

A Political Hell on Wheels

RYAN MCMAKEN

Ithough not related in quite the heroic terms it once was, the transcontinental railroads retain their place as one of the great alleged success stories of nineteenth-century America. According to the popular

myths, the railroads, these great monuments to the ingenuity of American industrialists, united East and West by bringing together the economies of the West coast and the East coast, while setting the stage for the massive economic growth and national greatness that would occur in the United States during the early twentieth century.

And yet, few claims about the necessity or success of the transcontinental railroads are true. While none would argue that transcontinentals would become economically feasible in the private market at some point, during the 1860s, as the first transcontinentals took shape, there was no economic justification. This is why the first transcontinentals were all creatures, not of capitalism or the private markets, but of government. There simply were not enough people, capital, manufactured goods, or crops between Missouri and the West coast to support a private-sector railroad.

As creatures of government and of taxpayer-funded schemes to subsidize the railroads and their wealthy owners through cheap loans and outright subsidies, the railroads quickly became scandal-ridden, wasteful, and contemptuous of the public they were supposed to serve.

This less-than-virtuous reality behind the railroads provides an effective backdrop for high drama of course, and it is perhaps fitting that after a long period of neglect in popular culture, the transcontinentals have returned to the screen in the popular AMC series *Hell on Wheels*. While earlier renditions of the story of the railroads, such as John Ford's 1924 silent epic *The Iron Horse* presented the story as one of inevitable progress and the triumph of civilization over savagery, *Hell on Wheels* is not so fanciful.

Indeed, while *The Iron Horse* begins with numerous images of men gazing west over a picket fence, and Honest Abe philosophizing about the future of America, *Hell on Wheels* begins with a Confederate veteran, Cullen Bohannon, inflicting murderous revenge upon a Union soldier who butchered Bohannon's family. Soon thereafter, the action switches to a posh Washington, D.C. hotel where a partially-fictionalized Thomas Durant, CEO of the Union Pacific, is cynically delivering a rousing speech to investors about the need to

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invest in America's "destiny." We quickly learn that Durant has at least one Senator in his pocket, and that like the real Thomas Durant, *this* Durant has tricked the stockholders of the U.P. into paying him to construct their railroad through an auxiliary corporation known as Credit Mobilier.

In other words, *Hell on Wheels* wastes no time in making it quite clear that this is not the story of heroic entrepreneurs or industrialist visionaries. It is the story of con artists and thieves capitalizing on the expansionist ideology of a militarized and war-torn society.

Durant, wishing to extract as much money as he can from the federal government, chastises his workers for seeking to build the railroad efficiently, reminding them that "this undertaking is being subsidized by the enormous teat of the federal government" and that the railroad, which is being paid by the mile, should use a much longer route in order to take advantage of "this never-ending money-gushing nipple" that is the U.S. Treasury.

Because of its political provenance and its lack of participation in any functioning markets, the railroad exists forever on the brink of chaos and bankruptcy as Durant must manage politicians and stockholders to ensure that his corrupt show can go on.

It doesn't take a Ph.D. in film studies to figure out that the railroad camp, known as Hell on Wheels, serves as a microcosm of the United States itself, and, appropriate to the analogy, Durant attempts to impose order on Hell on Wheels through a sociopathic, brutal, and central-planning-inclined character known as The Swede. Bemoaning the unpredictability of acting human beings, The Swede seeks comfort in his numerical calculations. "I can control numbers" he tells Bohannon, and the key to controlling people, we learn, is to employ what The Swede calls "immoral mathematics" to impose his will on others.

The Swede is eventually cast out by the private-sector entrepreneurs of the town, but in spite of later efforts to impose order and efficiency, Durant's corruption and infighting among the politicians and Robber Barons endanger the entire enterprise by the beginning of the third season.

While the television show naturally takes liberties with its historical source material to heighten the drama, this overall image of the railroad's lack of profitability and dependence on the political system is ultimately true to life.

For example, historian Richard White's 2011 tome on the intercontinental railroads, *Railroaded: The Transcontinentals and the Making of Modern America*, exposes the near-utter disconnect between the railroads and the true geography of the markets in the mid-nineteenth century.

While it has been long-assumed that the West coast benefitted immensely from the intercontinentals that connected the West coast to eastern markets, in fact the overland railroads made little difference.

