

The Austrian

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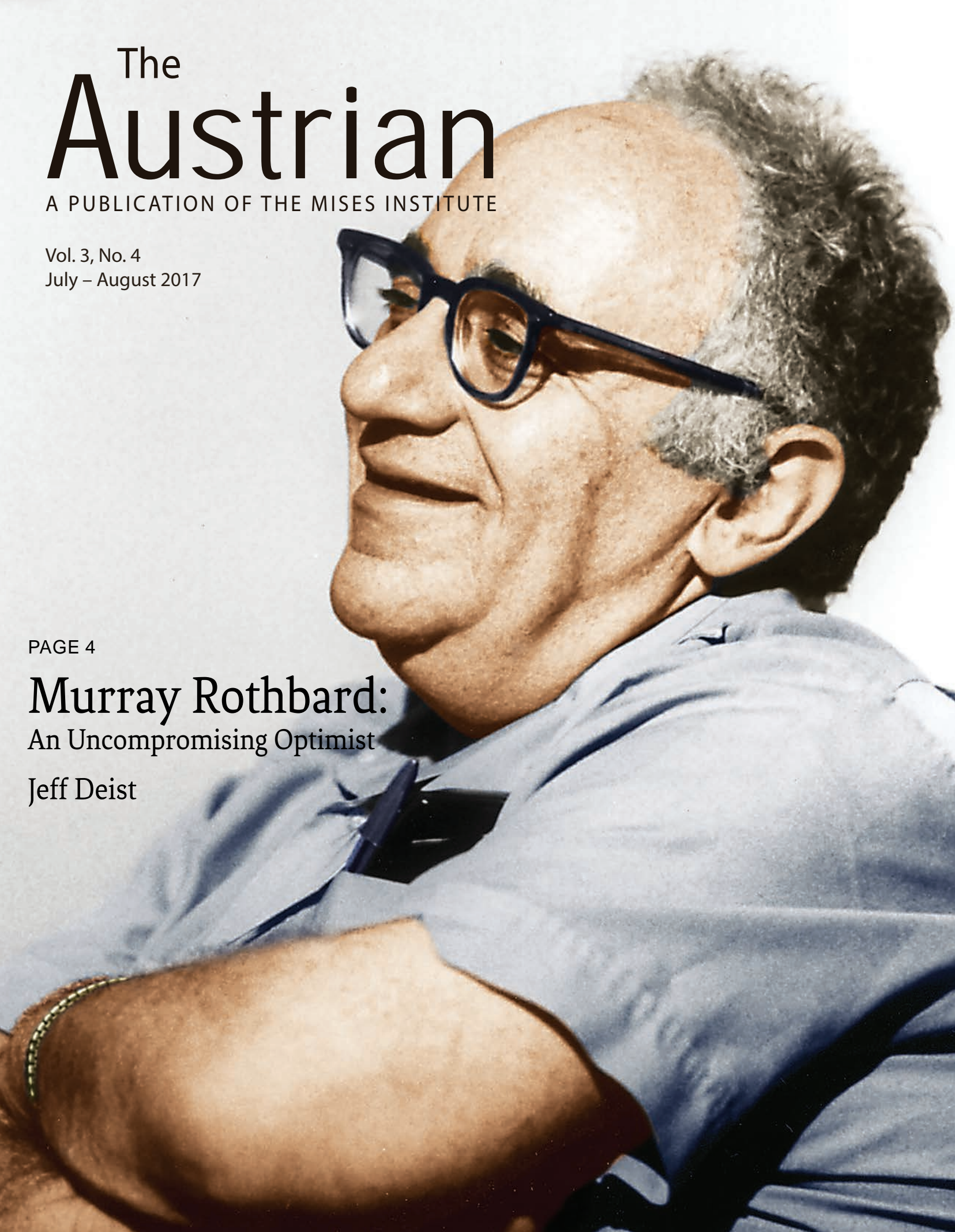
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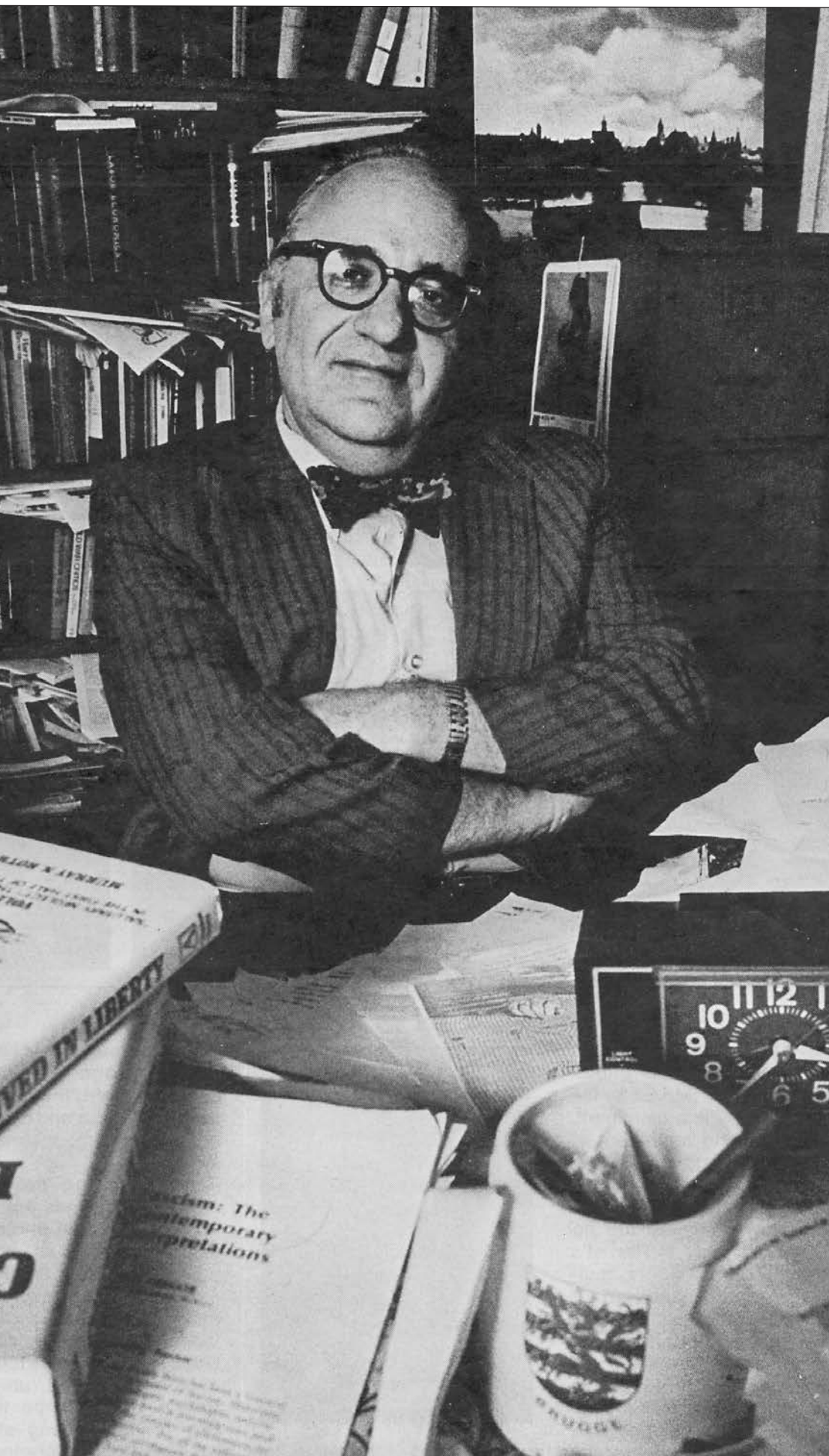
July – August 2017

