

LABOR HISTORY REVISIONISM: A LIBERTARIAN ANALYSIS OF THE PULLMAN STRIKE

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Historical Notes No. 46
ISBN 1 85637 586 2
ISSN 0267-7105

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Preface (2003) by Chris Matthew Sciabarra

The following work, originally entitled “The Implications of Interventionism: An Analysis of the Pullman Strike,” was submitted as my undergraduate senior honors thesis to my advisor, Professor Daniel Walkowitz of the New York University Department of History, on 20 April 1981. I tell the story of how this thesis was successfully defended in my essay, “How I Became a Libertarian” <<http://www.lewrockwell.com/orig3/sciabarra1.html>>, which is part of Professor Walter Block’s ongoing autobiography archival project <<http://www.lewrockwell.com/block/autobiographies.html>>. Recalling my initial interactions with the great libertarian theorist, Murray N. Rothbard, I write:

While an undergraduate, I met Murray Rothbard. . . . When I went into the undergraduate history honors program, Murray gave me indispensable guidance. I chose to examine the Pullman strike and I used his theory of structural crisis as a means of understanding labor strife. Murray gave me some very interesting pointers about how to carve an intellectual niche for oneself. He told me if I invested lots of time investigating the Pullman strike and other labor topics, I’d have a virtual monopoly among libertarians in the analysis of labor history. You end up thinking and writing more about a single subject than anyone else, and your work becomes indispensable to future research on the subject. It was good advice especially when one is compelled to defend one’s thesis: you’ve spent more time on the subject and know more about it than most others. You’ve written *the* book, so who better than you to defend it?!

Well, I didn’t continue my research in labor history, but I sure did focus on one subject—dialectical libertarianism—in the years that followed. Of course, I seemed to have picked a topic with which few would even want to associate themselves, so there doesn’t seem to be any danger of losing my intellectual niche any time soon!

I should point out that Murray’s influence on my honors thesis was significant. And I pretty much sailed through the honors

program. What I didn’t know, however, was that I would face resistance from one of the three academics who sat on my oral defense committee. He was the Chairman of the Department of History, Albert Romasco. When Romasco started questioning me about my “ideological” approach to history—that’s a real buzzword—he became almost hostile toward my reliance on Rothbard’s work. . . . Romasco was so disenchanted with my thesis that he told me: “Maybe you ought to go into political theory instead of history!” I guess I took him seriously. In any event, when I related the story of my oral defense to Murray, explaining how hostile Romasco was, Murray started to laugh. It seems that in the Summer 1966 issue of *Studies on the Left*, Murray published a scathing review of Romasco’s book, *The Poverty of Abundance: Hoover, the Nation, the Depression*. In it, Murray attacks Romasco’s welfare-liberal ideology, his “failures” and “misconceptions,” his bibliographic “skimpiness” and “*ad hoc*, unsupported and inevitably fallacious causal theories.” Murray figured I became the whipping boy for Romasco; here was Romasco’s chance to strike back at Murray Rothbard, by extension. Well, it was my first lesson in the politics of scholarship, even if it provided Murray with a hearty laugh. I sure wasn’t laughing in front of that committee!

Whatever the trials and tribulations of my oral defense, the thesis was accepted, and it contributed to my receipt of two university awards in June 1981, when I graduated magna cum laude, with a triple major in history (with honors), politics, and economics. The History Department awarded me the Helen M. Jones Prize, for best record in the history honors course, and the Joel Hershmann Prize, for excellence in American history.

Upon further reflection, however, I think Romasco was onto something. The central point of the thesis was less historical exegesis than the development of a “revisionist” *theoretical* schema with which to interpret known historical facts. Given the recent thrashing of the very term “revisionism” by U.S. President George W. Bush, I think a bit of reclamation is needed. No writer understood that need more than Roy A. Childs, Jr. In his essay, “Big Business and the Rise of American Statism,” Childs (1994) explains:

The term revisionism originally came into use referring to historiography after World War I. A group of young historians, eager to uncover the realities behind the blanket of myths surrounding the origins of this crucial conflict, discovered as a result of their investigations that Germany and Austria were not, contrary to popular mythology, solely responsible for the outbreak of that crisis. . . . Since then, revisionism has been applied to virtually any renegade school in historiography that took issue with the “official government line” on important events in history. As it is used today, revisionism is a general concept subsuming a wide diversity of schools, or integrating conceptions of man’s past. (15–16)

Synthesizing insights from Ayn Rand, Ludwig von Mises, F. A. Hayek, Murray Rothbard, and others, Childs offers up a libertarian brand of revisionism that has shaped my own approach to history. Though I cite Childs briefly at the beginning of my Pullman study, I am delighted to have the opportunity to provide the larger passage from which that citation was gleaned. It is the essence of what I call “dialectical thinking,” in that it places great emphasis on the “art of context-keeping” in historical investigation (Sciabarra 2000). Taking a cue from Rand’s definition of art as a “*selective re-creation of reality according to an artist’s metaphysical value-judgments*” (Rand 1975, 19), Childs (1994) answers the question, “What is history?”:

History is a selective recreation of the events of the past, according to a historian’s premises regarding what is important and his judgment concerning the nature of causality in human action. This selectivity is a most important aspect of history, and it is this alone which prevents history from becoming a random chronicling of events. And since this selectivity is necessary to history, the only remaining question is whether or not such judgments will be made explicitly or implicitly, with full knowledge of what one considers to be important and why, or without such awareness. Selection presupposes a *means, method, or principle* of selection. The historian’s view of the nature of causality in human action also is determined by a principle of selection. He can have a conscious theory, such as economic determinism, or attempt to function without one. But without one, the result of historical investigation is likely to appear disintegrated and patched together. . . .

