

# LMR

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AUGUST • 2018

**PULSE ON  
THE MARKET**

Currency Crises  
Swiss Stock Spree  
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## **THE RISE (AND FALL?) OF THE FED'S FLOOR SYSTEM**

*by Robert P. Murphy*

## **CURRENCY CRASHES: THEY DO HAPPEN**

*by L. Carlos Lara*

**THE REAL HISTORY OF THE PROGRESSIVE ERA**

*Interview with Patrick Newman*

# FORT WORTH SEMINAR • OCT 13, 2018

## THE CASE FOR IBC

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Current Monetary Regime One  
Household At A Time

A Special Program Designed for the General Public



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For years, through his seminars and best-selling book, R. Nelson Nash has been teaching the public how to "become your own banker." Nash's revolutionary approach is the Infinite Banking Concept (IBC), which uses specially designed Whole Life insurance policies as the perfect cash-flow management vehicles.

David Stearns, the President of IBC LLC will open the Seminar and set the stage as Robert P. Murphy, Ph.D economist, and L. Carlos Lara, authors of the books *The Case For IBC* and *How Privatized Banking Really Works* present.

The Seminar is fast paced, explaining IBC to the newcomer and also defusing some of the toughest objections. Whether you are running a household or a multi-million-dollar business, you owe it to yourself to attend the IBC Seminar.

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# The Real History of the Progressive Era



Interview with Patrick Newman



Dr. Patrick Newman is an Assistant Professor of Economics at Florida Southern College and a Fellow of its Center for Free Enterprise. Dr. Newman completed his economics Ph.D. at George Mason University and is an associate scholar of the Ludwig von Mises Institute. His primary research interests include Austrian economics, monetary theory, and late 19th and early 20th century American economic history. He is also the editor of Murray Rothbard's *The Progressive Era* (2017).

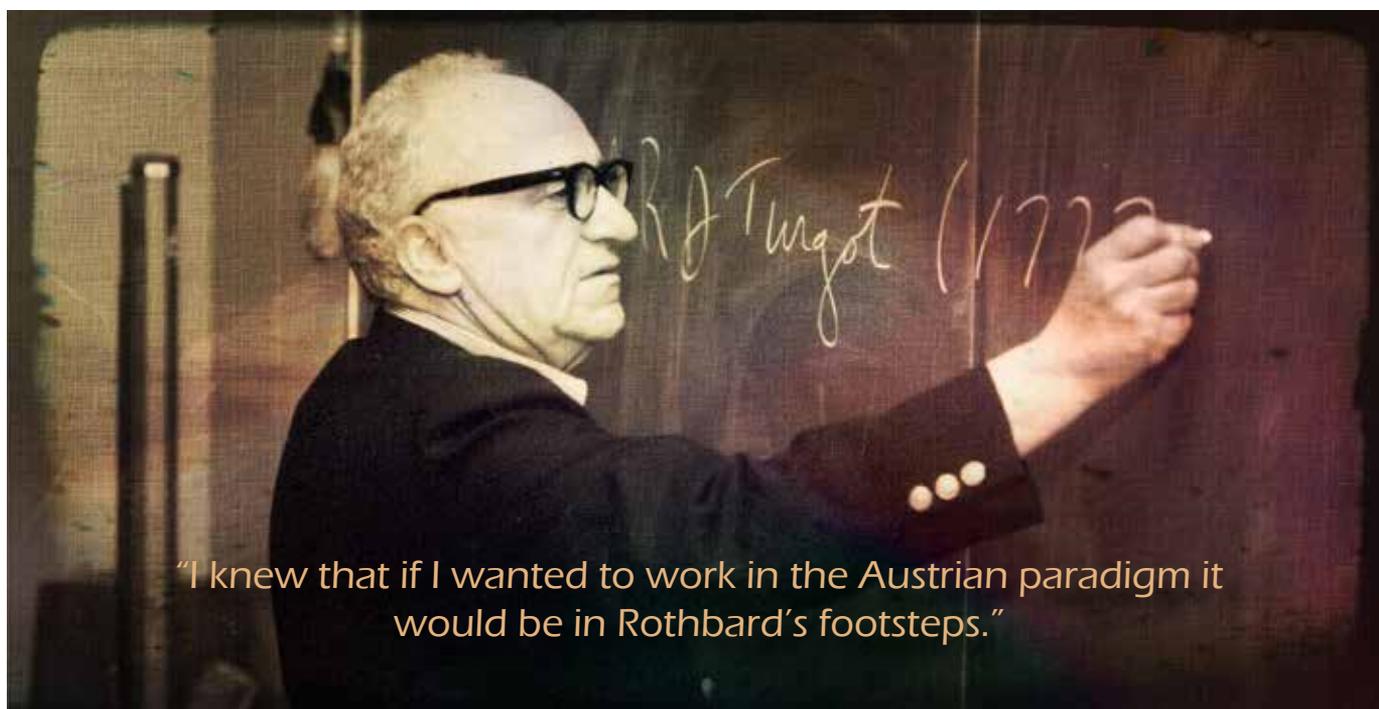
**Lara-Murphy Report:** How did you become interested in Austrian economics?

