



Episode 1,140: The Progressive Era Was a Scam

Guest: Patrick Newman

WOODS: So you put together this brand-new Murray Rothbard book. This is the year — did it come out last year, 2017?

NEWMAN: Yeah, fall of 2017.

WOODS: Yeah, so 2017. Rothbard died in January of '95. So almost 23 years later, there's another Rothbard book. So I have got to just know before we get into the details of what's covered in it what the story behind this is, because some of the chapters in here are reproduced from academic journal articles or chapters in other books and things like that. But a very substantial chunk of it is all new material that's never been seen before. What is the origin of that?

NEWMAN: Great question. So basically in the 1970s, one of Rothbard's many projects that he was working on was a book on the Progressive Era in the late 1970s. And he really wanted to cover sort of the whole transformation of American government from the Civil War to about the Great Depression. He gave a lecture series that's online at the Mises Institute called *The American Economy and the End of Laissez-Faire: 1870 to World War II* in the '80s, and it's very similar on what he wanted to cover in the book.

So anyway, he wrote about nine chapters of this book. The full book manuscript includes everything from railroad interventions in the 1880s to the President Theodore Roosevelt administration in the early 20th century. And by the early '80s, he was working on other projects and his research interests sort of shifted, and he stopped working on the Progressive Era book, and he sort of finished the remaining chapters by writing them in the form of published essays. So some of these are "The Federal Reserve as a Cartelization Device," "The Origins of the Welfare State," "World War I as Fulfillment," sort of these classic essays. So this book really contains both the nine unpublished chapters as well as the six published essays to sort of create a relatively unified book. And the total book is around 600 pages, and new material is roughly half, around 300 pages. So it's certainly a — this is not just the table scraps of unpublished Rothbard writings, but this is some serious stuff.

WOODS: Yeah, no kidding, and incidentally, the material that is appearing once again that's been in various other books or in academic journals or whatever is really great. As you say, these are classic pieces. One of my favorites — I'll say something about it later — is one of his essays on World War I and just the ideological aspect on the domestic front, that this was an opportunity, this wasn't something to be regretted: *oh, well, it's too bad we're at war*. The

planners never think that way. It's: *oh my goodness, what a domestic opportunity this poses for us.*

So what I thought we might do is run through just a basic overview of some of the newer material in the book, and then if people want more, they can get this book, they can buy it, they can read it online. There are a lot of options. They're going to be treated to an introduction by you and a foreword by Judge Napolitano, so those are both great things. And then also in your introduction, you note that of course this was an incomplete manuscript that you had, and so if Rothbard had gone back and gone through it, he certainly would have added in a lot of notes and he would have changed things and whatever, and so you did your best to approximate what that might have looked like and inserting footnotes that weren't there that certainly very likely were pointing to the sources Rothbard had in mind and so on. By the way, what was that process like? Easy? Hard?

NEWMAN: [laughing] Sure, so yeah, the manuscript was in a rough state. Obviously he wrote it on a typewriter, so there were crossed things out, sometimes he would handwrite paragraphs, he'd handwrite sentences, he'd scribble things out. And yeah, in order to — if you wanted to publish the material, obviously it's unpublished, it was unfinished, so you don't just want to publish sort of the very rough draft and leave it as it is, because it'd be kind of like, well, he didn't give it his stamp of approval.

One of the things that I did, as you mentioned, was sort of everything I did was prefaced with an editorial footnote, so you know, okay, what's Rothbard's stuff, what was my own, sort of, okay, here are the references for what he was referring to so you could look it up, the pages or the particular quotes, etc., or statistics, as well provide some editorial commentary on some research that Rothbard was heavily influenced by that he didn't cite or just something else in another work of his that, hey, he also spoke about this here.

It was a very challenging process. It was thoroughly enjoyable, though; I won't lie. It was a treasure hunt finding the nine unpublished chapters. Sometimes the archives, they could be all over the place in the archives, the papers. And we managed to find all of the pages, because he fortunately — he wrote on the top of each of them the chapter and then the page number, and for some of them, he even had them in lecture notes from some of his classes, so we really had to dig through everything to get it all. But it was a very enjoyable process; I won't lie. But it was very challenging, but you know, I would do it all over again.