The nature of objective evidence which is largely considered in history is simply *human testimony*, direct or indirect. History as a field deals with past human thought and actions. Since we have no direct

awareness of the contents of anyone’s consciousness but our own, we must rely on inference from what a person says, and what he does. Considered from a different perspective, history deals with the ends that men have held in the past, and the means that they have adopted to attain these ends. Since no two individuals are specifically alike in every particular characteristic, it is impossible to recreate the past in the form of a laboratory experiment and to observe the effects of single causal factors on human action. Thus, all that one can do is to collect evidence concerning the context of individual men, their ideas and their actions, using a theory or model of the nature of causality in human action that interprets or selectively reconstructs events in the past, omitting what one judges to be unimportant, and offering an explanation for what one does consider to be important, in light of the evidence available. Utopian “completeness” is neither possible nor necessary in knowledge—in history or anywhere else. All knowledge is contextual, but this does not in any way hinder knowledge from being *valid*. (18–20)

In retrospect, I don’t think the Pullman study truly succeeds as theory *or* history, because I see many gaps that need to be filled. This evaluation is partially the result of a more developed context of knowledge: I have learned a lot since 1981, and have deepened my understanding of several thinkers and topics—from Mises, Marx, praxeology, and methodological “dualism,” to the quasi-collectivist paternalism of the Pullman “company town.” Stylistically, I think the work suffers from a fairly straight-forward rendering of the events. Moreover, I don’t think I offered sufficient empirical data to support the broader thesis: that labor strife is *not* an inevitable consequence of capitalism, but an outgrowth of an interventionist economy, which generates business cycles.

It is true that, historically speaking, the depressionary phase of the boom-bust cycle is matched by an increase in confrontational labor strikes. This is something on which historians of different ideological persuasions agree. But contrary to those historians on the left, my underlying *radical* assumption was that if the state’s central role in generating cycles is eliminated, the *root conditions* of labor strife are eliminated too. So, even if this work does not succeed fully, I think it is worth a second look because it served as an early attempt to extend a libertarian model of interpretation into the realm of labor studies. As an undergraduate senior honors thesis, it was not meant to be a book-length discourse; it was meant to be a relatively brief *sketch* and *outline* for a broader, book-length historical examination—one that I never wrote, having shifted my research interests toward political and social theory.

I remain convinced, therefore, that so much more work still

needs to be done if libertarians are to successfully apply what Childs once called “the paradigm of libertarianism” to the historical disciplines. Insofar as this study of the Pullman strike was a *first* step toward the application of that revisionist model to labor history, I am happy to see it brought to a wider audience—warts and all—as an indication of the enormous work that lies ahead.

I should note that I have engaged in only mild copyediting, correcting the most glaring grammatical lapses, and adjusting a few chapter headings.



Introduction: A Framework for Interpretation

Roy Childs (1977, 210) once wrote that the historian’s view of causality in human action is fundamental to the study of history. He defined history as “a selective recreation of the events of the past, according to a historian’s premises regarding what is important and his judgment concerning the nature of causality in human action.”

This paper follows the methodological approach of praxeology. Praxeology, as defined by Ludwig von Mises, is the general science of human action (1963, 3). It rests on the axiom that individual human beings act, that individuals engage in conscious, purposeful actions towards chosen goals. The praxeological doctrine is an outgrowth of methodological dualism, that no science can ignore the essential, fundamental characteristics (i.e., the nature) of its subject. The purpose of a science of human action, as distinguished from the physical sciences, is that the defining characteristic of the study is man, specifically, man as a being of volitional consciousness.

Based on this fundamental insight, Mises (1957, 159) defined the parameters of historical study in explicit terms:

History deals with human action, that is, the actions performed by individuals and groups of individuals . . . It describes the conditions under which people lived and the way they reacted to these conditions. Its subject are human judgments of value and the ends men aimed at guided by these judgments, the means men resorted to in order to attain the ends sought, and the outcome of their actions. History deals with man’s conscious reaction to the state of his environment, both the natural environment and the social environment as determined by the actions of preceding generations as well as by those of his contemporaries.

That individual human action is the essence of history does not destroy any attempt to analyze systemic phenomena. The whole function of institutions is to enable individual human actions to be systematically and consciously integrated in producing common ends (Menger 1950, *passim*). Friedrich Hayek (1952, 39) emphasized further that one of the functions of social science is to explain how conscious,

purposeful human action can generate unintended consequences through social interaction.

Thus, the Misesian approach is one of methodological individualism; it traces all actions back to individuals. Collective entities are merely metaphorical constructs for describing the similar or concerted actions of individuals. The attempt to ascribe substance to such mental constructs is an epistemological fallacy. No collective is an entity of its own accord.