The West coast already had its own economy founded on exports to Europe and Asia, and Californians and Oregonians obtained all the goods they needed by sea. Indeed, for years after their completion, the railroads of the West coast were unable to effectively compete with the steamship operators (many of them also subsidized by Congress) that provided cheaper transportation of goods. Naturally then, this situation degenerated into a political competition between railroads and

steamship companies seeking more favorable

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Ron Paul's Intellectual Ammunition:

Jeff Deist on the Austrian School and the Mises Institute

Jeff Deist, president of the Mises Institute, recently spoke with The Free Market about his introduction to the Austrian School and his work with Ron Paul.

The Free Market: How did you become interested in Austrian economics?

Jeff Deist: My journey with Austrian economics and the Mises Institute began in 1992. I was fortunate to have a good friend, Joe Becker, studying in the graduate economics program at University of Nevada, Las Vegas. Joe was a burgeoning Austrian scholar, and of course had chosen the program strictly because Murray Rothbard was on the faculty. At the time a small group of Austrolibertarian students had assembled in Las Vegas to study under Murray. With the addition of Hans Hoppe, UNLV clearly had become the top economics program in the U.S. for graduate students interested in Austrian training. I was able to attend a few of Murray's course lectures, which not surprisingly (to those familiar with his lifestyle) were held in the evening! Needless to say the lectures were fast-paced and filled with references beyond the mainstream, giving only a hint of Murray's vast range of knowledge. Encouraged by Joe and his excitement for Rothbard's teaching, I decided to explore further.

At the time I was already a committed libertarian, but lacked any real intellectual framework to integrate free-market economics with ethics, philosophy, law, and political liberty.

Remember that much of what passed for free-market or libertarian thought at the time remained mired in 1980s Reaganite clichés. Supply-side economics was still the focus of the Right, with many otherwise sensible people talking about the Laffer Curve and maximizing tax revenue! Quasi-utilitarian arguments flourished in the economics mainstream, ceding the intellectual high ground



in favor of arguments that free markets merely "worked" better. "Law and economics" theories were trendy, with strict liability tort models offered as the supposed remedy to judicial overreach and externalities. Tax cuts and enterprise zones typified the weak-tea fiscal policy ideas coming from the political class, even as Clinton outfoxed the elder Bush by co-opting limited government rhetoric. Of course both Alan Greenspan and the Fed were wildly popular across the political spectrum, with some pundits promising not only an end to poverty (through monetary policy) but an end to history itself. Democracy, so we were told, had triumphed.

Against this backdrop Austrian economics opened up a whole new world for me. It became clear that antipathy toward government and support for free markets was not enough: it was necessary to understand and explain the harm caused by all kinds of government intervention in economic terms, which is to say, human terms. Reading breezy libertarian books and articles could never substitute for more rigorous academic self-study.

TFM: Describe how your interest in Austrian economics evolved.

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Mises Scholar and Alumni Notes

CEO and Chairman LEW ROCKWELL's new book Fascism versus Capitalism is now available in hard copy and electronic formats from the Mises Institute. Lew was interviewed by RON PAUL on The Ron Paul Channel during December, and his article "The Libertarian Paradox" was translated into German by scholars at the Ludwig von Mises Institut Deutschland.

President JEFF DEIST regularly appears on the radio program The Korelin Economics Report. Jeff spoke at length about the Mises Institute during the November 23 program.



PETER KLEIN



MARK THORNTON



YURI MALTSEV



JACOB **HUEBERT**



PAUL PRENTICE



JO ANN **CAVALLO**

Executive Director PETER KLEIN has co-authored a working paper with Associated Scholar PER BYLUND on "The Place of Austrian Economics in Contemporary Entrepreneurship Research" forthcoming in a special issue of The Review of Austrian Economics devoted to Israel Kirzner. Dr. Klein also appeared on The Wilkow Majority radio program to disuss "Obamacare and Interventionism." Per Bylund, a former Mises Fellow, has also been appointed to serve on the Journal of Management Studies's editorial board, a highly-regarded outlet for research in management and business. Dr. Bylund's book review of George Gilder's The Information Theory of Capitalism and How It Is Revolutionizing Our World appeared in Barron's in October. In addition, Dr. Bylund's article "Explaining Firm Emergence: Specialization, Transaction Costs, and the Integration Process" was recently published in the journal Managerial and Decision Economics.

In recent months, Senior Fellow MARK THORNTON was interviewed by: Power Trading Radio, The Korelin Economics Report, The Scott Horton Show, Economic Policy Journal, The Lions of Liberty Show, The Traces of Reality Show, Voice of Russia, Press TV, and Butler on Business.

Senior Fellow YURI MALTSEV published The Tea Party Explained: From Crisis to Crusade, co-authored with Roman Skaskiw. Dr. Maltsev also recently delivered a talk on socialism in Mauritius and was interviewed at length in Le Mauricien, a popular French-language daily in Mauritius.