WOODS: You know, I didn't do quite the foot work that you had to do, but I did write the introduction for his book *The Betrayal of the American Right*, and I was considered to be the editor of that. And there it had gone through a number of drafts and he had crossed some things out, but he crossed some things out that you could still read, and sometimes he was crossing things out about contemporaries of his, like he had had a very negative assessment of at one point in the life of that manuscript, and then he crossed those things out because maybe he had rethought it or maybe he had reconciled with those people, because it was a very autobiographical book.

And I had somebody telling me — not anybody with any sense like Lew Rockwell, but I had somebody telling me: you know what? Let's just publish it. Let's include the crossed-out stuff. Let's put it all in there. And I just said no, I think that would be to dishonor his wishes. And if I had a manuscript and I had deliberately crossed things out, which meant that my most recent assessment of this is I do not want to include this, I would consider it a betrayal if

somebody went ahead and published that. So in that case, especially because we're dealing with events from his life and people he knew and in many case had come to respect, I thought it was best to just keep that stuff out. But it's interesting to be in a position where you're making that kind of decision about the work of somebody you admire so much. You've got to proceed very carefully and bearing in mind what his wishes are.

Now, let's talk about — I want to actually skip ahead, if you don't mind, to chapter three, called "Attempts at Monopoly in American History," which includes but is not limited to a discussion of the failed merger movement of 1897 to 1901, which, by the way, you would think if a Marxist were looking at that, there's no way there could be a failed merger movement. Shouldn't it always be better for there to be more economic centralization and fewer firms? And yet there was a failed merger movement. But what's the basic thesis? What's Rothbard's basic point in the chapter on attempts at monopolies? You sort of get it right from the title.

NEWMAN: Yeah, so this is one of my favorite chapters, if there were one of those chapters. It's almost like *Man, Economy, and State*, where you say if there's one chapter that could be a standalone sort of essay, what chapter would it be? And in *Man, Economy, and State*, I would think it'd be on "Monopoly and Competition."

WOODS: Yeah.

NEWMAN: Also some of his most original insights. And lo and behold, what would be the best standalone chapter in this book is, well, the same thing, on monopoly and competition in the Progressive Era. And the basic thesis for this chapter is, so around the turn of the century, from approximately 1897 to about 1901, there was this big merger movement where businesses, they were in the process of basically merging together to try and achieve these very large monopolies to get enormous market share and to be able to use that to restrict production and raise prices. So they're saying: okay, competition does not work; our new strategy is just to simply try and buy everyone out.

And Rothbard goes through this. He goes through oil, he goes through steel, he goes through agricultural machinery, sugar — so these large companies like Standard Oil, U.S. Steel, International Harvester, etc. — and he basically shows that, well, all these attempts failed even in the presence of high tariffs that block out foreign competition mainly because of either internal pressure or external pressure. So cartels, they would break down from cheating. That's internal pressure. External pressure is when basically new competitors would enter in and they would undercut the monopoly. And that was the big reason for why — he goes through really time and time again and sort of showing that none of these mergers worked.

And this is Rothbard's sort of motivation for why business-supported legislation in the Progressive Era, both federal and state, because it was a way of achieving those cartels and you couldn't achieve the monopoly on the market through market means, you would instead try and achieve it through government means by obtaining various restrictions on your competitors, etc. So I love the chapter. I think it's a great chapter.

WOODS: And of course, the thing that we're supposed to dislike about monopolies is that supposedly they raise prices. That's the thing. I mean, they withhold output, but the key thing is they raise prices higher than they would have been if we had had more competition in the

colloquial sense of the term. But as it turns out, that's not even the case. They didn't raise prices. And by the time the government got around to try to break some of them up — for example, the classic case being Standard Oil — by the time the case finally makes it to court, Standard Oil's market share is way, way down, maybe a quarter of the market from upwards of 80-90% of the market. But even then, even when it had 80-90% of oil refinery, it still was lowering prices dramatically and consistently over time. So the story is the opposite, is the total opposite of what kids learn in school or at least what is strongly implied when this material is conveyed to kids. The exact opposite is true.