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Murray Rothbard: An Uncompromising Optimist

Jeff Deist





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Publisher: Jeff Deist
Editor: Ryan McMaken
Managing Editor: Judith F. Thommesen
Design/Layout: Kathy White
Contributing Editors:
David Gordon
Joseph T. Salerno
Mark Thornton

Mises Institute
518 West Magnolia Avenue
Auburn, AL 36832-4501
334.321.2100 | Fax: 334.321.2119
contact@mises.org | mises.org

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jeffdeist@mises.org •  @jeffdeist

From the publisher

Jeff Deist

It's been almost 25 years since Murray Rothbard seemed to predict the rise of a Trump-like figure who would upend the useless conservatives who never seem to conserve anything. But Murray was always ahead of his time. He was the rarest of intellectuals, one who combined academic brilliance with a Menckenesque feel for populist sentiment and the common man. Nobody was a better cultural prognosticator, and nobody saw the events of the day with a clearer (if jaundiced) eye.

Those of you who remember the *Rothbard-Rockwell Report* from the early 1990s surely miss Rothbard's hilarious and scathing takes on virtually anything and everything. It's a shame he didn't live to witness Hillary vs. Trump, or the unfolding saga of Trump's presidency and Twitter emissions. Can you imagine Murray vs. the lightweight pundits dominating cable TV and social media today?

Reading back over his "*Triple R*" articles reminds us of how nothing really changes in Washington. Twenty-first century American politics demonstrates the same undeniable truth Murray identified decades ago: left-liberals engineer the Great Leaps Forward, while Republicans simply consolidate the gains. Hence his use of the term "genuine right" is telling. He always hoped for a resurrection of "Old Right" sensibilities: antiwar, anti-intervention, pro-culture and family, humble rather than grandiose. And he saw this resurrection as something decidedly populist, happening outside of DC.

Today, the American Right is simply a vast jobs program known as "Conservatism, Inc.," limping along on the fumes of dead intellectuals and committed to an activist and deadly neoconservative foreign policy. It refuses Murray's sage advice, even as the Left is bogged down with zero-sum identity politics and campus follies.

The mainstream media, meanwhile, is incapable of providing meaningful or relevant commentary on Trump or anything at all. Besieged on all sides by declining viewership and readership, social media policing, and the rise

of alternative news, organs like CNN and the *Washington Post* vainly choose to double down on their narratives. The former even threatened a social media hoaxster who created an antagonistic meme using an old Trump professional wrestling video. It's almost enough to make us miss Ted Turner.


"Fake news," they sniff, isn't properly vetted or edited—by them, of course. Any blogger in a basement can write anything and publish it to social media outlets we don't control! It's not fair! But the First Amendment makes no mention of a favored institutional press, and the rowdy pamphleteers of colonial days were the social media of their time. Speech is not only for elites, and the gatekeepers are being overrun.

One imagines Murray Rothbard looking down at the whole spectacle and smiling.

Which brings me to my last point: if you haven't yet registered to join us in New York for our 35th Anniversary Gala, don't wait another minute. Go to mises.org/events for all the details. We'll celebrate Murray and his work,

"And in this era where the intellectual and media elites are all establishment liberal-conservatives, all in a deep sense one variety or another of social democrat, all bitterly hostile to a genuine right, we need a dynamic, charismatic leader who has the ability to short-circuit the media elites, and to reach and rouse the masses directly. We need a leadership that can reach the masses and cut through the crippling and distorting hermeneutical fog spread by the media elites."

Murray Rothbard, 1992

with a great lineup of speakers including Ron Paul, Hans-Hermann Hoppe, Judge Andrew Napolitano, Tom Woods, and many more. We'll celebrate the Mises Institute, the organization Lew and Mardi Rockwell started on their kitchen table in 1982 — with the enthusiastic support of both Murray Rothbard and Margit von Mises. We'll enjoy Murray's New York in its beautiful fall glory. And we'll celebrate all of you, for supporting and advancing the vision of liberty and correct economics that animated Murray's life. Don't miss it! 

Jeff Deist is president of the Mises Institute.