In the realm of economics, Joseph Schumpeter (1966, 887) explained the Marxian objection to this approach: “The Marxists . . . accused the marginal utility theorists . . . of entirely missing the true problem of economics, which is to analyze the objective facts of the social process of production, and of substituting the completely secondary problems of the psychological reactions or subjective attitudes of individuals to those objective facts . . .” The Marxian approach, however, involves a basic problem of concept formation and classification. The Marxian theory sees social class as preceding and determining the characteristics of its individual members. However, classes are derived from and validated by reference to concrete individuals, actions, and values, not vice versa (Childs 1977, 214–15; see also Rand 1979, 82–100).

It must also be emphasized that each historical event is a highly complex result of a large number of causes. While each event is unique and cannot be considered homogeneous to any other event, historical facts may be used to illustrate the workings of praxeological-economic laws. The class analysis that follows remains within the tradition of methodological individualism. It is, in the words of Walter Grinder, “an investigatory tool of analysis—not a tool of *a priori* confirmation” (in Nock 1977, xxiv). It is also motivated by a vision of society based on the principle of voluntarism, and by an understanding of the crucial role of ideas in history and in shaping the future.

In his path-breaking reinterpretation of the Progressive era, *The Triumph of Conservatism*, Gabriel Kolko (1977, 287) claimed that “for better or worse, the relationship of politics and the state to economic and social theory is a vast, uncharted region in the arena of going theories.” Kolko was basically concerned with the failure of Marxist theory to comprehend the role of the state in affecting changes in the social order. Relying on purely economic categories of explanation, Marx believed that the long-term tendency in capitalism was toward centralization and monopolization. The State was perceived as an instrument of the ruling class, the product and manifestation of the irreconcilability of class antagonisms (Lenin 1973, 7). While both Marx and Engels recognized that primitive accumulation was dependent on political or noneconomic factors of force and power, the capitalist system was to be transcended through the market process itself, which intensified internal contradictions.

Engels (1972, 229) saw the state as the “product of society at a particular state of development.” It was an organization of violence and “normally the state of the most powerful, economically dominant class, which by its means be-

comes also the politically dominant class” (232). While the state is most definitely an organ of class rule, it arose out of an economic condition of relative equality. There were certain common interests, like the adjudication of disputes and the need to repress encroachments by individuals on the rights of others, that were to be safeguarded under the control of the community as a whole. Such control was endowed with a certain measure of political authority, and this, according to Engels, was the root of state power. Thus, what we see is the origins of a neutral, independent agency.¹ Because conflict intensifies as the productive forces develop, the state is indispensable in safeguarding common interests and guarding against conflicting interests. The political organs “soon make themselves even more independent, partly through heredity of function” (Engels 1939, 198). But this independence develops into domination over society with the separate individual rulers uniting into a ruling class. Thus, “the exercise of a social function was everywhere the basis of political supremacy” (198).

Engels emphasizes further that once political power has established its independence, it transforms itself “from society’s servant into its master.” Political authority (i.e., force) can work in two directions—“either it works . . . in the direction of the regular economic development, in which case no conflict arises between them, the economic development being accelerated. Or, force works against economic development . . . as a rule, with but few exceptions, force succumbs to it” (202).

Marxian political theory had a purpose. It explained that “political power . . . is merely the organized power of one class for oppressing another” (Marx and Engels 1979, 31). For Marx, the modern state was the oppressive machinery of the capitalist class; conflict could only be resolved through proletarian revolution. That revolution would smash the state apparatus and not merely “transfer the bureaucratic-military machine from one hand to another” (Lenin 1973, 44).²

Class conflict is at the core of the Marxian theory. As Marx and Engels (1979, 9) stated in the opening passages of *The Communist Manifesto*: “The history of all hitherto society is the history of class struggles.” Bukharin (1925, 278–79) has defined a social class as a “category of persons united by a common role in the production process.” He distinguishes this from a social “caste,” which “is a group of persons united by their common position in the juristic or legal order of society.” Capitalism effectively destroyed the caste society since its legal consolidation of class privileges was incompatible with the growth of the productive forces.³ Since the economic structure of society is the determining factor of the totality of social relations, politics is merely the concentrated expression of economy (279). The class structure is reflected in the state organization and the entire superstructure, which arises out of its material foundations. Class struggle is, at once, both political and economic (246).⁴

Engels explained that while the law of the division of labor lies at the root of the divisions into classes, this does not mean that the class divisions were not affected by the complicating factors of violence, robbery, deception, fraud, ex-

ploitation, or force. However, Engels (1939, 181) still maintained that the crisis of capitalism and the class struggle were part of a long-term impersonal, natural *economic* process.

. . . the progressive evolution of production and exchange nevertheless brings us with necessity to the present capitalist mode of production, to the monopolisation of the means of production and the means of subsistence in the hands of a numerically small class, to the degradation of the other class, constituting the immense majority, into property-less proletarians, to the periodic succession of production booms and commercial crises and to the whole of the present anarchy of production. *The whole process is explained by purely economic causes: robbery, force, the state, or political interference of any kind are unnecessary at any point whatever.* (emphasis added)

