Episode 467: The Truth About Upton Sinclair's *The Jungle*, and Other Myths Refuted

Guest: Larry Reed

WOODS: I love the title of this book, *Excuse Me, Professor*, as the main title of the book. That's just fantastic; I love it. And I hope, as we said before we went on, that there will be a bunch of students who will indeed say, "Excuse me, Professor," after reading this book. Before we get into the meat of it, tell me, is this an outgrowth of the old classic by FEE, first, *Clichés of Socialism*, and then *Clichés of Politics*?

REED: Yes, it is. Those were two influential books. I loved them. In fact, the first one, *Clichés of Socialism*, came out in 1962, and it was one of the first things I read when I got involved in the movement for liberty. And in fact, I've drawn several chapters for this new book from those two earlier ones. They required a little bit of updating, but the principles are still there, so we've got a little taste of those two earlier classics in this new one.

WOODS: It's interesting; of course you do find some items that are really no longer all that relevant. It's like reading Hayek's *Road to Serfdom*, where he's talking about a world in which a lot of people think there ought to be state ownership of the means of production. You don't find that really so much anymore. But what is more interesting to me is just how many of these questions we're still answering, and they go on as if we've never said a word. But we have been answering them over and over and over again. But I will say, I was pleased to see in here, because I bet it's been one of your most popular articles over the years, the treatment of — I think you know where I'm going — Upton Sinclair's book, *The Jungle*.

REED: Yes.

WOODS: I get so many college kids and high school kids writing to me, saying, what do I say about Upton Sinclair? Doesn't this show that we'd all be poisoned to death if we all had a free market economy? I want you to take your time and lay out for us how we should think about that matter of Upton Sinclair and his book, *The Jungle*. And by the way, remember that about 17% of our audience is international, so they may not know what the book is about.

REED: Okay. Well, the book by Upton Sinclair called *The Jungle*, came out very early in the last century, and it was first serialized in a magazine published by the Socialist

Party, and then later put together in a book called *The Jungle*. And it rather quickly created a sensation, largely because of fewer than a dozen pages, which purported to describe conditions in the meatpacking plants in Chicago. And as the book describes them, of course they were horrendous: people falling into the vats and being ground up with meat and sold as sausage or Durham's Pure Leaf Lard, and that kind of thing. Just horrendous conditions.

Well, it turns out that even though it was accepted by so many people, propagandists in particular, as gospel, it was rooted in myth and misconception and propaganda. The book was written by Upton Sinclair because he was paid $500 by the socialists to write a tract or a book that made a case for socialism. And so he had to smear capitalism with all the vitriol that he could muster. And he hardly spent any time at all in the meatpacking plants. This is all fiction. In fact, you have to wonder, as I mention in the chapter in the book, you have to wonder if the stories about people, workers in particular, falling into those vats were true, well, who were those people? They would be folk heroes to the Left today, you know, martyrs to the cause, and we'd all know their names; there'd be statues to the men who fell in those vats, who were ground up and sold as meat. But of course, nobody can give any names.

WOODS: That is an excellent point. I never thought of that. We would know these people.

REED: Yeah, you'd think somebody would have said, "Hey, what happened to Bob?" or, "Hey, Jim didn't come home from work today" —

WOODS: "But this sure is a delicious sausage I'm having." I'm sorry, I don't mean to make light of it, but that's what we're told at school. I'm not making this stuff up.

REED: That's right, like we all had Bob for supper, literally.

WOODS: I mean, really.

REED: And nobody every asked, well, what happened to him? I mean, you'd have lawsuits galore, and the families —

WOODS: Or some mention in the newspaper. Something, right? Somebody would find that newsworthy.

REED: Exactly. But nobody ever asks. In fact, when I first did the research on this, that's one thing I was looking for. I wanted to find out who were these guys. And of course there were none. Well, another myth related to this is that there wasn't any government meat inspection before Upton Sinclair wrote his book, which led in turn to the Meat Inspection Act of 1906. There was government mean inspection, federal, state, and local. And as they put it out in congressional hearings over the Meat Inspection Act of 1906, what does that say about the inspection that was already in existence? Either the government inspectors were asleep at the switch — or corrupted in some way — or these stories that Sinclair wrote up were in fact total fiction.

Even Teddy Roosevelt attacked Upton Sinclair as a liar, and I quote him in the book as pointing out that almost nothing he wrote was actually true. And in the end, when the Meat Inspection Act of '06 passed, it enjoyed the support of the meatpackers themselves, because they saw the imprimatur of the federal government being stamped on their product as helping them recover lost markets because of Sinclair's propaganda. But more importantly, that bill took the meatpackers off the hook for paying for the inspection and certification of their own processes, and instead shifted the bill to the taxpayers. So they said, sure, we're for this. But that idiot Upton Sinclair gets credited with somehow exposing conditions that weren't even fact at all. It's all myth; it's all fiction.