Associated Scholar JAMES BENNETT's new book Federal Mandate Madness will be available this spring from Transaction Publishers.

Associated Scholar JACOB H. HUEBERT was promoted to Senior Attorney at the Liberty Justice Center in Chicago, where he will be directing the center's litigation to protect economic liberty and other constitutional rights in Illinois.

Associated Scholar PAUL PRENTICE was appointed Professor of Economics and Business at Colorado Technical University and recently published "Debased Currency, Debased Culture: Why America Needs Sound Money" with the Centennial Institute at Colorado Christian University where Dr. Prentice is now a Fellow.

Associated Scholar JO ANN CAVALLO presented "On State Power and Personal Liberty in The Prince" at the Symposium on Machiavelli: Then and Now, sponsored by The Graduate Center, CUNY, and Hunter College, in November. On December 7 she presented an expanded version, "On Political Power and Personal Liberty in The Prince and The Discourses," at the Columbia University conference "Liberty and Conflict: Machiavelli on Politics and Power."

JEFF DEIST CONTINUED FROM PAGE 3

JD: Like so many before me, I began reading the great works of Mises, Hayek, and Hazlitt.

These works demolished, point by point, the case for communism and socialism, while warning against the abandonment of the old liberal order. They also effectively predicted the failure of social democracy models that had replaced monarchies in Europe and constitutionalism in America. Once one understood and accepted Austrian teaching regarding the fundamental choice between laissez-faire and statism, the conclusion became clear: there was no "third way."

Traditional Austrian explanations of capital, interest, and time preference refuted the tired yet sometimes subtle fallacies and class arguments underpinning not only Marx and Keynes, but even most neoclassical schools. The subjective theory of value showed that consumers, not intrinsic material or labor components, determined value. Austrian business cycle theory explained not only particular booms and busts (such as the S&L bust), but also the broader need for commodity money and the inherently destructive effects of central banks. Meanwhile, Austrian methodology taught that markets are not mysterious, anonymous, or inhuman: on the contrary, they simply reflect human action, however imperfect, in economic terms.

Perhaps most importantly, the Austrian School helped me understand the impossibility of socialism as an economic system. By demonstrating the critical need for price signals and profit/loss feedback among business owners, Austrians demolished the entire range of modern arguments for state economic planning.

Reading Murray Rothbard took my Austrian education to another level. He literally laid out the ethics of liberty, explaining the legal and political conclusions necessarily flowing from self-ownership, the natural rights tradition, and the principle of nonaggression. He made the clear case for property rights as the foundation of a free society, applying the same standards to government and private actors. The state, Rothbard argued, is virtually always an aggressor. Only the willing blindness and inertia of individuals in society allow the state to mask this aggression as benevolence, and tax us for the privilege.

Of course Rothbard also produced a staggering array of books and articles on the topics of money and banking, the Great Depression, history, philosophy, law, and anarcho-capitalism, just to name a few. Yet his work was always highly accessible to me as a layperson, and readable in a way earlier Austrians sometimes were not.

In short, Austrian economics provided the exposition and defense of capitalism I had been looking for. Austrianism transcended individual vs. utilitarian arguments, explaining the destructive nature of state intervention for the whole of society. It provided the intellectual and conceptual foundation

for a consistent defense of freedom, a foundation that seemed lacking among so many conservatives and libertarians.

TFM: How did you end up working with Ron Paul?

JD: In the early 2000s, I joined Ron Paul's congressional staff in Washington D.C. Ron had been involved with the Mises Institute since its founding, and in fact made his initial decision in the 1970s to run for Congress largely based on his interest in the Austrian School. Ron had the opportunity to see Mises speak in 1972, and of course later he became well acquainted with Murray Rothbard and Henry Hazlitt, among others. Lew Rockwell had been an early supporter and confidant, serving as Ron's first congressional chief of staff.

Many of Ron's staff at the time already were dedicated Austrians, and at his urging we all attended Mises Institute events in Auburn. All of us shared Ron's view that his role was to educate people, and the Austrian message played a central part in that mission.

TFM: How did this work lead you to the Mises Institute?

JD: Mises.org became an invaluable resource for us, and we made a concerted effort to add Austrian content to Ron's speeches, statements, and articles. As a result, C-SPAN viewers sometimes were amazed to hear Ron quoting Mises, Rothbard, Rockwell, or Tom Woods in the middle of otherwise laughably nonintellectual congressional debates! We also developed great relationships with many of the academics associated with the Mises Institute, often inviting them to provide testimony before the monetary policy subcommittee Ron chaired. In many ways the Institute served as the intellectual home for Ron's congressional office.