This quote exemplifies all that is *wrong* with Marxist theory in its application to American history. Gabriel Kolko and a generation of revisionist historians have shown that monopolization was *not* the long-term trend in the nineteenth-century American economy.⁵ Economic theory describes how monopoly is impossible to achieve on a free market, unless that market is superceded by legal barriers to entry.⁶ Constantly undercut by market forces, big businessmen sought to achieve the effective cartelization of industry through the political means. The Progressive era was the great historical watershed. It showed that businessmen, faced with fierce competition and economic decentralization, supported and sanctioned regulatory legislation so as to crush smaller competitors and consolidate corporate gains. Furthermore, the “periodic succession of production booms and commercial crises” is not an inherent characteristic of an unhampered market—but the product of the intimate relationship between the state and the financial-banking system. And for the purposes of this paper, *it must be emphasized that it is during such critical periods of panic and depression that the historian witnesses the greatest and most violent mass strike actions.*

However, theory is critical for historical interpretation. While we can debate the truth of Marx’s answers, we cannot overlook the importance of his questions. The crucial distinction, which Marx fails to underscore, is between the two basic—and antithetical—organizing principles of social life by which individuals satisfy their needs for material sustenance. Franz Oppenheimer (1975, 12), in his magnum opus *The State*, distinguished between the “economic means” (“one’s own labor and the equivalent exchange of one’s labor for the labor of others”) and the “political means” (“the unrequited appropriation of the labor of others” through domination and violence).⁷

Oppenheimer identified the state as “the organization of the political means” (13). He denied that primitive accumulation and the condition of relative equality formed the basis of the state. Relative equality was destroyed through the

political means in the form of war, rivalry, conquest and plunder. Oppenheimer traced the institutionalization of this process throughout history. Conquering groups expropriated their subjects and assumed the right to arbitrate, taking the judicial function out of its local and common law context (xvi). Through it all, the political apparatus retains its class character, from the primitive state to the modern constitutional state.⁸ With the state's development, there also develops a sub-class of "court" intellectuals who establish the "legitimacy" of power.

The "political means," as Oppenheimer describes it, are completely antithetical to the market. Because exchange is voluntarily undertaken on a free market, there is a unanimity of benefit for both parties concerned. Furthermore, the market system is a mechanism for transmitting information. Prices disseminate knowledge of relative scarcities, and stimulate entrepreneurial coordination of economic resources. The State, however, is in a position to interfere violently with actual or potential market exchange. It is also distinguished from other social institutions because it alone obtains its revenues through taxation, a compulsory levy backed by threat of violence (Rothbard 1977b, 27–34). State interventionism distorts the price mechanism and its signals for entrepreneurial decision-making. This necessarily leads to a misallocation of resources.

Discoordination of resources is the essential economic effect of interventionism. Politically, it creates a privileged social order. The free market is one in which property rights are carefully delineated and there are no barriers to market entry. The system is based on an axiom of non-aggression, that no individual or group of individuals has the right to initiate force against others.⁹ On the free market, there are no privileged classes, no protection of vested interests (Mises 1978, 114). "There prevails a full harmony of the rightly-understood (i.e., the long-run) interests of all individuals and of all groups" (Mises 1977, 3). Because of inherent inequalities in talent and ability, it is inevitable that "elites" will tend to emerge in all areas of human activity. The economic "classes" that Marx distinguishes are free-flowing and mobile. Operating through the market process, the circulation of "elites" generates an optimum of change and continuity (Grinder and Hagel 1977, 59–79).

With state intervention, however, "there prevails a solidarity of interests among all caste members and a conflict of interests among the various castes. Each privileged caste aims at the attainment of new privileges and at the preservation of the old ones. Each underprivileged caste aims at the abolition of its disqualifications. Within a caste society, there is an irreconcilable antagonism between the interests of the various castes" (Mises 1977, 3).

*The crucial significance of state interventionism is that it is never neutral. It always benefits some group at the expense of another.*¹⁰ Rather than being the "executive committee" of the "ruling class," the state constitutes and is the source of the "ruling class," with ever greater incursions on private individuals and private enterprises (Rothbard 1974, 48). However, this is not a universal, conspiratorial theory of the state. The great fragmentation of political power in the United States means that there is an immense proliferation

of inter-class conflict among the various groups vying for control of the political apparatus. Frequently, the conflict is between interests that are utilizing different levels of government within the federalist system. This is why Kolko's revisionist work is so important, because it focuses on the often conflicting roles played by both the state and federal governments during the Progressive era.¹¹

The state is socially de-stabilizing and wrought with inner contradiction. It cripples rational economic calculation and is the source of class conflict. This has the effect of undercutting the market, which is the very basis of its survival since production is the prerequisite for theft. Furthermore, as Walter Grinder and John Hagel have shown:

The institution of the state virtually ensures that the collapse of the traditional elites and the emergence of new ones will be surrounded by violence, for the institutionalization of the political means inevitably creates coercive barriers to social mobility which reinforces stratification, stagnation and frustration, culminating in outbreaks of violence.¹²

Chapter 1: Strikes and the Business Cycle

In his 1904 article on "The Federal Government and the Chicago Strike," Eugene V. Debs wrote that "The Chicago strike is not yet settled, and its 'concluding pages' are YET TO BE WRITTEN" (Debs 1908, 205). The conflict that began in Pullman, Illinois in May 1894 has been perceived as the greatest "industrial battle" in the history of the United States. This description is not without significance. Jeremy Brecher (1977, 94) writes that the strike itself seriously challenged corporate power and provoked the response of the "entire organized force of society."