NEWMAN: Yeah, no, you're exactly correct. And one thing Rothbard really goes through is he says yes, these businesses — not ascribing them holier-than-thou motives. They were certainly trying to achieve monopoly so they could then restrict production and raise prices, but the only way to do that was you first had to create a product that everyone wanted. You had to produce a better-quality product at a lower price, and that's how you gained market share. And of course they could never get to that point where you could finally sit back, put your feet on the table, and then just raise prices, because you always had some new competitor to deal with or some new technological innovation, etc. I mean, that's just the market process. That's the ruthless nature of competition.

Rothbard was heavily influenced, he cited this economist also in *Man, Economy, and State*. His name was Arthur Dewing. He was a contemporary in the Progressive Era, and he wrote many books. Rothbard quotes something he wrote in about 1914, and I love this quote, because he says — this is Arthur Dewing sort of commenting on the merger movement, and he says, "I've been impressed throughout by the powerlessness or mere aggregates of capital that hold monopoly. I've been impressed too by the tremendous importance of individual innate ability or its lack in determining the success or failure of any enterprise. With these observations in mind, one may hazard to believe that whatever 'trust problem' exists will work out on its own solution."

So it was a very laissez-faire, the market will take care of these monopolies. And I think it's a great analysis, and I think Rothbard really hits the nail on the head with this chapter.

WOODS: All right, let's talk about this special case of railroads, simply because Rothbard devotes so much time to the railroads. Two chapters on this, and two Rothbard chapters is pretty heavy with a lot of detail, as we're accustomed to from him. So what would be the *Reader's Digest* takeaway there?

NEWMAN: It's a good question. So as you mentioned, two chapters on the railroads. What's funny is you mentioned earlier about Rothbard crossing things out and revising drafts, and I could tell that he originally planned to just have one chapter on the railroads, and he actually just planned to have one section on all railroads and mergers, etc., and then he just, all right, I'll do one chapter on the railroads, and then he says, well, I've got to do two chapters on the railroads.

So this railroad "merger movement" happened earlier than the rest of business, so this was mainly in the 1880s. These two chapters basically talk about the formation of the 1887 Interstate Commerce Commission and sort of how railroads were one of the players involved in supporting some sort of new act. Chapter one talks about the transcontinental railroad subsidies and how railroad cartels or pools didn't work, and chapter two basically

goes through the whole legislative process surrounding the 1887 Interstate Commerce Act, as well as the railroads' attempts to later use the act to try and achieve these cartels.

And Rothbard goes through that, actually, railroads weren't really that successful. They kept trying to use it, but the pools, the railroad cartels kept breaking down. And ultimately by basically the turn of World War I, the rival interest group, basically the shippers who would pay railroads to transport goods across the country, they ended up getting control of the bureaucratic agency. So really, it goes through sort of the dynamics of intervention and just sort of the whole process behind railroad regulations. They're really two very fascinating chapters.

WOODS: Yeah, no kidding. Now let's talk about — you were saying to me before we went on it's like a play in three acts, in a way, these first nine chapters. We've got the stuff about railroads and big business, and then the second act has to do with politics. And in discussing politics in the late 19th century, Rothbard introduces two groups, and he thinks these groups hold the key to understanding party politics in the late 19th century. He says, because when you look at it on the surface, it really should seem to odd to us and demand an explanation how it could be that topics that seem so technical and obscure to us today, like the Sherman Silver Purchase Act or bimetallism or whatever, could generate such enthusiasm and could generate such heat in debate.

So he began to suspect there must be something else going on here. There's something behind the scenes, something beneath the surface. And it turns out, he claims, that there was a cultural backdrop to all this, and he explains that with reference to these two religious concepts, the Pietists and the Liturgicals. Do you feel competent to discuss this? Because I find it a bit challenging. I get what he's saying, but I certainly wouldn't have thought of it myself.

