

Winners and Losers from Globalization: Why both European and US Farmers were angry in the Grain Invasion era, 1870-1900¹

Karl Gunnar Persson, University of Copenhagen

Paul Sharp, University of Southern Denmark

Abstract: We demonstrate that the agrarian unrest in the United States between 1870 and 1900 can be given an economic explanation, despite its association with increases in the real price of agricultural produce. It was not merely the result of nominal illusions as other scholars have suggested. Falling transportation costs allowed for the extension of the frontier and for more farmers to enter the international grain market. These farmers received, however, the world price minus the transaction costs involved in getting their produce to market. Many considered these costs to be unfairly large, owing to the perceived market power of rail firms and the discriminatory practice of middlemen. Recognizing the gap between what they received and what farmers further east received, frontier farmers protested. Using the shares of the People's Party (Populist) candidate in the 1892 Presidential elections as a measure of the extent of the protest, we demonstrate that this is negatively related with state wheat prices relative to East Coast prices, even when we control for other factors often also considered relevant.

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