Traditional interpretations of the Pullman strike have focused on the "inherent struggle" between labor and capital.¹³ This struggle is a manifestation of the "inner contradictions" of capitalism as it developed in the nineteenth century. Violent worker resistance is seen as the outgrowth of capitalist control over the production process and the consequent expropriation of "labor's product" (238, *passim*). Frequently, violence or armed state intervention plays a critical role in precipitating social polarization (246). While historians have underscored the military and judicial intervention of the federal government in crushing the American Railway Union's boycott of Pullman cars, they fail to examine *the fundamental role of the state as the source of social and economic instability*.

This thesis attempts to fill a gap in the existing literature.

In the book *Strike!*, one of the most recent historical analyses of massive strike actions, Jeremy Brecher has added significantly to our understanding of the economic and political factors in nineteenth-century labor struggles. These struggles aroused the direct political and military opposition of the state. But as Brecher explains, "there can be no question that mass strikes are part of the periodic crises—whether economic, political, or military—which have

marked industrial capitalist society from the time of its establishment” (244). Here, it is worth quoting Brecher at length:

The cyclical development of capitalist economy affects the occurrence of mass strikes. Periods of depression generate widespread social misery and bitterness among workers; not only are millions unemployed, but wages are cut . . . The large number of unemployed at such times as 1877 and 1934 add a potential mass urban crowd of extreme bitterness ready to join street battles in support of strikes. Strikes during depressions are often extremely bitter, but they are difficult to win because employers have little margin of profit from which to grant wage increases or improvements in working condition, and little to lose by closing down. During periods of business recovery, on the other hand, workers take advantage of their improved bargaining position to conduct a great many strikes. These tend, however, to be primarily aimed toward making up ground lost during the previous downturn. . . . The fact that mass strikes are a response to crises in the system of industrial capitalism gives them a further significance. *For it means that mass strikes are essentially mass responses to the failures and irrationalities of that system.* (emphasis added) (244–45)

Therefore, any analysis of mass strikes and social upheaval must explain the antecedent causes of socio-economic instability. Marxists talk of capitalism’s “inner contradictions,” but they fail to explain the real root of business cycles.

Economic theory tells us that there cannot be periodic sequential booms and busts of productive activity. The essential insight of Austrian economics is in its conception of the market as a mechanism for gathering, transmitting, and evaluating information (Hayek 1949).¹⁴ Because there is no perfect knowledge, the competitive intertemporal market process centers on the actions of the entrepreneur. The entrepreneur, as market participant, is successful to the extent that he is alert to previously unnoticed changes in the economy as revealed through the price system. Prices transmit knowledge of relative scarcities and propel entrepreneurial activity toward the systematic coordination of resources.

The market process generates a complementarity in the structure of production (everything “fits” together). The greater the differentiation and integration of the economy, the more important are the capital markets—the “higher orders” of production furthest removed from consumption (in terms of time). As manifested in a post-barter economy, prices are communicated in monetary terms. Money, as an institution, evolved out of the market process as a means of facilitating exchange. Banks emerged as

warehouses for the storage of commodity money. Their warehouse receipts were used as money substitutes.

In a free market, based on carefully delineated property rights in which theft and fraud are illegal, all bank receipts will represent the actual existence of money on reserve. A 100% reserve requirement checks banks in their “temptation to commit fraud and issue pseudo-money certificates side by side with genuine money certificates as acceptable money-substitutes” (Rothbard 1970, 702). In a free market, the temptation to cartelize banking and fraudulently expand the asset base in unbacked substitutes will be frustrated. Noninflating banks would demand payment for another bank’s notes and would check any systematic expansion of the money supply. However, historically, the banking sector of the economy has enjoyed monopoly charter privileges granted by the state. The move toward a cartelized banking structure was completed in 1913 with the establishment of the Federal Reserve System.¹⁵

The connection between the capital market and the financial institutions is crucial because banks have provided businesses with liquid capital to finance investment. The importance of the interest rate lies in its indication of peoples’ time preferences—the degree to which they prefer present to future satisfactions. Swedish economist Knut Wicksell discovered that inflation led to a deviation from the “natural” rate of interest. However, it was Ludwig von Mises who explained how bank credit expansion distorts the interwoven structure of complementarity in production. By pouring new loans onto the market, credit expansion lowers the rate of interest—the cost of money capital—below its market level. New investment is undertaken that previously was deemed unattractive. Grinler describes this as the “objectification” of an idea before its time. The structure of production is coordinated by the price system. Credit expansion through fiduciary media (unbacked substitutes) distorts market information and leads to a large-scale discoordination of relative prices. When the inflationary boom ends, and the demand for the output of these processes fails to materialize, prices in the capital goods sector fall relative to the prices of consumer goods. The depression signifies the reassertion of market-forces in which malinvestments are liquidated.¹⁶

The economy of the nineteenth century was severely dislocated by its financial institutions. But government intervention on behalf of business interests also took the form of tariffs, massive railroad land grants and subsidies. Brecher (1977, xxiii) underscores the importance of post-Civil War policies, particularly the National Banking Act, in fostering state-corporate growth.¹⁷

The National Banking laws fixed the reserve requirements of interior banks at 15%, and of Eastern banks at 25%. Because the demand for loans was relatively light in Western sections, the bulk of the country’s bank reserves gravitated to Eastern banks. In the period prior to the Panic of 1893, banks throughout the country steadily extended credit operations. From 1886 until the latter half of 1890 especially, there was never any severe and continued stringency in the money market. Commercial and industrial activity increased with greater loans and discounts. The years 1886–90 saw a

\$780 million investment in 39,000 additional miles of railroad track. Railroads, funded by stocks and bonds, increased their indebtedness by \$2½ billion. Millions of acres of land were made available for railroads and agriculture, while the iron and steel industries experienced an unprecedented prosperity.

