

Economics of History Activity



Settling the West, 1865–1890

The Homestead Act

In 1862 Congress passed the Homestead Act. For a \$10 registration fee, an individual could file to claim a tract of public land. A homesteader could claim up to 160 acres of land and would receive a title to the land after living there for five years. Later government legislation increased the size of the tracts available. The purpose of the Homestead Act was to encourage settlement on the Great Plains. With their property rights assured, more settlers than ever began moving to the Plains.

The Homestead Act assured the **property rights** of Plains settlers, but it did not ensure economic success. Free land provided farmers with a head start, but they needed to purchase supplies and equipment. Most farmers had to take out **mortgages** in order to pay for the needed supplies and equipment. Owing money to a bank meant that farmers had to make regular payments. Their ability to make money over and above what they owed depended on the price of the **commodities** that they grew, mainly wheat.

Since homestead farmers generally had little or no savings to lean on when times were tough, they had to sell their crops as soon as they were harvested in order to meet their monthly mortgage payments. Because wheat prices fluctuated with the season, the necessity to immediately sell crops made it difficult for farmers to earn a lot of money. Prices are generally determined by supply and demand. Wheat prices changed with the seasons, because while demand—the amount people wanted to eat—would stay relatively constant, the supply of wheat changed throughout the year. Prices were higher in the winter, when supply was lower, but most farmers could not afford to hold on to their wheat that long. They had to sell when the price was low.

Applying Economics to History

1. How did owing money to a bank prevent farmers from getting the highest price possible for their crops?
2. Why do you think wheat prices were higher in the winter?
3. Why do you think farmers chose to settle on the Great Plains even though it was difficult to make money as a homestead farmer?

Economics Terms to Know

property rights legal ownership and control of tangible or intangible possessions

mortgages installment debts owed on buildings or land

commodities goods that can be bought and sold in bulk at a relatively fixed price



Caption: Nebraska homestead, 1880s

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