MURRAY ROTHBARD

An Uncompromising Optimist

BY JEFF DEIST

Murray Rothbard has been gone more than 20 years now, his brilliance, wit, and irreplaceable insights taken from us far too soon. At home in New York City over a Christmas break from his teaching duties at the University of Nevada, Rothbard accompanied his beloved wife Joey to her optometrist appointment on a bitterly cold day. A few moments later, on January 7th 1995, he was gone — lost to heart failure at the age of 68.

What he left behind was not only a grieving wife, countless friends and colleagues, and fans of his work around the world. He also left a legacy of academic and popular work that is virtually unrivaled in its sheer magnitude, in the depth and breadth of his knowledge, expertise, and interests. Murray was not only an economist and libertarian scholar, but also a philosopher, historian, political scientist, legal theorist, ethicist, sociologist, mentor, and journalist — all apart from his moonlighting as an amateur sports analyst, election handicapper, and movie critic.

It is this legacy, his immense body of work, that cements his position as a preeminent libertarian thinker of the 20th century. It is what makes him relevant today, and will keep him relevant for the decades to come. In today's world full of white noise and dilettantes, the substance of his work sets him apart.

An Immense Body of Work

Rothbard's career spanned more than four decades, during which he produced more than 30 full-length books. *Man, Economy, and State*, his sweeping economics text, is regarded as one of the four landmark treatises of the Austrian school. His academic work in areas like money, monopoly, price theory, and economic calculation all represented great strides for the Austrian school. He dramatically advanced our understanding of business cycles, and took particular pleasure in correcting enduring myths about banking in *What Has Government Done to Our Money?*, *The Mystery of Banking*, *A History of Money and Banking in the United States*, and *Economic Depressions: Their Cause and Cure*.

But much of his greatest scholarship was outside the field of pure economics. He demolished arguments for government as a necessary evil while offering a wholesale libertarian manifesto in *The Anatomy of the State*. He presented the groundbreaking normative argument for *laissez-faire* in *The Ethics of Liberty*, making a courageous (and still controversial) break from the utilitarianism and classical liberal traditions of his mentors. He upended the illiberal and unnatural arguments for state-enforced equality in *Egalitarianism as a Revolt Against Nature*. And he gave us his colossal 4-volume treatment of colonial American history in the comprehensive and revisionist *Conceived in Liberty*.

But while these great books would represent a robust publishing career for any five ordinary academics, they represent only a fraction of his incredibly varied written work. A full bibliography of his published writings requires a bibliography of 62 pages! Murray contributed more than 100 chapters to books edited by others, and wrote more than 1,000 scholarly and popular articles. Imagine if he had lived another 10 or 20 years, even if slowed by age or semi-retirement.

Dr. David Gordon, Murray's longtime friend, believes that Rothbard's *oeuvre* rivals that of any 20th-century intellectual in size and scope. Professor Guido Hülsmann argues that while it is possible to read everything Ludwig von Mises wrote, it is impossible in the case of Rothbard. And the Mises Institute continues to release

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“new” Rothbard material, in the form of his previously unpublished essays (the Institute is fortunate to house all of his archives, files, papers, and notes). Last fall saw the publication of *Never a Dull Moment: A Libertarian Look at the Sixties*, and later this year we will unveil his rollicking take on the Progressive era. And there is even a handwritten fifth volume of *Conceived in Liberty* that may be released in the future.

Of course his CV can never capture the full measure of his impact. It cannot account for the countless scholars he mentored, the countless speeches he wrote and delivered, the countless conferences, symposia, and debates he participated in, or the countless conversations he held late into the night with young people eager to learn everything they could from this indefatigable man.

CONTINUED ON NEXT PAGE

JEFF DEIST, CONTINUED

His Unwavering Optimism and Conviction

More than anything, his résumé cannot measure the optimism and uncompromising tenacity with which he approached the intellectual battle. This combination of joy and steadfastness gave Murray an advantage almost as big as his intellect: the conviction that his cause not only was right and just, but also that it would ultimately prevail — no matter how illiberal the current age might seem.

Consider the cheery sense of optimism demonstrated in this quote from a chapter on strategy in *For a New Liberty*: “The case for libertarian optimism can be made in a series of what might be called concentric circles, beginning with the broadest and longest-run considerations and moving to the sharpest focus on short-run trends. In the broadest and longest-run sense, libertarianism will win eventually because it and only it is compatible with the nature of man and of the world. Only liberty can achieve man’s prosperity, fulfillment, and happiness. In short, libertarianism will win because it is true, because it is the correct policy for mankind, and truth will eventually win out.”

Note the self-assured tone, his unshakable belief that the obvious superiority of a free society would become apparent in the long run. Was he overconfident about our libertarian prospects, given hindsight and looking back to the early 1970s when the passage was written? Perhaps. But a fuller reading of Rothbard’s work on strategy reveals time and again his pragmatic reasons for this optimism: “The clock cannot be turned back to a preindustrial age. Not only would the masses not permit such a drastic reversal of their expectations for a rising standard of living, but return to an agrarian world would mean the starvation and death of the great bulk of the current population. We are stuck with the industrial age, whether we like it or not. ... But if that is true, then the cause of liberty is secured. For economic science has shown, as we have partially demonstrated in this book, that only freedom and a free market can run an industrial economy. In short, while a free economy and a free society would be desirable and just in a preindustrial world, in an industrial world it is also a vital necessity. For, as



Ludwig von Mises and other economists have shown, in an industrial economy statism simply does not work. Hence, given a universal commitment to an industrial world, it will eventually — and a much sooner “eventually” than the simple emergence of truth — become clear that the world will have to adopt freedom and the free market as the requisite for industry to survive and flourish.”

This passage, again from *For a New Liberty*, reveals the source of Murray’s confidence, namely the manifest failures of state planning. Contrary to the progressive delusions of the 20th century, no advanced form of government was inevitable or even desirable. It was liberty that could not be stopped. Whether collectivists could be persuaded of this was beside the point; they need to live in the material world like the rest of us. Only *laissez-faire* can make that world possible.