By 1890, banks expanded their deposits more rapidly than their reserves; severe stringency in the New York money market precipitated a decline in stock values and failures in many businesses. While the deposits of Western banks' reserve funds in the East increased by a third over the next two years, doubling deposits in New York City, a shortage of the Eastern money supply led to an extraordinary increase in the rates on call loans and commercial paper.

However, this is only part of the story. The policy of bimetallism, which affixed arbitrary exchange rates on gold and silver, led to a classic illustration of Gresham's Law. Money (silver) overvalued by the state drove money (gold) undervalued by the state out of circulation (Rothbard 1970, 783). The federal government, in various legislative actions from 1878 to 1890, directed the Secretary of the Treasury to make monthly purchases of silver bullion in the amount of 4.5 million ounces. Silver purchases and U.S. greenbacks increased the demand against the Treasury's gold reserve. Treasury notes multiplied, adding a rapidly increasing volume of currency to the nation's money supply. By 1893, the 1890 Sherman Silver Purchase Act had added about \$150 million (Brownlee 1979, 313). By providing for the conversion into gold of Treasury notes that were issued to purchase silver at a price subsidized above the market, an "endless chain" of silver purchases drained the Treasury of gold (Hughes 1977, 127).

Despite deals with New York bankers, the gold reserve dwindled below the traditional \$100 million level on 22 April 1893. Accelerated withdrawals signifying apprehension over the government's competency to continue gold redemption, led to a steady fall in stock quotations and a financial panic in the first week of May.

W. Jett Lauck (1907, 102–3) explains that bank depositors realized that a general liquidation of credit operations, due to the stock market panic, would put financial institutions into the precarious position of quickly converting assets into gold. Their inability to pay these obligations led many city banks to adopt "the extreme measure of refusing to cash the checks of their own depositors, except in cases where it could be shown that the money was absolutely necessary for personal and business uses."

As Alexander Noyes (1909, 189) said: "The bubble of inflated credit having been thus punctured, a general movement of liquidation started." By 1893, 158 national banks suspended and 46 went into voluntary liquidation (Friedman and Schwartz 1963, 106). In the next four-year period, more than 800 banks failed. Bank clearings declined by a third in the first seven months of 1893. The effect on business activity was cataclysmic. Unemployment was estimated at 20 percent of the labor force as business failures rose 20 to 50 percent.

Increasing government expenditures and yearly deficits of \$30–60 million from 1893–97 prolonged the agony. The McKinley Tariff also acted to protect certain commodities, reducing total customs receipts and converting a surplus into a deficit (Lauck 1907, 107). Sales of government bonds to finance the deficit were made to the Morgan-Belmont banking syndicate as the state tried to rescue itself from continuing gold depletion.

The most severely affected sector of the economy was the railroads. Railroad investment was the major prop to the American economy in the nineteenth century and was the most significant factor in shaping the ensuing depression. By 1895, there was a 58 percent decline in new railroad mileage and a 75 percent decline in orders for steel rails (Hoffman 1956, 137–64).

Never in the history of transportation in the United States has such a large percentage of railway mileage been under the control of receiverships as on June 30, 1894. There were on that date, 192 railroads in the hands of receivers, of which 126 had been consigned to receiverships during the previous twelve months, and 35 during the year ending June 30, 1893. The mileage of line operated by these defaulting companies was 40,818 miles. The total capitalization of roads in the hands of receivers was about \$2.5 billion, that is to say, one-fourth of the total railway capitalization of the country. This, as a record of insolvency, is without parallel in the previous history of American railroads. (Campbell 1938, 26–27)

The over-capitalization of the railroads was not solely the product of the preceding boom. It was one of the most explicit products of state intervention in American history. Government, at various levels, gave the railroads favored tax status and insured the use of eminent domain, through incorporation for land acquisition. From 1861 to 1890, state and federal subsidies of more than \$350 million were granted to the railroads. They were recipients of over 130 million acres in federal land grants, and about 50 million acres through the intermediary or direct actions of the states. Government aid accounted for more than 25 percent of the total railroad capital stock of a billion dollars in the antebellum period, and provided the atmosphere for a high degree of economic malinvestment—the "objectification of an idea before its time" (Sciabarra 1980, 31–45). Albert Jay Nock (1977, 82) was most perceptive when he claimed that the railroads "were speculative enterprises enabled by state intervention, by allotment of the political means in the form of land grants and subsidies; and of all the evils alleged against our railway-practice, there is not one but what is directly traceable to this primary intervention."

With a continuous decline in railroad rates from 1877 till the turn of the century, railroads attempted without success to end "internecine competition" by use of the pool. Federal regulation was seen as the means by which rate wars

could be controlled. It is for this reason that Gabriel Kolko (1970) has called railroad leaders the pioneers of “political capitalism.” However, despite political efforts to forestall the devastation of “cutthroat competition,” liquidation proceeded rapidly. The most heavily hit were the systems of the Northern Pacific, Atchison, Topeka, and Santa Fe, Southern Pacific and Union Pacific Railroads. These were also the quintessential creatures of the state—the latter railroads were recipients of large cash loans from the government to aid in their construction. They were chartered by Civil War acts of Congress.