NEWMAN: Yeah, so this is definitely I would think is probably the very three challenging chapters, especially doing the research on it, so that was definitely a journey. So Rothbard, at the end of chapter three, there's basically three acts, as you mentioned. The first two chapters deal with railroads, and Rothbard kind of skips and he finishes all the way toward World War I. The third chapter deals with the merger movement. And then Rothbard says, well, in order to explain how business was able to try and use this government regulation, etc., you basically have to go through sort of a prequel story and explain how you had the fall of sort of these laissez-faire Democrats.

So a significant portion of one of the political parties was sort of filled with these Bourbon Democrats, these very laissez-faire Democrats. You think of Grover Cleveland, etc. And exactly how did they lose their positions of power in American politics? And so Rothbard goes through this whole grand analysis and the third-party system and then this election of 1896, where basically these laissez-faire Democrats, the Democratic Party was taken over and it was no longer the part of, say, Grover Cleveland; instead, it was the party of, say, these inflationist Pietists, as we'll get to, led by William Jennings Bryan, sort of these populists. And this is sort of where the Democratic Party became its more modern equivalent if we think of all of these, for lack of a better term, rabid socialists.

But anyway, so Rothbard, as you mentioned, he explains this whole passion in politics around this time period. People were so interested in politics. Voter turnout was higher. People were so just driven, very different from today, in which you would say both the parties were very

similar, voter turnout is low, people aren't very passionate. The last election is somewhat a little bit of an outlier, 2016. But Rothbard basically explained it as this cultural battle between these Pietists, in particular postmillennial Pietists, mainly in the Republican Party versus these Liturgicals mainly in the Democrat Party.

So Pietists were those that thought that you didn't need the traditions of a church; you just had to have inner salvation and it was your goal to not only save yourself, but save others. So that led to Prohibition, public schooling, immigration restriction, and this led to economic intervention, like greenback inflationism, high tariffs, government subsidies, etc. Liturgicals, on the other hand, it was, well, you just sort of follow the traditions of the Church. You just have to care about yourself, and that led to basically more laissez-faire cultural values: alcohol is okay in moderation, it shouldn't be illegal; you don't need the government for public schooling; families can take care of their kids or send them to their own private schools. And that led to more laissez-faire in the economic realm: gold standard, free trade, etc.

So Rothbard sort of goes through the dynamics here, and he analyzes how the Democrats initially had this resurgence in the 1890s, but with the Panic of 1893, they more or less got severely weakened, leading to the takeover by the silver forces of William Jennings Bryan.

WOODS: I would spend more time on this, but what I have as my goal on this episode is to give everybody a basic overview of some of the content here so that you'll want to go read it. It's a huge book, but it's one of these books you'll treasure, you'll be delighted to have in your collection. So the first two acts are the big business and railroad question and then politics. What comes in the third act, so to speak?

NEWMAN: Sure, yeah, so the third act is, so Rothbard basically concludes with the second act by saying, okay, these laissez-faire Democrats, they were wiped out. You had the beginning of the fourth-party system, which is really when you have both parties are kind of similar. In Rothbard's words, they're sort of center statist, and you have a dropout in voter turnout. And so that leads to basically special interests, such as business or particularly Rothbard lays emphasis on sort of technocrats, planners, etc., controlling politics sort of from behind the scenes now. And since both the parties are similar, voter turnout dies. You now have the traditional sort of emergence of the Progressive Era.

And in sort of the final act of the unpublished chapters, so chapters seven to nine, Rothbard basically goes through the beginning of the Progressive Era proper, namely the presidential administration of Theodore Roosevelt from 1901 to 1909 in the first two chapters. So kind of like railroads, he's got chapter seven is on President Theodore Roosevelt, part one, and then he wrote chapter two and you could say he wrote Theodore Roosevelt, part two. So explaining the sort of various government interventions during Theodore Roosevelt's administration. And the final chapter deals with basically state and local progressivism during the Roosevelt administration, namely through the National Civic Federation. So the final three chapters are sort of on the Progressive Era proper.

WOODS: Theodore Roosevelt is somebody I'm very glad we now have a Rothbardian critique of, because I don't think — I'm trying to think about it. I know I've read Rothbard's critique of Herbert Hoover, and I know where I can find some commentary on FDR and Woodrow Wilson, but I'm not so sure there was that much that was available to us before, certainly not this much, on Theodore Roosevelt. So this is a tremendous addition.