The move from farms to industrial factories had created a society far too rich, too complex, and too interconnected for rule by would-be central planners. And while Rothbard lived to see only the early stages of the

digital revolution, his understanding of the industrial economy presaged the rise of neoliberalism — with its grudging admiration for markets and their essential role in creating prosperity.

Rothbard's optimism was rivaled only by his insistence that strict adherence to libertarian principles was the wisest approach in the long run. As a result, he never shied away from controversy and never succumbed to the million small compromises that would have secured him the prestige and academic sinecure he richly deserved. Remember that he held a PhD in economics from Columbia, and possessed an intelligence and work ethic far superior to other public intellectuals and his colleagues in academia.

In this sense Murray's life mirrors that of his mentor, Ludwig von Mises. Mises too had a stubborn streak, and was known for an unyielding tendency to place the pursuit of truth ahead of personal or career advancement.

In one famous instance during the mid-1950s Mises stormed out of a meeting of the Mont Pelerin Society, concerned that the young organization he helped create was falling under the sway of the Chicago school and corrupting its advocacy for uncompromising *laissez-faire*. One witness to this event was the rising Chicagoite star Milton Friedman, who years later recalled the story as proof of Mises's intransigence. Mises's adherence to principle was a strategic error in Friedman's view, one that would cost Mises influence and money.



But Mises, like Murray Rothbard, saw things differently: “Occasionally I was reproached because I made my point too bluntly and intransigently, and I was told that I could have achieved more if I had shown more willingness to compromise. I felt the criticism was unjustified; I could be effective only if I presented the situation truthfully as I saw it.”

Rothbard's Lasting Influence

Today it is clear that much of Rothbard's fame and influence is due to the very intransigence for which he still faces criticism. Certainly he could have stifled his more controversial views, and in particular kept silent on the topics of foreign policy and anarchism — at least until he was comfortably tenured at a university. Certainly he could have confined himself to writing only in academic journals. Certainly he could have had a much more comfortable and financially rewarding career.

But had he done so, would we celebrate him today? How many people remember former chairmen of Ivy League economics departments, or even know the names of past Federal Reserve governors? How many people read academic journals? Countless economists, historians, political philosophers of Rothbard's time are already forgotten, while a growing number of people from all walks of life and all corners of the planet still read, enjoy, and learn from Murray.

One man's inflexibility is another man's adherence to principle. Whether intransigence is virtue or vice often depends on whether one stands on principle or stands on ceremony. For Murray Rothbard, the principle was always the point. Ego, popularity, and personal gain had nothing to do with it. Standing up for liberty, and against the state, was always worth whatever slings and arrows he might endure.

We need not sanctify Murray Rothbard, nor treat his pronouncements as infallible. Many of his best and most provocative writings still evoke strident debate and disagreement even among ardent Austro-libertarians today. We must, however, insist on giving him his due as among the greatest libertarian thinkers of the modern age. The world owes this great man a debt that has not yet been repaid. ■■■

Scholar and Alumni News

Recent news from our supporters, alumni, and scholars



PETER KLEIN

Senior Fellow **MARK THORNTON** lectured on the war on drugs at the University of South Carolina law school this summer and participated in a debate on the war on drugs at the Cumberland School of Law at Samford University in Birmingham, Alabama. Both were events sponsored by student chapters of the Federalist Society.

Senior Fellow **PETER KLEIN** has been appointed to the W.W. Caruth Chair of Entrepreneurship at Baylor University. Professor Klein is also the director of Baylor's Entrepreneurship PhD Program.



PER BYLUND

Senior Fellow **TOM WOODS** recently released an ebook on the defense of free-market medicine called *Your Facebook Friends Are Wrong About Health Care*.

Associated Scholar **JO ANN CAVALLO** has published a new book titled *The World beyond Europe in the Romance Epics of Boiardo and Ariosto* from Toronto University Press. It has also been published in Italian as *Il mondo oltre l'Europa nei poemi di Boiardo e Ariosto*. Professor Cavallo is currently teaching the global core course "Nobility and Civility: East and West" in Columbia University's summer program at the University Ca' Foscari in Venice, Italy.



JONATHAN NEWMAN

Associated Scholar **DAVID HOWDEN** has two new academic publications: "The Rise and Fall of the Subsistence Fund as a Resource Constraint in Austrian Business Cycle Theory" in the *Review of Austrian Economics* and "The Interest Rate and the Length of Production: A Comment" in the *Quarterly Journal of Austrian Economics*.

Associated Scholar **PER BYLUND** has accepted a position on the editorial review board for the *Academy of Management Review*, a top business and management journal.

TATE FEGLEY, a 2016 James Klutznick Research Fellow at the Mises Institute, has a new article forthcoming in *Policing: An International Journal of Strategies and Management* titled "Is Bigger Better? An Analysis of Economies of Scale and Market Power in Police Departments."



PAWEŁ NOWAKOWSKI

Former Fellow **JONATHAN NEWMAN** has accepted a position as Assistant Professor of Economics and Finance at Bryan College in Dayton, Tennessee.

Mises Institute Research Fellow **JOAKIM BOOK** was awarded a Master of Arts in Economics and Economic & Social History from University of Glasgow in June.

Former fellow **PAWEŁ NOWAKOWSKI** has recently accepted a position as Assistant Professor in the Department of Political Theory at the University of Wrocław in Poland.

The Mises Institute's

35th ANNIVERSARY



HONORING THE LIFE AND WORK OF MURRAY N. ROTHBARD

Speakers include:



Hans-Hermann Hoppe



Ron Paul



Andrew Napolitano



Tom Woods

To register, or for information on student scholarships, see mises.org/NYC.

