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Book Review

Cronyism: Liberty versus Power in Early America, 1607–1849

Patrick Newman
Auburn, Ala.: Mises Institute, 2021, 362 pp.

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The thesis of Patrick Newman's *Cronyism* (2021) is that American political history from 1607 to 1849 was essentially a tug of war between mercantilists who essentially stood for the theory of government that yours truly has long opposed—that the main purpose of government is for those who run it to plunder those who do not—and libertarians. The former group organized politically as the Federalists, National Republicans, and Whigs, whereas the Antifederalists, early nineteenth-century Republicans, and Democrats defended the more-or-less libertarian worldview. His narrative focuses on America's "Great Men," as he calls them, and their political activities. The famous quote by Lord Acton about how absolute power corrupts absolutely is on the front of the book, and I wish that Newman had included the very next sentence of Lord Acton's: "Great men are almost always bad men." His book demonstrates this in spades.

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The book reminds me somewhat of *The Governmental Habit* by economic historian Jonathan Hughes (1977), who argued that government regulation has always been a feature of American government; it's always been a matter of degree. So far, so good. Patrick Newman would not disagree. One failing of Hughes's book was that he didn't make enough of the fact that so much regulation wasn't "public interest" regulation but was designed from the start to create government of political cronies, by political cronies, and for political cronies. Americanized British mercantilism, in other words, in repudiation of the American Revolution. It's not so much that regulatory agencies have been "captured" by special interests after being established with the most angelic of intentions to pursue "the public interest," the Chicago School view, but were always intended to be instruments of political plunder.

Hughes claimed that "failures of capitalism" have been the main cause of government regulation. He also praised central banking while denigrating the gold standard with very poor economic reasoning and false history. This is why Patrick Newman's *Cronyism* is head and shoulders superior to *The Governmental Habit* (1977) and its updated version, *The Governmental Habit Redux* (1991). It is superior because of Newman's reliance on Austrian economic theory, Rothbardian political philosophy, public choice insights, and a superior understanding of American history, which he documents with hundreds of footnotes. It's hard to beat that combination of intellectual tools when one's goal is to cut through the fog of propaganda, misinformation, and superstition that is so carefully crafted by governmental actors and their private-sector cronies in their never-ending quest to make the public think that it is in its own best interest to allow themselves to be plundered by them. As Murray Rothbard ([1994] 2009, 131) once said, a "master politician" (a.k.a. almost all "Great Men") is a "consummate manipulator, conniver, and liar."

Newman describes how cronyism started with land grants and indentured servitude under colonial feudalism. Colonial America was a combination of British cronyism combined with a home-grown variety, writes Newman. It was a blessing for freedom that it was often so difficult for the British empire to enforce its mercantilist edicts, allowing for more-or-less complete economic freedom in parts of America.

Newman's chapters on the path to American independence and the Revolutionary War are unique in that they are discussed in the context of his theses of the struggles between political cronyism and economic freedom. He does a superb job of explaining the momentous political battles between the libertarian Thomas Jefferson and his nemesis Alexander Hamilton, "the preeminent intellectual working on behalf of government power" who "sneered at Adam Smith's reasoning" while praising the economic superstitions of mercantilist pamphleteers (39).

Conservative self-described constitutionalists will not be happy with Newman's chapter on the adoption of the Constitution. It is such a hard-hitting criticism of the standard conservative immaculate conception view of the document that he will probably be personally attacked by the so-called Straussians (their *modus operandi*).

The Constitution was merely an attempt to re-establish the old British-style mercantilist order that was stunted by the Articles of Confederation, writes Newman. Alexander Hamilton was the preeminent crusader for *revising* the Articles of Confederation to create a bigger and virtually unlimited federal government. After promising to revise the Articles, they scrapped them completely instead and replaced them with a document that "laid the foundations for a corrupt American empire" (60). It created an electoral college that was remote from state legislatures; expanded presidential powers and created a large federal bureaucracy; a bicameral congress with virtually unlimited powers to tax, regulate, spend, and raise and support standing armies; a General Welfare clause that allowed for unlimited government; a "necessary and proper clause" that guaranteed no limits on government powers whatever; a "supremacy clause" that created even more centralized, dictatorial powers; a supreme court that would eventually put everyone's liberty in the hands of five government lawyers with lifetime tenure and essentially destroy states' rights; enshrined monetary mercantilism by allowing legal tender laws; and created a de facto codification of slavery, for starters. It was widely discussed at the time that the Constitution was a bloodless coup, writes Newman. You will not learn of this at a Claremont Institute or Hillsdale College seminar on *The Federalist Papers* and the Constitution.