But in that chapter, I mean, just compare it to what you would have learned in a typical schoolboy textbook about Theodore Roosevelt. Everybody loves him. They have all their reasons for loving him. But he was a man of action and he did all kinds of fascinating things, and look, he intervened on behalf of the little guy in one area after another. And they just love to talk about new regulations and the regulatory state coming into being. And Rothbard is not buying any of this story. And in particular, if I may, let's just take one issue that Rothbard treats, and that is the crusade for conservation. And that's another thing that people say: oh, good ol' Theodore Roosevelt, looking out for the common good. I'm just going to read a few paragraphs from the beginning of that section. Rothbard says:

"The conservation movement, past and present, has generally been painted in sweetness and light, as disinterested nature lovers leading the 'people' in war against corporate interests who wish to exploit and plunder natural resources. The actual facts were quite different. As Professor Samuel P. Hays, the pioneering revisionist historian of the conservation movement has declared" — and now he quotes Hays — "'The crusading quality of the conservation movement has given it an enviable reputation as a defender of spiritual values and national character. ... [But] conservation neither arose from a broad popular outcry, nor centered its fire primarily upon the private corporation. Moreover, the corporations often supported conservation policies, while the 'people' just as frequently opposed them. In fact, it becomes clear that one must discard completely the struggle against corporations as the setting in which to understand conservation history.'"

And now back to Rothbard. He says:

"As in so many other aspects of the progressive movement, conservation constituted a shift of control or ownership of natural resources from private to governmental hands in order to subsidize and cartelize private interests in that area. In the name of 'scientific' management, government intervention took two forms: either subsidize research and development in natural sources or withhold resources indefinitely from use, thereby cartelizing the resource, and raising prices for private producers and increasing the capital value of resources already in private hands. Thus, as in so much of the Progressive Era, professionals and technocrats formed a congenial alliance with private interests.

So that's just the very beginning. That's what he's preparing you for in his section on conservation. Now, try to imagine that applied to the whole Progressive Era and you have this book.

NEWMAN: Yeah, no, you're exactly right. The conservation stuff is fantastic. He spends a lot of time on that. That's actually part of the eighth chapter of the book, where it's one of my favorite chapters. It might not be a standalone chapter like chapter three, but it's really if you ask me what my favorite chapter would be, I'd probably have to go back and forth and say three and eight. Rothbard basically in that chapter talks about the origins of meat regulation, so the famous Upton Sinclair story of *The Jungle* and the 1906 Meat Inspection Act. Then in the second section of the chapter, he goes into the 1906 Pure Food and Drug Act, that whole motivation. And then he finishes up by talking about the conservation movement and sort of the important acts involved in that. So yeah, it's a great chapter. It's a great analysis, and it's Rothbard at his finest, analyzing the motivations of all of the intellectuals and other major players and really going through how government intervention was used to sort of stamp out competition and it was a product of sort of rival bureaucratic and business interests. Yeah, so it's a great chapter.

WOODS: I am particularly fond of a chapter in this collection called "World War I as Fulfillment." I think it's "Power and the Intellectuals" might be the subtitle. It's been a while. I have the book right in front of me, and I don't know why I'm not flipping through, but anyway, that is such a tremendous chapter, that alone, because what he's done there is he's looked at what contemporary so-called progressive intellectuals had to say about the opportunity that World War I presented them, because they realized that this is their opportunity to plan an economy. And of course the rationale will be: we have to be as efficient as possible in prosecuting the war, and we have to make sure that resources are directed appropriately, and they can't just be used willy-nilly in the private sector when we need to summon them for use in this great national emergency.

And furthermore, you can find progressive intellectuals saying: finally, this will once and for all disabuse people of their notions of and attachment to private property as being sacred and inviolable, because it's not going to be. There are going to be all kinds of rules and regulations imposed on people, and maybe that'll get them accustomed to this for the future. So there's plenty of that. That sounds made up. No one could be that twisted. But yeah, that's actually what they were saying.