UPCOMING Events

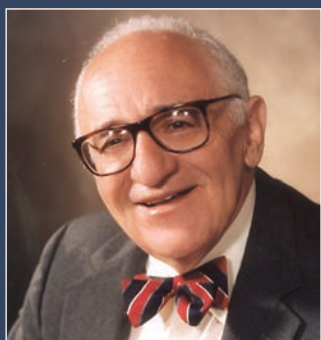
July 23–29, 2017 — Mises University; Mises Institute

October 6–7 — Mises Institute 35th Anniversary Celebration; New York City

March 23–24, 2018 — Austrian Economics Research Conference; Mises Institute

June 10–15, 2018 — Rothbard Graduate Seminar; Mises Institute

Student scholarships available for all events. See mises.org/events for details.



ROTHBARD GRADUATE SEMINAR

AN ALICE J. LILLIE SEMINAR



The Rothbard Graduate Seminar is one of the Mises Institute's central summer programs for students. The Seminar offers a program of intense study of Austrian economics, usually for graduate students and new faculty members pursuing academic careers in economics, history, philosophy, law, and related programs.





This year's attendees included 24 students from 10 US states plus Austria, Canada, England, France, Greenland, Jordan, Scotland, and Spain.

Students work closely with our core faculty members, which this year included Joseph Salerno, David Gordon, Jeffrey Herbener, Guido Hülsmann, Peter Klein, and Mark Thornton.

The Rothbard Graduate Seminar is sponsored by Alice J. Lillie. ■■■



A HISTORY OF THE FED'S POLITICAL POWER

DAVID GORDON

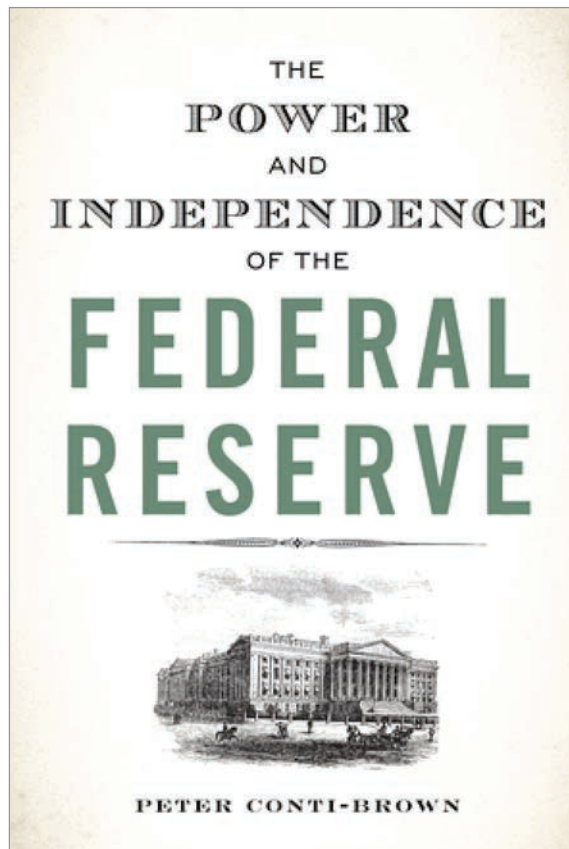
REVIEWS

The Power and Independence of the Federal Reserve

Peter Conti-Brown

Princeton University Press, 2016

xiv + 347 pages



Peter Conti-Brown, a legal historian who teaches at the Wharton School, would sharply dissent from Ron Paul's wish to End the Fed. He never cites Mises or Rothbard, and the only Austrian work that he mentions, hidden away in an endnote, is Vera Smith's *The Rationale of Central Banking and the Free Banking Alternative*. Nevertheless, Austrians will find Conti-Brown's book of great value. He has, with considerable scholarship, exposed many grave problems with the Fed in a way that strengthens and supports the anti-Fed case.

The paramount concern of Austrian criticism of the Fed has been the vital role of that organization in expanding the money supply. Doing this, as the Austrian theory of the business cycle explains, drives the money rate of interest below the "natural" rate, primarily determined by people's rate of time preference. This leads to an artificial boom and eventually proves unsustainable, resulting in a depression. Murray Rothbard classically applied this analysis in *America's Great Depression* (1963), which emphasized the expansionary monetary policy of the 1920s, pursued by the Fed at the behest of Benjamin Strong, the Governor of the Federal Reserve Bank of New York, in causing the 1929 crash.

Conti-Brown tells us that this view of the Fed's role in the 1920s was shared by none other than Herbert Hoover, who figures in Rothbard's book as a principal villain for his futile interventionist efforts to cope with the depression. Hoover "blamed the Fed generally (and the New York Fed in particular) for causing the Great Depression. This orgy [of speculation] was not a consequence of my administrative policies," he wrote, but of the 'mediocrities' at the Fed" (p. 24). "Hoover further complained that the Fed (under Benjamin Strong) turned American optimism into 'the stock-exchange Mississippi Bubble'" (p. 283, note 19).

The Fed continued its expansionary course during the 1930s, and here the influence of the banker Marriner Eccles was paramount. Eccles shaped the modern Fed through proposals that Congress enacted in the Banking Act of 1935, which "abolished the Federal Reserve Board created in 1913 and replaced it with the Board of Governors of the Federal Reserve System" (p. 27). Once ensconced in power at the Fed, "Eccles's clear policy ... was to use all policy instruments at the government's disposal to do for the economy what consumers could not do: spend their way out of the depression" (p. 32). Eccles greatly admired Franklin Roosevelt and was careful to coordinate his policies with him. "'Coordinate' may even suggest more separation than Eccles intended: he meant for monetary policy to be administration policy" (p. 32). His ideas resembled those of Keynes, but Eccles had developed them independently. "Though they had never met, the millionaire Mormon from Utah had anticipated the dapper Cambridge don's worldview" (p. 26). Eccles and Keynes eventually met at Bretton Woods in 1944 but did not like each other.

Conti-Brown, as we will see, views such policies with favor; but he aptly describes the consequences of a monetary expansion that fails: "What looks like economic growth is, in fact, a monetary mirage. It's not more jobs, goods, and services that we see; it's just more money. And when more and more money chases the same (or shrinking) number of jobs, goods, and services, the prices of everything go up. These inflationary pressures threaten to undermine the economy's stability and consumer confidence in the level of prices and wages" (p. 133).