WOODS: All right, so that's reason number one to get *Excuse Me, Professor*, but there are — how many questions are there? Are there 50 or so? I haven't got it in front of me.

REED: 52 chapters, and some of the chapters deal with more than one progressive myth. But we pick them apart across 52 chapters, lots of myths and misconceptions.

WOODS: Yeah, as I was looking through it last night, I was wondering if my 12 year old would be ready to dive into some of it. I think some of it she probably could, because she certainly hears me talking about some of these progressive ideas quite a bit. And the table of contents is just so juicy. You think, oh my gosh, maybe this is the only book I ever need. It's really something else. Let's skip ahead to Chapter 34; this is "Government Is an Inflation Fighter." Is government and innocent bystander or an actual inflation fighter, or is the truth something else altogether? That is the general view that people have. Certainly they would either think that inflation is just a fact of nature, so it really has nothing to do with government one way or the other, or maybe they think that the government or its central bank is genuinely trying to fight back against price increases coming from the greedy people in the private sector.

REED: Yeah.

WOODS: Now, I bet you a lot of my listeners know the answer to this, but I am getting new people tuning in all the time, and it's a good refresher anyway to show what really sounds analysis would tell us about this question.

REED: Okay. Years ago, Tom, I heard former congressman Jack Kemp quoting the head of the Federal Reserve at that time — no, the Treasury Secretary, Mike Blumenthal, under Jimmy Carter. And apparently he was asked at a press conference what he though inflation was and where it came from, and Blumenthal reportedly said inflation is caused by many, many different things, all of which are acting and interacting in strange and mysterious ways. And my point in raising that is politicians have a vested interest in making you think that inflation is this mysterious force, who knows where it comes from, but they're on the job, they're fighting it, and if it threatens us in any way, government will come in and do what it takes to stop it.

But government itself is the inflation factory; it's not an inflation fighter. Inflation is an increase in the quantity of money and credit, and as Mises said, an increase in the quantity of money and credit beyond the increase in demand for it. Whichever definition you use, you have to realize that to determine where it comes from, you have to ask who's producing it. And of course, the monetary authorities, the Federal Reserve in this country, are at the top of that food chain, and they, through their regulation of interest rates, reserve requirements, money supply, credit supply, and their command of the banking system, they determine money and credit and its general direction, up or down, and by how much. So you can't blame consumers; you can't blame business people when prices go up, because rising prices is simply a symptom of inflation. It's one of the things that you get when you first have the inflation, which is an increase in the supply of money and credit.

WOODS: Well, they'll sometimes pick out some really important commodity like oil, and they'll say there's a cost push inflation going on, that everybody needs oil, so if the price of oil goes up, the price of everything goes up. But the problem with that thinking is that if I now need to spend more money on oil, what does that leave me with? Less money to spend on other things. So there's a correspondingly downward pressure on other prices, so it's a wash.

REED: Yeah, exactly.

WOODS: So that doesn't raise all prices.

REED: That's right, and you see the same thing with, say, seasonal fruits and vegetables. At harvest time, everything is ripe, being picked, and brought to market, prices are down. But in the dead of winter, when there's less of it or it has to come from further distance, prices go up. An increase in the price of one or a few things is not inflation. And even if you have an increase in prices across the board, again, that's still not inflation. That's a symptom of it. You get rising prices pretty much across the board when you first get an increase in the supply of money and credit, which causes a decline in the value of any one unit. And that shows up in rising prices.

WOODS: Let's go ahead to — I'm going to skip around; I might skip backward, too — Chapter 43, though, covers a topic that I think even a lot of free market people have some trouble answering, and they kind of hope people won't bring it up, and that's education. Now these days with the Internet and educational cost cutting, it's a little bit easier to make a plausible case for free market education, but it seems like it's such a big expense. How could people of limited means possible afford it without government assistance?

REED: Well, you know, you'd be amazed at what people can afford, even the poorest of people, especially when the government is offering them a lousy alternative at far higher costs. We're seeing that now in a lot of third world countries. *The Economist* magazine had a great piece on its cover, just within the last issue or two, about the rise of $1 a day schools in the most difficult of places, places like rural India, where government or public schools are so bad and so costly that the poorest of people are fed up with them and creating their own schools. And they're performing and they're accommodating the poorest of kids, who are often paying no more than $1 a day.