NEWMAN: Yeah, you're exactly right. Great analysis. The "World War I as Fulfillment" chapter was a previous essay that came out in like 1989 or something. That's Rothbard at his finest. A lot of people might say, if you think about what is Rothbard's greatest historical papers, etc., that would definitely be up there in the running. I think most people would say that. Yeah, he goes through the whole motivations of intellectuals and the whole transformation of the ideology of intellectuals during World War I and really, for Rothbard, it was the fulfillment of the Progressive Era.

He also had a previous essay written in the '70s that's included in the book on World War I on war collectivism, on big businesses, and he sort of uses both of those to show that this was really when businesses, you had this grand alliance between big business, big government, big intellectuals, and big unions, this corporatist system that was trying to get off the ground during the Progressive Era, it finally gets off the ground during World War I. And so many of the government agencies, the War Industries Board, etc. that were being utilized during World War I were the inspiration for much of the New Deal in the Roosevelt administration, like the NRA. And yes, it's a fascinating chapter. It's got a lot of stuff. For a lot of people, they said that most people just thought that, okay, Rothbard wanted to write a book on the Progressive Era and this is the only thing that came of it, this essay.

One other fascinating thing about this essay that's in the book is that he wrote an additional section of the essay that he mentioned in one of the footnotes at the beginning of the essay when it was published, and he said due to space constraints, I can't really spend too much time on this. Well, we've included it as an appendix. So he talks about sort of the centralization of science I believe with the National Research Council during World War I, and he really just goes through the traditional process of how intellectuals were able to use the government and it was all involved, sort of centralized science, and move it away from the more decentralized, the laissez-faire process that it was before. And yeah, so the whole chapter is great. In terms of favorite, just because I'm a monetary historian, I love the paper that came right after that, which is "The Federal Reserve as a Cartelization Device," but really, in all the chapters, all the published papers are great, especially chapter 13.

WOODS: Yeah, yeah, yeah, then of course there's the great chapter on Hoover, which was revisionist in its day basically, but now everybody sort of knows Hoover was a proto-progressive at the very least. The idea that he was for laissez-faire is contradicted by his repeated insistence, not to mention the things he actually did.

There's another World War I chapter, "War Collectivism in World War I," that's very good, that actually details some of precisely what happened in the economy and what interests were served by it and issues of that nature. And what's interesting there is that that appeared in a book I think in maybe 1973 that was co-edited with a guy on the New Left, and so Rothbard was able to make a laissez-faire case in his chapter to that kind of audience, because he was able to say: look at how these big businesses prospered by their cushy relationship with the government. Well, that's music to their ears. They're as outraged by that as we would be. And so that was his way of trying to reach beyond his maybe more natural audience.

So you put all this together and it's a tremendous volume that we're not going to attempt to do full justice to, because the only way to do that is to read it for yourself. And the book is simply called *The Progressive Era*. I will link to it at TomWoods.com/1140. You can get it in numerous formats, but get it you should, because I have to assume — maybe Patrick, maybe you'll contradict me on this, but I have to assume the number of remaining Rothbard manuscripts in the archives has to be dwindling at this point.

NEWMAN: [laughing] Yes, one would believe so. There might be some more stuff working on that we'd love to get out. But yeah, so we are — at least in terms of the major works, we're trying to get everything out. But yeah, you would think that someone who's been dead for 20 years, 20+ years, their unpublished stuff, you would have exhausted it by now, but you know, Rothbard never fails to surprise. But yeah, we are slowly making it to the end, and I'm very glad we're able to bring this project to completion.

WOODS: I really think somebody ought to make a list of the stuff that's been published since his death, just for fun. Just a blog post of the stuff that's come out since his death that's been put together. I mean, just his stuff on the relationship between the government and science, I devoted an episode of this show to just reviewing that essay. I guess I'll link to that episode in the show notes page for today. But just a lot of great, great stuff. But *The Progressive Era* is the book I've been waiting for for a long time. I knew it existed, and I knew at some point it would see the light of day, and now it's tremendous to actually be holding it in my hands as we speak. So thank you for your service, Patrick Newman.

NEWMAN: Thank you so much. I appreciate it, and thanks for having me on.