If we turn from the 1930s to the recent past, we find that the Fed has continued on its reckless ways. After

the Panic of 2008, Fed Chairman Bernanke assumed extreme power to meddle in the economy. "Invoking emergency lending authority that had been unused for almost eighty years, the Fed picked up its 'lender-of-last-resort' function and proceeded to deploy it throughout the economy ... [this] started with the investment banking giant Bear Stearns and in time extended to money market funds, traditional banks, and insurance companies" (pp. 154–55).

The paramount concern of Austrian criticism of the Fed has been the vital role of that organization in expanding the money supply.

The extent of the Fed's power to intervene is difficult to fathom. "When Bernanke and Secretary of the treasury Henry Paulson approached Congress in the fall of 2008 about the need to inject \$85 billion into the insurance giant AIG, [Barney] Frank asked if the Fed had that kind of money. Bernanke responded that he had \$800 billion. Frank was stunned. 'He can make any loan he wants under any terms to any entity or individual in America that he thinks is economically justified'" (p. 155).

The Fed under Bernanke did not confine itself to aiding particular firms but aimed at a general monetary expansion. His policy came as no surprise. "In one speech in 2002, Bernanke, then a member of the Fed's Board of Governors (but not the chair), alluded to a helicopter drop of cash on the general public as a way of getting

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DAVID GORDON, CONTINUED growth and inflation back to desirable levels. In light of subsequent events, and with that precedent in mind, his critics have sometimes called him ‘Helicopter Ben’” (p. 143).

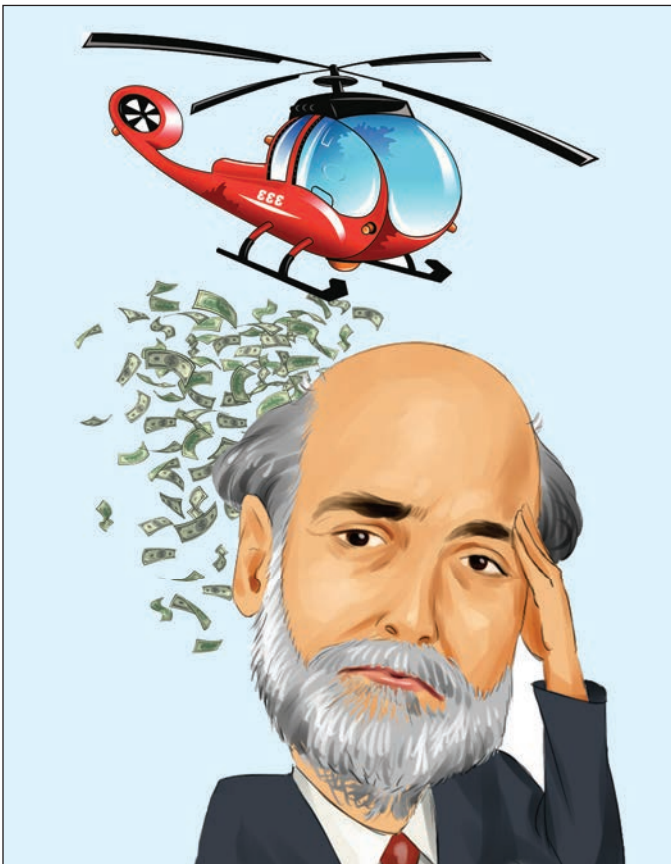
Once he became Chair, Bernanke followed through in a bizarre fashion, in what was called “forward guidance.” This “binds the central bank to a mast of its own in an effort to convince participants in the economy that the Fed will honor its policy for a certain period of time. ... [T]he central bank must commit that its monetary policy ‘will in fact be effective if the central bank can credibly promise to be irresponsible, to seek a higher future price level’ ” (p. 143, quoting Paul Krugman).

By no means does this exhaust the material a critic of the Fed can draw from Conti-Brown’s book. He points out that the Fed finances its own activities by issuing money: it is not dependent on Congressional appropriations to keep it going. “That the Fed funds itself largely from the proceeds of its substantial assets, taken together with the nature of the Fed’s ability to create money in pursuit of its monetary policy objectives, means that

the Fed’s funding is unique in government. ... [T]he Fed conducts monetary policy by, among other options, creating money with which it can buy government — and more recently, nongovernment securities. These interest-bearing assets generate money that the agency can subsequently use to fund itself” (p. 207).

If the Fed is an arbitrary and irresponsible agency in the fashion so far described, is there not an excellent case for doing away with it? Conti-Brown does not agree at all. He fears the “devastation of expected deflation” (p. 143) that might ensue were the economy on a strict gold standard and thus largely supports Bernanke’s policies.

Conti-Brown’s focus differs entirely from criticism of monetary expansion. He believes that critics of the Fed are in a grip of a false picture of how it operates, which he calls the Ulysses/ punch bowl view. “Ulysses” refers to the incident in *The Odyssey* in which Ulysses had himself tied to the mast of a ship so he could hear the sirens’ song; and the “punch bowl” to a comment by Fed Chairman William McChesney Martin that the Fed’s role was to withdraw the punch bowl when the party was getting interesting. “The subjects of the metaphors differ by millennia, but the idea is the same: the partygoers and Ulysses alike want something in the near term that their best selves know is bad for them in the long term. Central bank independence is the solution” (p. 3). Conti-Brown maintains that this view rests on an oversimplified view of how the Fed operates, and that “independence” is not an analytically useful concept in understanding the Fed. He may well be right on both counts; but although he repeats the metaphor interminably, he has not at all made his case that the bulk of criticism of the Fed rests on acceptance of the misleading picture he condemns. To confront criticism of the sort advanced by Ron Paul and Rothbard, Conti-Brown would have to respond to Austrian monetary theory. He instead bypasses monetary theory almost entirely, a great pity owing to his gifts of clear exposition. To do this in a book about the Fed is to offer us *Hamlet* without the Danish prince. ■■



David Gordon is Senior Fellow at the Mises Institute, and editor of *The Mises Review*.