Brecher (1977, 243) reminds us that “[i]n the nineteenth century, by far the most important aspect of capitalism was the railroads and so the core of the 1877 and 1894 mass strikes were railroad strikes. Because railroads were so dominant and reached every industrial center, railroad strikes tended to spread rapidly to national proportions and to workers in all industries.” The Populists echoed feelings of resentment. “The people are demoralized. . . . The toils of the millions are stolen to build up colossal fortunes. From the prolific womb of governmental injustice, we breed two great classes—tramps and millionaires” (cited in Kirkland 1969, 356).

The effects of depression and resentment were being felt in a small model industrial town called Pullman.

Chapter 2: Pullman

George Pullman’s sleeping car revolutionized rail travel and stood as a symbol of material progress and American industrial ingenuity. Pullman’s Palace Car Company, chartered on 22 February 1867, was among the soundest institutions in the United States. The company furnished railroads with conductors and porters to service the Palace Cars. It received money by selling parlor chairs and sleeping booths and levying a repair charge of two cents every mile run. The railroads operated Pullman cars and collected as their revenue first class coach fares (Manning 1960, 1). Though Pullman drove several competitors out of business by patent infringement suits,¹⁸ his success was largely the result of his obsession with innovation, organization, and efficiency.

More than this, Pullman wanted to show that business could establish the planned order of an industrial community. His conception of a model town as an agent of fundamental social reform was an integral part of the Pullman philosophy. He hoped to elevate the character of the company’s worker-residents by reducing drunkenness, strengthening family life, thrift and ambition, and, in so doing, attracting the best class of mechanics (Buder 1967, viii).

Pullman’s town was built along the banks of Lake Calumet outside Chicago. The company’s shrewd land purchases enabled it to build a model urban social environment. Stanley Buder writes that “the physical planning of the town was for social ends. Not only were the needs of the inhabitants to be anticipated and met, but they were to be directed and shaped” (70). Pullman provided homes, tenements, schools, churches, a cultural arcade, hotel, library, post offices, bank, sewage, and sanitation. Vitrified pipes carried human waste to the town’s water tower where it was treated

and sprayed over outlying farmlands and fields as fertilizer. Even here, the company reported an 8 percent return on its investment (69). The company barred saloons and brothels in its attempt to control the debilitating effects of “vice.” The need for a jail was nonexistent since arrests were rarely made. As part of the Hyde Park Township, the town had use of its courts, jailhouse, and two policemen. In the beginning, medical aid was also furnished by the company to injured employees.

George Pullman barred any worker property ownership in his town—on principle. “If I had sold the sites to my workmen at the beginning of the experiment, I should have run the risk of seeing families settle who are not sufficiently accustomed to the habits I wish to develop in the inhabitants of Pullman City, and all the good of my work would have been compromised by their presence” (83). Many workers migrated to the surrounding communities of Kensington and Roseland, where inferior homes in a less attractive setting were available. Rents here were 10 to 20 percent less than Pullman tenements.

While the town boasted that it would spearhead a new era of industrial harmony, illustrating “the helpful combination of Capital and Labor without strife or stultification, upon the lines of mutual recognition” (Yellen 1936, 102), others derided it as a “civilized relic of European serfdom” (Carwardine [1894] 1973, 25). Pullman was seen as a capitalist Czar of an outrageous monopoly. Rev. Carwardine asserted that the “monotony and regularity of the buildings give . . . the impression that he [the worker] is living in soldiers’ barracks. There is no such thing as a home in the American sense of the word” (23). Family privacy was being destroyed by an omnipresent corporation with its trimmed lawns and sterile streets.

The Cleveland Post wrote in 1885 that “the company owns everything and it exercises a surveillance over the movement and habits of the people in a way to lead one to suppose that it has a proprietary interest in [their] souls and bodies. . . . They declare they are bound hand and foot by a philanthropic monopoly” (cited in Buder 1967, 99).

The greatest attacks on the Pullman experiment, however, were politically motivated. Though Pullman supported the Taxpayer’s Party until 1885, he was thoroughly Republican in his approach to politics. He favored high tariffs, hard money, patent enforcement, and the avoidance of sleeping-car rate regulation. More than anything, however, Pullman guarded against any compromise of company authority within his town. That authority was seriously challenged in the municipal annexation battles of 1889.

Hyde Park township control was wrested from the Republicans by the pro-Chicago Citizens Party in April 1889. John Hopkins, a former Pullman employer, was the chief figure in this political struggle. Hopkins had started working for Pullman in 1880 at 22 years of age. Rapid promotions and popularity with the men led him to a job as paymaster of the works. In 1886, he was encouraged by George Pullman to form a partnership with Frederick Secord to establish a retail merchandise organization in the Pullman arcade. Pullman agreed to secretly remit a portion of the regular rental.

Pullman was involved with local politics only so as to keep his experiment untouched by outside influence. He secured lower property tax assessments because his town provided municipal services to its own residents. Hopkins, however, was affiliated with Democratic political forces in Chicago, and rallied Pullman workers during the 1888 election to carry the town for Grover Cleveland. This break with Pullman's political positions was reinforced by Hopkins' enthusiasm for Chicago's annexation of the model town. Hopkins claimed that Pullman opposed such annexation because it would threaten his one-man rule of the town and increase town taxes.

