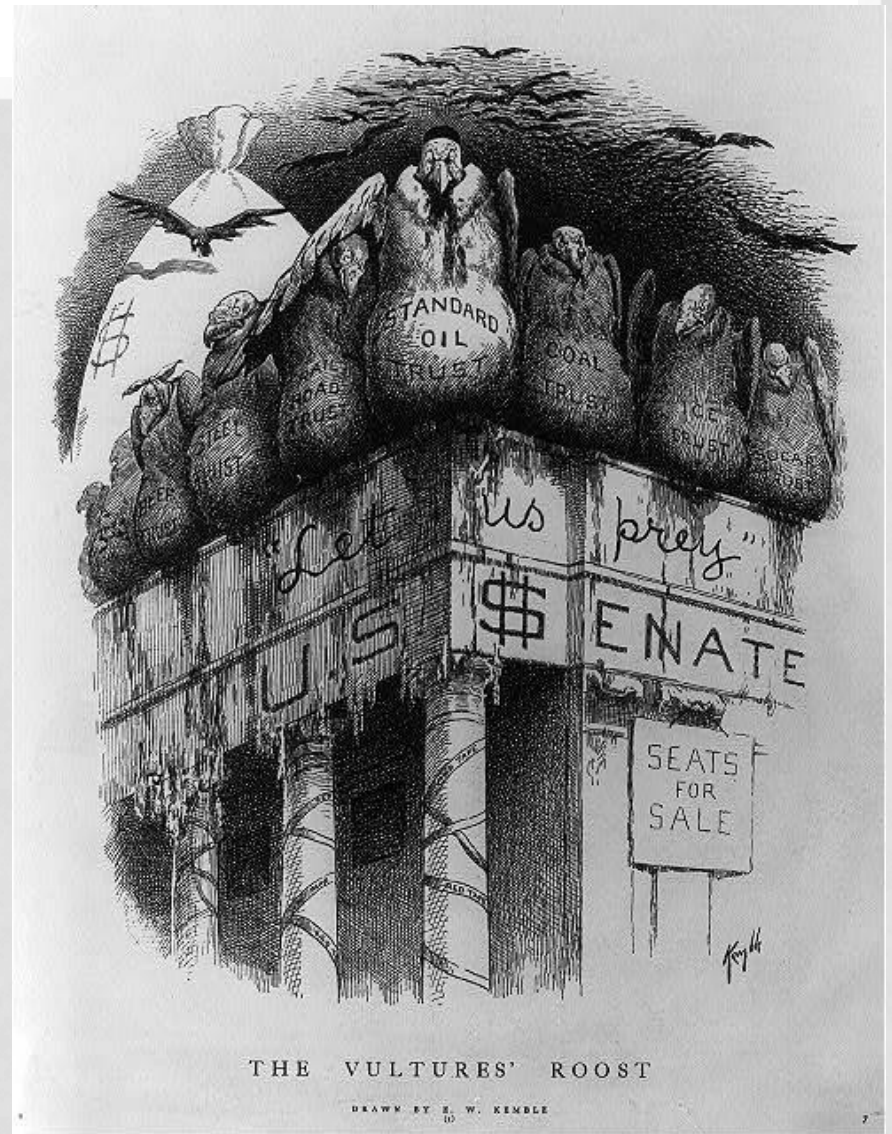


# CORRUPTION

- Post CW era (“Era of Good Stealings”)
  - War profiteers
- Grant’s cabinet: hired inlaws, crooks, those who accepted bribes, etc.
- Credit Mobilier scandal: Union Pacific insiders form construction company, hire themselves @ inflated prices; gave stock to VP Colfax to avoid prosecution
- Whiskey Ring (1874-1875) Scandal: a group of legislators caught stealing excise \$\$ (110 prosecutions, \$3 million in taxes recovered)
- Patronage system: jobs for votes, votes for \$\$
- Political Machines: political mafias; Tammany Hall (NYC); Boss Tweed

# THE BILLION DOLLAR CONGRESS

- 1890: 1<sup>st</sup> Congress to spend that much
  - McKinley Tariff Act: In response to industrialists, raises tariffs to CW era levels
    - Hurts farmers who are dependent on manufactured goods



# HOW DO YOU FIX CORRUPTION?

- Pendleton Civil Service Act
  - Requires government workers to prove they are qualified by taking an examination
- Sherman Anti-Trust Act (1890) forbids companies from conspiracies and price fixing
  - Harrison: 7 cases; Cleveland: 8 cases; McKinley: 3 cases

# ECONOMIC DEPRESSION

- Panic of 1873: overspeculation, banks lending too much
- Paper \$\$ crisis: deflated; Treasury recalls \$100 million to stabilize currency
  - Debtors demand more paper \$\$: causes inflation, make it easier to pay off debts
- Grant Vetoes more paper \$\$; Resumption Act: redeem all paper \$\$ in gold @ face value