Through Ron's growing popularity, thousands of Americans, especially young Americans, were exposed to the great scholarship of Mises, Hayek, Hazlitt, and Rothbard. Equally important, the Austrian School gave Ron the intellectual ammunition to explain the great calamities of those years: Greenspan's tech stock bust; the Enron accounting scandal; the terrible folly of a Fed-financed war in Iraq; the enormous malinvestment in the housing market; and ultimately the global crash of 2008/2009. In all of these instances Ron Paul laid down historical markers, using the principles of the Austrian School. For this the world owes him a debt of gratitude.

On a personal level, working for Ron Paul enabled me to develop friendships far and wide with libertarians around the world. It was through Ron that I became acquainted with Lew Rockwell, and it is because of Ron that I now find myself joining the Mises Institute at a time when the Austrian School is growing rapidly. I am deeply humbled and honored to work with the Institute's staff and supporters as we take the Austrian vision of a truly free society forward in 2014.

A POLITICAL HELL ON WHEELS treatment CONTINUED FROM PAGE 2 federal or

treatment from the federal government.

In general, however, the economy of the West coast turned to the more efficient and more competitive sea carriers. By the 1860s, the sea carriers were already taking advantage of well-developed trade with the Panama Railroad across Central America, completed in 1855, that was providing true transcontinental shipping at a much lower price over a much shorter overland route.

In spite of massive subsidies and free lands equal in size to New England, the lack of overland trade made it difficult for the railroads to turn a profit, and after a series of bankruptcies, bailouts and other schemes, railroad owners like Leland Stanford, Durant, and Jay Gould managed to make a lot of money manipulating federal largesse, but many others were ruined by the railroad's bubble economy.

With the signing of the first bill to create the transcontinentals in 1862, it was already known that there was no economic justification for the railroads, which is why they were, according to White, "justified on the grounds of military necessity." Lacking any privately funded entrepreneurs willing to build a road through more than a thousand miles of territory uninhabited by whites, the 1862 Railroad Act created the Union Pacific, making it the first federally-created corporation since the Bank of the United States. Legal and economic shenanigans ensued, and it would not be until the 1890s that anyone built a privately-funded railroad, the Great Northern Railway.





Although fictionalized, the chaos, drama, and political maneuvering of *Hell on Wheels* provides us some true insight into one of the great political boondoggles of the Gilded Age and how the taxpayers are exploited to produce grandiose and massively-expensive schemes in the name of national greatness. In the end, the railroads constituted a huge transfer of wealth from taxpayers, Indians, Mexicans, and more efficient enterprises who found themselves competing with these subsidized behemoths.

It was the same old story of using the state to socialize costs while privatizing profits. As one opposition Congressman declared in response to the Railroad Bill, the enterprise was "substantially a proposition to build this road . . . on Government credit without making [the railroads] the property of the Government when built. If there be profit, the corporations may take it; if there be loss, the Government must bear it."



Ryan McMaken is editor of *The Free Market* and Mises Daily, and is author of *Commie Cowboys: The Bourgeoisie and the Nationstate in the Western Genre.*

IN MEMORIAM

The cause of liberty and the Mises Institute in particular lost some very good friends in 2013. We mourn the passing, but celebrate the lives and achievements, of these great men. Their far-sighted concern for the future of freedom will always inspire us:

MR. ALBERT CAPRONI, JR., economist and banker, and longtime Member of the Mises Institute, passed away on April 27, 2013. Mr. Caproni was a graduate of Tulane University, with degrees in economics and business, and taught economics at Auburn University before entering the field of banking and finance.

MR. THOMAS K. ARMSTRONG, JR., Charter Member of the Mises Institute, and President of the Armstrong Foundation, passed away in 2013. Mr. Armstrong managed a wide variety of business interests including oil, timber, and agricultural products.

MR. JOHN D. LELONG, Charter Member of the Mises Institute, passed away on June 24, 2013.



CHARLES ADAMS, expert on the history of taxation, and author. passed away in November of 2013. He was the author of For Good and Evil: The Impact of Taxes on the Course of Civilization, and Those Dirty Rotten Taxes: The Tax Revolts that Built America.

COMING EVENTS

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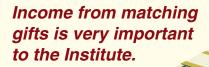
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Special gift for membership renewals made before February 28! Murray Rothbard's *10 Great Economic Myths*

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