**Patrick Newman:** I became interested in Austrian economics in the fall of 2008 during the financial crisis. I was a senior in high school and I found out about Austrian economics through Ron Paul and his *The Revolution: A Manifesto* (2008). When I read Ron Paul's book everything just seemed to click, he provided a new and revolutionary way of understanding the world to me. What impressed me the most about the book was his economic analysis. I had taken an economics class earlier in high school and found it dull and boring, but after reading Paul's book I found the subject fascinating. In the back of his book he recommended Murray Rothbard's *What Has Government Done to our Money?* (1963) and Mises.org. The rest, as they say, is history. I quickly became a devoted Austrian and libertarian and started to read everything I could get my hands on. By the time I was a sophomore in college at Rutgers University in New Jersey, I knew that I wanted to be an academic and a professor. I attended my first Mises University as a student in the summer of 2011.

**LMR:** Much of your work has involved researching the evolution of Murray Rothbard's writings. Before we get into some of the specifics (below), can you tell

us how you became immersed in the Rothbard archives?

**PN:** When I started to get involved in Austrian economics the author who I read the most of was Murray Rothbard, followed by Ludwig von Mises. I found Rothbard's economics and history both extremely insightful and entertaining to read. I knew that if I wanted to work in the Austrian paradigm it would be in Rothbard's footsteps. In the summer of 2013 when I was a Mises Summer Fellow, my curiosity got the best of me and I traveled upstairs to the Rothbard archives to see if there was anything interesting that I could write about. The archivist, Barbara Pickard, and I quickly became friends and I started to find all sorts of interesting things.

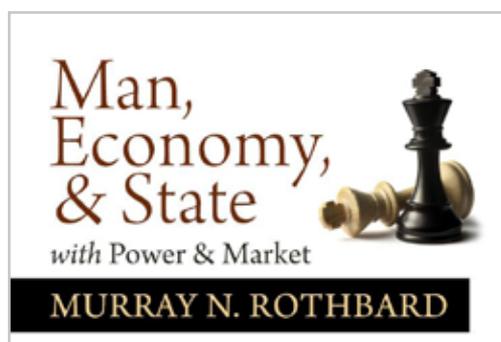


My first main project involved editing an unpublished chapter of *Man, Economy, and State* (1962). The only way I can describe working in Rothbard's archives is like being a kid in the candy store. You find so much interesting stuff that very few people have seen (sometimes only Rothbard!) and it becomes hard to leave. You want to read more unpublished manuscripts, more correspondences, more letters, etc. I never met Murray Rothbard, but after working in his archives for several years I feel as though I almost know him personally.

**LMR:** Speaking of this first major project, it was relatively technical. Specifically, you resurrected a previously unpublished chapter (which was originally supposed

to be the fifth chapter in *Man, Economy, and State*) on production theory. Can you give us some of the background here, and explain why this material never made it into Rothbard's classic treatise?

**PN:** The first major project I worked on in the Rothbard archives was editing an unpublished chapter of *Man, Economy, and State* and writing a paper about it. The chapter was on production theory, and both the chapter and my paper were published in the 2015 winter issue of the *Quarterly Journal of Austrian Economics*. (They were also published in a recent collection of essays edited by my colleague Matthew McCaffrey, titled *The Economic Theory of Costs* [2018].)



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In his chapter Rothbard developed a much more “neoclassical” theory of production. In particular, he used the theory of perfect competition and the price taker assumption, and developed cost curves that he planned to use for a theory of factor pricing. Overall, his theory focused heavily on the manager of an isolated firm. But as he developed the chapter more, you could tell he was running into tensions. He began to realize that many of these traditional theories have problems, and in the end decided to scrap the entire chapter and start over. His decision to scrap the chapter played a major role in changing the focus of his project away from a textbook rendition of Ludwig von Mises’ *Human Action* (1949) to an entirely new treatise with some new insights of his own. The published chapter presents Rothbard’s manuscript as he wrote it, while my companion essay describes the evolution of Rothbard’s production theory away from a “Marshallian partial equilibrium” to what I call an “Austrian general equilibrium.”

**LMR:** You most recently are the editor of a collection of Rothbard’s essays on the Progressive Era. For our readers who only know the 8th grade history version—namely, that big business poisoned customers and chopped off workers’ hands for fun, until the feds stepped in—what are some of Rothbard’s main points?