# SILVER CRAZE

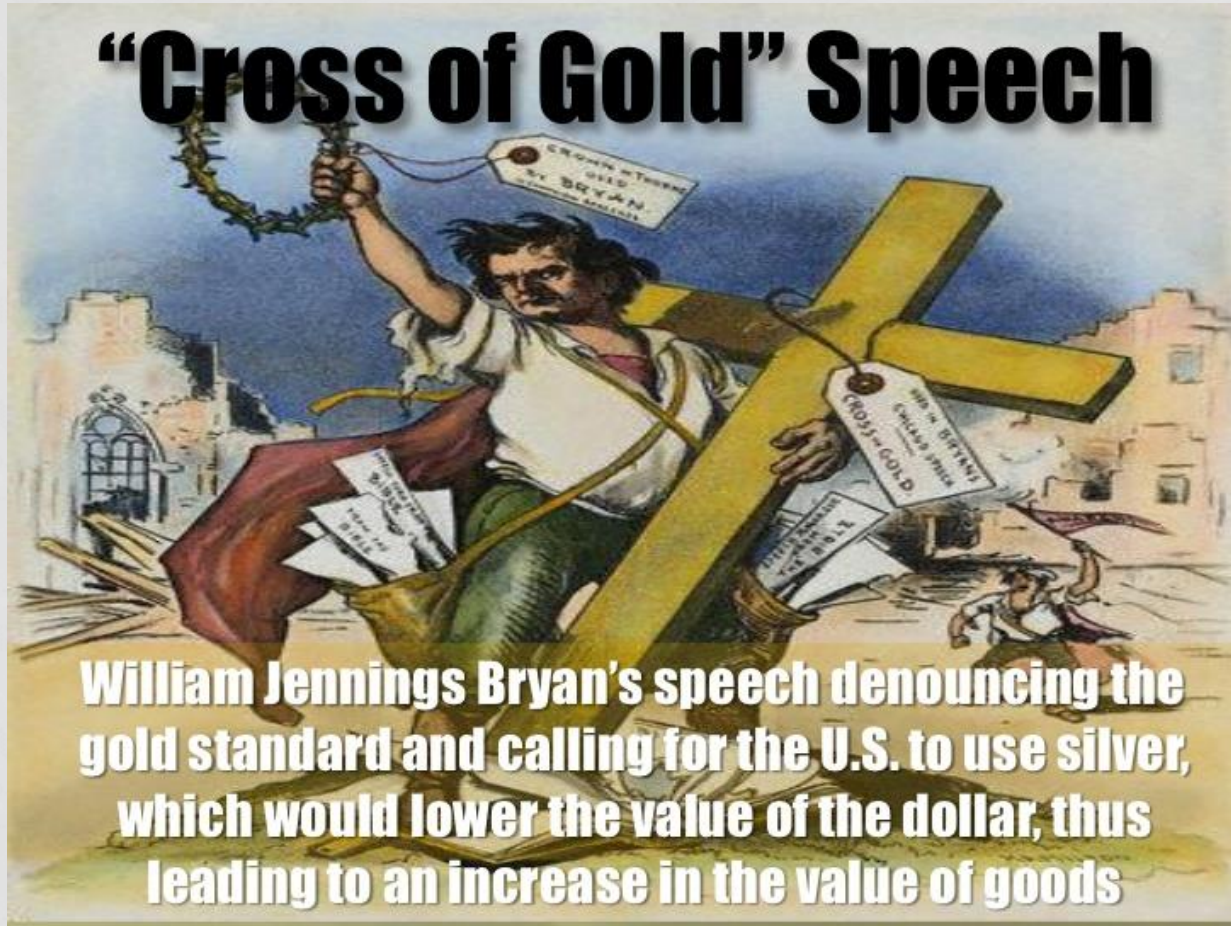
- Farmers/debtors want to go on silver standard
  - Silver=more available; if used to back up paper currency, more paper currency will be issued; cause inflation
- 1892 Depression
  - Overbuilding, agricultural depression
  - 8,000 businesses collapse in 6 months
  - Gold supply in Treasury is dwindling; goes below \$100 million (too little to support \$350 million in paper \$\$)

# CLEVELAND'S SOLUTION

- Populist party (representing the people) demands silver standard (William Jennings Bryan); Congress doesn't support
- Cleveland sells \$100 million in Treasury bills; not enough
- Strikes a deal with bankers led by JP Morgan
  - Banks will lend US Gov. \$55 million in gold
  - Charge \$7 million in commission

# WILLIAM JENNINGS BRYAN

## “Cross of Gold” Speech



William Jennings Bryan's speech denouncing the gold standard and calling for the U.S. to use silver, which would lower the value of the dollar, thus leading to an increase in the value of goods