Chapter 4 on "Prime Minister Hamilton" describes "the nation's first decade of pure corruption" (83) as Hamilton struggled mightily to implement his "American System" of a large public debt owned by the wealthy elite that would tie them to government; corporate welfare for "internal improvements"; a national bank to dish out subsidized loans to cronies; protectionism; the use of land grants as a form of political patronage; and run-amok militarism in quest of empire.

Newman describes in great detail how Hamilton, as the political emissary of the Philadelphia/New York/New England big business elite, crafted all of these policies to benefit his benefactors, alarming Southerners like Jefferson that government was being used by Northern politicians to plunder the South, repudiating their own Constitution and laying the groundwork for Southern secession decades later. Even during Hamilton's time there was a sharp North/South division on the votes for his "American System" which was in reality the British mercantilist system that Americans had fought a revolution to escape from, run by a new American class of political plunderers.

Newman also describes in detail the Jeffersonian revolution led by Jefferson himself, John Taylor, Albert Gallatin, and others. He discusses how the "High Federalists" from New England "worked to strengthen slavery" (124) by scuttling the Pennsylvania Abolition Society's petition to Congress; passing a fugitive slave law; and defeating a House proposal to ban slavery in the Mississippi Territory. In eleven short years, writes Newman, the Hamiltonian Federalists managed to create standing armies, mercantilism "on a grand scale" (135), high taxes, and a repression of personal liberty with the Sedition Act that essentially outlawed criticism of the Adams administration. Thankfully, the Jeffersonian revolution (with the help of Aaron Burr) put an end to this Hamiltonian Federalist, statist tyranny—for a while.

Newman's discussion of Jefferson's presidency is a good illustration of the basic assumption of public choice economics that everyone basically behaves in his own best interest as he sees it, and that different institutions provide different incentives to achieve one's goals. Accordingly, people tend to behave very differently in government as opposed to how they behave in private society. Even Adam Smith, the godfather of free-trade doctrine, became a tariff collector at a customs

house after retiring from academic life and was in need of a source of income! (Shughart, Anderson, and Tollison, 1985).

Before becoming president Jefferson authored some of the finest libertarian political rhetoric in history. This is what made him so famous and popular, and got him elected president. But as the old saying goes, politics is "the art of compromise," a rather childish euphemism for the reality that to succeed in politics one must abandon one's principles and make deals with the devil (or devils). Jefferson was no fool; he wanted to be viewed as a success as president and was compelled to play the inherently corrupt game of politics in order to do so. He did many good things as president, such as cutting and eliminating Hamiltonian taxes, selling all of the government's stock in Hamilton's Bank of the United States, and decreasing government spending.

But then the Louisiana Purchase "wrecked the Republican party" of Jefferson (153). In order to stay in power, the Jeffersonian Republicans bailed out land speculators and spent money on public works subsidies and on "various layers of privileges for merchants and manufacturers" (179). It only got worse from there.

Since war is the health of the state, the War of 1812 initiated a new round of rampant cronyism, especially by resurrecting the Bank of the United States to ostensibly monetize the war debt.

The next thirty years would be a replay of the previous thirty in terms of the struggle between cronyism and freedom. Newman details how Henry Clay picked up the statist, Hamiltonian mantle of "the American System," which faced setback after setback, however, thanks to the remnants of Jeffersonianism.

The fatal flaw in the mostly libertarian Jacksonians, Newman writes, was that they used presidential power to achieve good ends like moving toward free trade, vetoing the recharter of the Second Bank of the United States, eliminating corporate welfare, paying down the national debt, and staying out of imperialistic wars. But the precedent of expanding presidential powers would be abused in the future to pursue not freedom-enhancing but cronyism-enhancing ends. In fact, many Jacksonians found such powers to be so tempting that they became corrupted themselves, which ended the Jacksonian revolution in a manner similar to how the Jeffersonian revolution had ended. That political power corrupts is the

truest statement ever made by any historian or political theorist. In *Cronyism* Patrick Newman does a great job of describing and documenting that truth in great detail and insight with regard to the first 240 years of American political history.

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