So we really ought to be asking ourselves how can a system that tends to monopolize to assign people their school according to their zip code, and then become unionized by political entities today — teacher unions are so politicized and then so bureaucratized — how on earth can such a system provide a quality education? It doesn't. There are millions falling through the cracks in this country, through the public school system cracks every year. They tend to be in inner cities, among the poorest of people. So it's not as though government schools are already doing a good job and it's hard to see how the private sector can compete. Government schools are doing a lousy job at terrific expense, and private alternatives are cropping up everywhere they're permitted.

WOODS: I actually did a couple of episodes on that. I had James Tooley, and I had Pauline Dixon, who have both done research on this. I'll link to those episodes at TomWoods.com/467. Of course I'm also going to link to the book there as well and also to the previous couple of times that you've been on the show. On the education front, there's also a lack of creativity, I think, a lack of imagination. Everybody thinks that education must be delivered in one particular way, and it's 12 years or 13 years of sitting in this type of classroom, then for four more years you sit in that type of classroom. But I'm always talking about on this show all these different inexpensive ways to acquire really valuable skills. Like, for example, to become a web developer, there are sites that I've promoted on the show that you can go and for $29 a month, you can learn a skill that can make you a very, very substantial salary.

REED: That's right.

WOODS: $29 a month.

REED: Yeah, yeah. Well, I think that technology, the Internet, there are some terrific low-cost options that are appearing now, are going to serve to remind us of some things that we never should have forgotten. And one of those things we shouldn't have forgotten is that the best education is individualized education. That's why home schools succeed so well, because the focus is on each particular individual, igniting a lust of learning, giving them the opportunity to develop that on their own, rather than sit in some classroom that really looks more like a prison sometimes, and then be fed this one-size-fits-all, pre-programmed, top-down mandated, teach-to-the-test kind of stuff that you get in government schools.

WOODS: Let's see what else we can cover here. Yeah, let's do this, because I remember reading your article on this subject, which got me to read the original article on this subject: the old question — maybe you're tired of talking about it, but that's just too bad — the question of Standard Oil and John D. Rockefeller. What was the real story there? And also, the other question, did he use so-called predatory price-cutting to get to where he was? And in answering this question, you point out this article by John S. McGee from the 1950s that really did definitively answer that question.

REED: Absolutely. Well, I never get tired of talking about this, Tom.

WOODS: That's good.

REED: I'm glad you raised it. This is one of the great myths of progressivism, that Standard Oil and its founder, John D. Rockefeller, were evil monopolists, and they did what they did because they wanted to make money, as if that's somehow sinful. But of course, John D. Rockefeller was not born with a silver spoon in his mouth. He was a bookkeeper and a grocer and had to save his money. He started an oil firm in 1865; five years later reformed it into the Standard Oil Company, and in his first year, he refined about 4% of the oil market into kerosene, to replace whale oil. But nobody in history has done more to save the whale, by the way, than John D. Rockefeller, because whale oil preceded kerosene. It was increasingly scarce, we had to find an alternative, and Rockefeller did more than anybody to develop kerosene as an alternative to whale oil.

Well, within 20 years of founding the Standard Oil Company, by 1890, he had about 90% of the refined oil market. But he didn't get that way, he didn't get that large because he restricted output and raised price; he flooded the world with crude oil products, with kerosene in particular, and brought the price down from a high of about 46 cents per gallon to about 3 cents a gallon. And all during the time that he was growing Standard Oil, there were competitors. In fact, even at 90% market share, he still faced about 66 other competitors. They were all very tiny and only made up about 10% of the market, but among them were companies that a few years later would be major challengers to him.

And the charge that you mentioned of predatory price cutting, this is the idea that, well, he got big because he slashed his prices, drove the little guys out business, and then in the market, devoid of competition, he raised his prices, not just back to where they were before, but to some point even higher to cash in on having won the price war. This is one of those easier said than done things. He never did it. John McGee, in his October 1958 article that I cite in the book, explained that whatever you may fault Rockefeller for, don't fault him for being stupid, because he wasn't, and he would have been stupid to even try this.

First of all, to slash your price means that, for a time at least, you're going to sacrifice profit opportunities, probably incur a loss. Even if you can drive everybody else out of the market, the moment you start to raise your price again, you send a signal to newcomers or the old guys or even a brand new giant firm in another business that now's the time to come back in. You'd be forever keeping your price down in an effort to prevent other guys from ever competing with you.