THE PROGRESSIVE ERA

A CONVERSATION WITH **PATRICK NEWMAN**
ON AN UNPUBLISHED ROTHBARD MANUSCRIPT

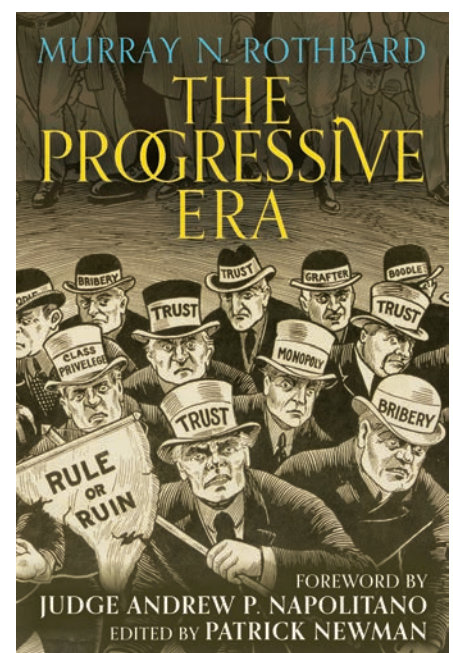


Patrick Newman is a James Klutznick Research Fellow at the Mises Institute, and an Assistant Professor of Economics at Florida Southern College. He is the editor of a forthcoming book by Murray Rothbard titled *The Progressive Era*. Dr. Newman recently spoke with us about the book and Rothbard's innovative views on the Progressive Era.

THE AUSTRIAN: Why is this book only being published now and how did you become involved?

PATRICK NEWMAN: The book totals 15 chapters and begins with an unpublished manuscript (Chapters 1–9) that Rothbard wrote in the late 1970s. In the early 1980s Rothbard stopped working on the manuscript but continued his project by writing essays on what he planned to include in the later chapters. These essays are included in the book (Chapters 10–15). The original book manuscript is only being published now because it was a rough draft and was in a relatively disorganized state in the Rothbard archives. Archivist Barbara Pickard and I spent a considerable amount of time searching for

all of the pages in the manuscript (Rothbard fortunately numbered his pages, so it was easy to see what we had and what we were missing).



PATRICK NEWMAN, CONTINUED

I was a Fellow at the Mises Institute in 2012 and 2013, and in the second year I spent time working in the Rothbard archives. One of the projects I worked on was an unpublished and deleted chapter of *Man, Economy, and State* on producer's theory, later published in the *Quarterly Journal of Austrian Economics* as "Original Chapter 5: Producer's Activity" (2016). At the 2015 Austrian Economics Research Conference I spent some time working in the archives in order to finish the unpublished chapter. While there I stumbled upon some of the chapters of the Progressive Era manuscript, and over the next couple of years I spent a significant amount of time reading and researching on the time period. We later found more and more chapters of the book and the project grew from there.

TA: What is different about Rothbard's perspective on the Progressive Era, and why is the era so important to understand?

PN: Most historians consider the Progressive Era a very important and beneficial time period in American history. This is because the common perception of the late 19th century is that it was plagued by harmful monopolies, unsafe working conditions, poor quality consumer products, crippling deflation, and frequent and severe business cycles. The country was rapidly industrializing, and in order for it to fully grow up, the government needed to take a more activist role in regulating the economy. The Progressive Era was when the populist masses and well intentioned social reformers rose up, fought the established interests, and instituted enlightened measures essential for modern society.

Rothbard turns this entire explanation on its head. He argues that not only are the standard myths of the late 19th century untrue, and that businesses were fiercely competitive and living standards significantly rose, but that the Progressive Era was not due to the masses or altruistic intellectuals. It instead was due to a coalition of businesses looking to institute regulations in order to cartelize markets and hamper competition, and power seeking government officials and intellectuals looking to actively plan and run society. It is essential to understand that the early 20th century was not progressive, but actually regressive, because it pushed the economy back to the old system of mercantilism. The current relationship between the modern state and the economy has its roots in the Progressive Era.



TA: Rothbard has written on the Progressive Era before. What is new in these writings?

PN: The unpublished manuscript contains material that Rothbard briefly alluded to in other writings, such as in *A History of Money and Banking in the United States* (2005) and *The Case Against the Fed* (1994), or covered in his lecture series *The American Economy and the End of Laissez-Faire: 1870 to World War II* (1986). His analysis covers important historical events from the Civil War era to Theodore Roosevelt's presidency (1901–1909). He starts off with an extensive discussion of railroads, from the Civil War subsidies to the interventions up to and after the formation of the Interstate Commerce Commission (1887). He then describes the failed merger movement around the turn of the century when businesses unsuccessfully attempted to monopolize markets. He also spends a considerable amount of time chronicling the political battles between the *laissez-faire* Democrats and the interventionist Republicans in the third party system (1854–1896) of American politics, and describes the fall of the relatively noninterventionist Democratic Party after William Jennings Bryan and the Populists supplanted Grover Cleveland and the Bourbon Democrats for control of the party in 1896. He then describes the presidency of Theodore Roosevelt and the various federal, state, and local interventions that occurred. Lastly, there is an unpublished section of his important essay "World War I as Fulfillment: Power and the Intellectuals" (published in this book as Chapter 13) on the drive by scientists and other professionals to centralize scientific activity under government aegis through the National Research Council.

TA: Looking at our current political situation, what can we apply from Rothbard's work on the Progressives to understanding our own time?

PN: One of the important questions Rothbard asks in the book is how a surge in government intervention occurred at the beginning of the 20th century, despite an American tradition to individualism and *laissez-faire*. By what means was the state, especially on the federal level, able to drastically increase its power and scope over society? Rothbard answers this question by pointing to the fall of the major *laissez-faire* force in America, the Democratic Party. During the late 19th century there were two main factions in the Democratic Party: the Bourbons, or the classical liberal *laissez-faire* wing generally centered in the Northeast and Midwest, and the emerging statist Populists, centered in the South and Far West.