**PN:** During the 1970s Rothbard began to write a book manuscript on the Progressive Era. Although it was unfinished, by the time he stopped working on it he had written chapters on the Interstate Commerce Commission and railroad interventions, the 1897-1901 merger movement and the failure of market monopolies, the end of the 3rd party system and the election of 1896, and the presidential administration of Theodore Roosevelt (1901-1909). *The Progressive Era* (2017) contains this manuscript as well as the later essays Rothbard wrote on the period, which mostly cover topics he did not discuss in the manuscript (such as the welfare state, World War I, and the Federal Reserve). So in a sense, it is roughly a completed book of his analysis on the era.

For most historians and the average citizen (i.e., what they got taught in K-12), the Progressive Era was a very beneficial period in American history. Before, we

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had unregulated capitalism, and that was a disaster. Consumers purchased poor quality products, the U.S. suffered from rampant business cycles, draconian monopolies drove small and honest producers out of business, and so on. According to this standard narrative, in the Progressive Era well-intentioned and noble reformers (the Paul Krugmans and Elizabeth Warrens of the day) rose up and fought the entrenched interests to institute enlightened government reforms.

Rothbard turns this entire narrative on its head. In reality, the economy was growing after the Civil War and living standards increased. Furthermore, many of the government reforms instituted during the Progressive Era were actually initiated by the entrenched interests the progressives were supposedly fighting. The Progressive Era was a new embodiment of the “Alliance of Throne and Altar”—in this case, big business allied with big government and big intellectuals to push for new laws and regulations that would drive small competitors out of

business and increase bureaucratic power. In Rothbard's analysis, it was really the Regressive Era.

**LMR:** Finally, you have an essay discussing the unflattering origins of the Sherman Antitrust Act. Can you first remind our readers what this legislation was, and then tell us “the rest of the story”?

**PN:** The 1890 Sherman Antitrust Act was one of the most significant laws in U.S. history. It got the federal government involved in regulating large companies and determining what companies and business practices were monopolistic and “in restraint of trade.” The usual narrative presented is that during the 1870s and 1880s, large “trusts” began to dominate the market and engaged in unfair and exploitative business practices that harmed smaller competitors and con-



“Republican politicians and their big business constituents could deflect criticism of the tariff by passing a vague antitrust law (that would not really be enforced) which would supposedly take care of any monopoly problems.”

sumers. In other words, unregulated capitalism was leading to the end of competition and the emergence of monopolies. Coming to the rescue were benevolent politicians and agrarian farmers who rose up and fought the large trusts to get this life-saving law passed.

In reality, like most other official versions of history, this narrative is incorrect. Capitalism led to beneficial outcomes and what problems that did occur were actually caused by government intervention. Many large companies were driving small companies out of business, but they were doing this by lowering prices and improving the quality of products. Mass production was displacing small artisanal production. Moreover, many large businesses did actually support the Sherman Antitrust Act, as shown by the fact that it was passed in a Republican-controlled Congress (and Republicans often represented many established big

business interests). The first reason is that a more friendly federal antitrust law would blunt the impact of more hostile state antitrust regulations, which were often passed at the behest of small agrarian farmers and had a very anti-big business motivation.

The second reason big business might have supported the Sherman Act is that many large firms were protected by high tariffs. Many Democrats astutely pointed out that these tariffs blocked out foreign competition and led to higher prices than what would have been the case under free trade. Republican politicians and their big business constituents could deflect criticism of the tariff by passing a vague antitrust law (that would not really be enforced) which would supposedly take care of any monopoly problems.

I recently published a paper titled “Revenge: John Sherman, Russell Alger, and the Origins of the Sherman Act” (2018), that explores an additional motivation of Republicans, particularly Senator John Sherman. Rothbard briefly mentioned this motivation in *The Progressive Era* and I elaborate on it. The basic story is that all his life John Sherman desperately wanted to be president. His last real chance at the Republican nomination was in 1888, and going into the convention he was a favorite (this was before the modern primary system).

But in the balloting he didn’t perform as strong as expected, and blamed his loss on political newcomer Russell Alger. About a year later, Alger became involved in an antitrust trial involving a company he was tangentially involved in, the Diamond Match Company. Sherman was previously interested in antitrust (most likely for the reasons that all Republicans were), and shortly after he found out about the trial he reintroduced an antitrust bill in the Senate and muscled it out of committee so he could give a speech on the Senate floor. During his speech, Sherman repeatedly mentioned the Diamond Match Company and implied Alger was the head of the company. His main goal was to skewer his rival and imprint in the public’s mind that he was involved in a hated monopoly (Alger actually had very little involvement with the company, so Sherman lied), which would prevent him from ever obtaining the Republican nomination in the future. Sherman’s tactic worked. The episode is a classic example of how politicians can be motivated by personal vendettas.




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*Note: The economists and financial professionals interviewed in the LMR are given the freedom to express their views, without necessarily implying endorsement from the editors.*