In a related field, if I could tell you the story real quick of Herbert Henry Dow. This really underscores how silly the predatory price-cutting charge is. Herbert Henry Dow, about the same time that Rockefeller was in oil, he started a chemical company, the Dow Chemical Company, making bromine. At that time, the Germans dominated the bromine market. There was a German cartel with government subsidies; they were selling bromine at about 36 cents a pound. And Dow developed a process whereby he could sell it for less than that and make a profit. And the Germans decided, well, we're going to run him out of business. So they drove the price down to 15 cents a pound, thinking it would run him out of business. But all he did was to have agents buy up all the 15 cent bromine that those dummies in Germany would make; he repackaged it and put his name on it, and sold it for a profit wherever the cartel price was higher. And so finally the German cartel had to throw in the towel. They kept wondering where's all this demand coming from; well, it was coming from Dow himself, who was buying their dirt cheap bromine, turning around and selling it at a profit. So this charge didn't stick to Rockefeller any better than it ever stuck to Herbert Henry Dow.

WOODS: I'm looking at another one of your questions here, and this one is so common. So common that — I guess a lot of these are really common. It really frustrates me, because we've written — how are there still people who are teaching the wrong thing about Franklin Roosevelt and Herbert Hoover at this point? Even PBS did a thing saying Hoover was a progressive.

REED: Yeah.

WOODS: When they acknowledge that, the debate is over. And yet we still have this issue. And you have a question here in the book on, did FDR run on a progressive platform against a laissez-faire Hoover? Well, given that his vice presidential nominee said that Hoover was driving the country down the path to socialism, I would say no.

REED: (laughing) And you would be exactly right. In the 1932 campaign, Franklin Roosevelt, the Democrat nominee, along with his running mate, John Nance Garner, campaigned against Hoover for raising taxes, raising tariffs, raising spending, tinkering with the economy. The Democratic Party platform, on with Roosevelt and Garner ran, called for a 25% reduction in federal spending. Roosevelt himself referred to Hoover as presiding over the greatest taxing and spending administration in American history.

And he was right. Hoover, when he came into office, he immediately began spending money like crazy. When the Depression hit, he ramped it up even further. He had his Reconstruction Finance Corporation throwing corporate subsidies around. He jawboned businesses to keep wage rates high, even though prices were tumbling in the early '30s. And then he closed the border, practically, to trade by signing the Smoot-Hawley Tariff into law in 1930. And in '32, Hoover signed into law the Revenue Act, which doubled the income tax. So he was hardly a laissez-faire, stand-pat, do-nothing president. He was all over the place with intrusive, big spending, big taxing government. And Roosevelt attacked him for that very thing. But the moment he took office in 1933, Roosevelt did precisely the opposite of what he promised and just did what Hoover did times 10.

WOODS: Let me read for people just a few of the questions that are asked and answered in this book to give them a taste of what they can expect. So right away, realizing just how hot the income inequality question is, you start with number one, "Income inequality arises from market forces and requires government intervention." These are the kinds of myths that are going to be refuted in this book. Or, "Because we're running out of resources, government must manage them." Or this one we hear quite a bit, actually: "Equality serves the common good." Or, "Income inequality is the great economic and moral crisis of our time." Or, "Human rights are more important than property rights." Or, "Rich people have an obligation to give back." "Healthcare is a right." "We're destroying the earth and government must do something." "All we need is the right people to run the government." "Big government is a check on big business." "Capitalism's sweat shops and child labor cry out for government intervention." And so on and so forth.

And also about labor unions — although labor unions are kind of going out of fashion in the economy these days. But outsourcing, government has to subsidize the arts, or historical preservation because the market won't do it. It's just objection after objection after objection, and you've got these pithy, very effective, information and evidence packed chapters for each one of these topics. How do you want to wrap this up today?

REED: Well, Tom, I would just say, first of all, thank you for the opportunity to talk about the book. And secondly I would say, what a great opportunity for people to send their college students off to school here in a matter of days or weeks, well armed to do intellectual battle with the progressive professors they're likely to have. That's the original purpose of this book: to provide in one volume sufficient armament that students could confidently do battle with progressive professors. I hope they'll have the courage to do so and if progressive professors have any integrity, they won't punish them for doing it. But I know that's a never ending problem. But people can order the book on Amazon; they can go to the FEE.org website and just type in "Excuse Me, Professor," and find various ordering options. And I hope people will like it, leave a review of it on Amazon, and spread the word about it.

WOODS: We'll have the Amazon link also at TomWoods.com/467. The book is *Excuse Me, Professor: Challenging the Myths of Progressivism*, edited by our guest today, Larry Reed. Larry, thanks again.

REED: Hey, thank you, Tom. I appreciate it.