In the 1890s, after the Panic of 1893 the Populists were able to wrestle control of the party structure away from the Bourbon Democrats, culminating in the election of 1896 when the Populist William Jennings Bryan lost to William McKinley. This election marked the beginning of the increased similarity between the two center statist parties, the downplaying of ideology, and increased voter turnout. Moreover, it coincided with the emergence of a bureaucratic state shielded from voter control and mainly interested in aggrandizing government power over the economy.

The same system exists today, only at an accelerated pace. Both the Democrats and Republicans are interventionist in their own ways, and voters are presented with very little real choice between candidates. Moreover, most of the US government is unaccountable to the public in elections, it consists of an army of unelected bureaucrats that are resistant to change and act largely with regard to their own self-interest. The current political environment of two pro-big government parties, lack of choice for the voters, and administrative state all derives from the Progressive Era.

TA: Where does this new book stand when compared to Rothbard's other works? (Is this just a minor work or something more?)

PN: The entire book, counting the unpublished manuscript and published essays that complete his narrative by describing later events in the Progressive

Era, such as social and urban reform, World War I, the Federal Reserve, and Herbert Hoover in the 1920s, is over 500 pages. It is a monumental work that stands in the same realm of importance as his other historical books, such as *America's Great Depression* (1963), *Conceived in Liberty* (1975, 1976, 1979), and *A History of Money and Banking in the United States* (2005). The book shows Rothbard the historian at his best: a grand synthesizer who creates his own unique narrative and draws on a wealth of historians and various disciplines and fields of research, including Austrian economics, libertarian philosophy, economic history, political science, and power elite analysis. Rothbard spent an enormous amount of his academic career reading, writing, and researching on the time period, a book collection with just Rothbard's previously published essays on the Progressive Era would highlight this. But the unpublished manuscript shows so much more of Rothbard's system of thought that he only spoke about in lectures or briefly mentioned in footnotes. It is a magnificent complement to Rothbard's other works and is essential reading for anyone interested in the Progressive Era, Austrian economics, or libertarianism. ■■■





TATE FEGLEY

How Much Policing Do We Really Need?

Policing in America has been a contentious issue, especially since the shooting of Michael Brown in Ferguson, Missouri in 2014. Many different explanations have been extended as to why confrontations between the police and citizens so often become lethal: racism, poor training, availability of firearms to civilians, etc. As such, “solutions” to the problem target these issues. However, the ideas of Ludwig von Mises regarding economic calculation, despite being developed almost a century ago, offer far more interesting, and potentially more fruitful, insights into the matter of policing in a free society.

Mises’s argument was that without private property in the means of production, there can be no market prices for capital goods and therefore no way of calculating the opportunity costs of using capital goods to produce certain goods instead of others. The decisions of central planners of what to produce and by what means would be arbitrary and chaotic.

Because government policing is provided bureaucratically, without market prices and profit and loss, there is no way for police to know whether they have allocated resources to their most highly valued uses. Instead of consumers determining what problems police focus on, bureaucrats and politicians decide.

Three days prior to the death of Eric Garner, who died shortly after his arrest for selling untaxed cigarettes, New York Governor Cuomo's website bragged about how much revenue his Cigarette Strike Force had generated. It is highly doubtful that the citizens of New York demanded that the NYPD allocate resources to tobacco tax enforcement.

Just like everyone else, police respond to incentives. According to the economist Bruce Benson, the War on Drugs did not really start to escalate into what we know it as today until Congress passed the 1984 Crime Control Act, allowing police to take a cut of the revenue from drug crime through civil asset forfeiture. Benson found in Florida, as did many others replicating his study elsewhere, that when police allocate more resources to drug enforcement, they use fewer resources to defend property, and property crime goes up.

This is not to argue that government police allocate resources solely based on financial considerations, but that when economic calculation is impossible, allocation decisions must be made by some other means, and that means will typically reflect the desires of the bureaucrat, as far as his autonomy allows. But even if we assume the best of intentions on the part of the police and bureaucrats, the calculation problem remains. They are unable to weigh the value of patrolling the roads against dispersing aggressive panhandlers or investigating a burglary. Because they earn no revenue on the market, they are unable to calculate whether the value of the services they provide is greater than the resources expended in producing them.

Contrast this with security in the private sector, where entrepreneurs can calculate the return of an additional unit of security personnel (such as by the reduction in theft compared to what it was before he was hired) against its cost. Entrepreneurs in the market are much more able to calculate the optimal amount of security. Additionally, they more efficiently allocate heterogeneous, non-specific inputs, such as labor, to more highly valued uses than do government police departments. For example, although the "rent-a-cop" is derided as a low-wage, unimposing farce, the fact that they pass the market test demonstrates that they provide greater benefit than their cost. Differentiation in skills is underutilized by police departments, who use expensive sworn officers to perform low-skilled duties, such as coordinating traffic at intersections.

Moreover, issues of police aggression and its desirability can be thought of as calculation problems. Some will argue that police need qualified immunity, which protects them from civil liability, so that they will not be hesitant to use force when necessary. Others respond that this encourages police to use more force than is actually needed. Not being able to calculate the value of more aggressive policing, government police are in the dark. However, entrepreneurs providing security in the market, being civilly liable for damages their employees cause, will strive to find the balance between aggressive policing and minimizing civil liability that consumers desire. To a degree far greater than government police, private companies face real consequences from consumers when they use force unnecessarily, as United Airlines came to realize.

Thus, to fully understand the issues in contemporary American policing, the economic calculation problems facing it must be appreciated. When consumers are not sovereign in deciding where resources are allocated, government bureaucrats are. Since police do not have to satisfy consumer preferences in order to stay in business, we should not be surprised that they treat us like subordinates rather than the other way around. ■■■

Tate Fegley was a 2016 Mises Institute Fellow. He is currently a graduate student at George Mason University.



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