In 1888, Pullman reneged on his rental rebate plan, and the firm of Secord-Hopkins moved to Kensington. Hopkins later sued for his remittance and was awarded \$5,500, though the decision was overturned by an appellate court.

The battle for Hyde Park's entry into the jurisdiction of Chicago was bitter—but it made John Hopkins a power in the city's Democratic organization. Hopkins charged that Pullman was coercing his workers to vote against annexation and called it the “biggest outrage on American freedom ever perpetuated” (113). His allegations that Pullman was involved in corporate tax dodging were trumpeted by sympathetic Chicago papers. In the end, Hyde Park was annexed, and though actual administration was not greatly affected, schools, taxes, fire protection and water rates were now subject to control by Chicago.

Water rates had always been a matter of political debate. Hopkins claimed residents were being overcharged and Pullman suggested that he would turn the town's main over to Chicago, allowing it to supply water directly. This was dismissed as “obstructionism.” There was also a move to end the town's status as an independent post-office—but this was resisted by Pullman residents.

Aside from political problems, the Pullman works were suddenly disrupted by the general depression of business conditions set off by the panic of 1893. Because its production was contingent upon the stability of railroad clients, the Pullman works were seriously affected. The depression was offset temporarily by the World Columbian Exposition, which brought a record \$4 million surplus to the works. Extra car production for this event left a three-year supply on hand. Pullman was forced to close his Detroit plant and cut employment in his town through the summer of 1893. Employment fell from 4500 to 1100 by November 1893, but was raised to 3100 by April 1894 as the company undertook extensive plant improvement.

While the depression paralyzed the demand for railroad cars, Pullman had to contend with a fiercely competitive market. Lower labor costs enabled him to take on new contracts at a loss. The months of August and September 1893 brought not one accepted contract bid. Reduced bids in October brought seven new contracts with an aggregate profit of \$1,100. Prices for car construction were reduced by an average of 25 percent as were wages. In the 7½ months prior to the strike, the company secured 44 contracts, \$1.5 million worth of business, but lost a comparable amount in 39 rejected contracts. While two-thirds of the

employees were normally engaged in car construction for the market, the depression crippled this department, leaving less than 20 percent of the employees engaged in this work. Wages were reduced by scaling down contract and piece-work rates and by reducing proportionately the hourly wages of other workers. Bids for less than the cost of production and a 7 percent decrease in palace car passengers reduced fiscal 1894 earnings by \$438,000 from the previous year. It was claimed that workers absorbed \$60,000 of the losses while the company absorbed \$52,000 (Lindsey 1942, 96–98).¹⁹

Claims that Pullman should subsidize wages with company assets overlooked the fact that this was the property of the stockholders. Nevertheless, upheaval within the town multiplied. Worker grievances were directly traceable to the radical reduction of wages due to the depression. To their list of grievances, workers added the “injustice” of Pullman's exorbitant rents (20–25 percent higher than elsewhere—not taking into account sanitary and aesthetic characteristics), the company's oppressive paternalism and their inability to own private property within the model town. Shop abuses were also singled out for investigation.

Workers began to organize during early April 1894. Under the auspices of the newly formed American Railway Union, which opened its doors to Pullman membership, workers hoped to win concessions from management. A grievance committee of forty-six people called on the second vice-president of the Pullman Works, Thomas Wickes, to present their demands. On 9 May, Pullman told workers that business conditions did not warrant a wage increase and that rents had nothing to do with wages. The company consented to an investigation of shop complaints, while George W. Howard, in his passive role as vice-president of the American Railway Union, sought assurances from Wickes that the status of the workers on the grievance committee would not be endangered.

On 10 May, three men from the grievance committee were dismissed. This heightened tensions between the contending parties and led to a strike vote. On 11 May, rumors of a lockout at noon provoked 3000 employees to lay down their tools. In the evening, the company informed workers that “[t]he works [were] closed until further notice.”

The Strike committee, headed by Thomas Heathcoate, acted immediately to form a rotating 24-hour guard for the works to guard against property damage. The U.S. Strike Commission later asserted: “Too often the real objects of guards is to prevent newcomers from taking strikers' places by persuasion, often to be followed, if ineffectual, by intimidation and violence” (U.S. Senate 1895, xxxviii). Nevertheless, Pullman's town remained peaceful.

The strikers formed a Relief Committee on 17 May. John Hopkins, who had been elected Mayor of Chicago in December 1893, directed his general goods store, Secord-Hopkins, to donate flour, potatoes and meat worth \$1,500, in addition to \$1,000 in cash. Hopkins also allowed free use of a 7-room apartment. Additional help came from individuals, unions, charities and businesses.²⁰ Southside policemen solicited shopkeepers as Mayor Hopkins explained

that there “was no legal objection to the police doing charitable work” (Buder 1967, 171). Chicago press advertised the plight of the Pullman workers. The *Chicago Times* reprinted William Stead’s appeal to the citizens of Chicago on 28 May:

The people of Pullman are destitute and starving. Over five thousand human beings are in dire necessity, and appeal to the liberal minded people of Chicago for help. Their unfortunate condition is due to no fault of theirs. They have been noted for their thrift, sobriety, and industry. The fault lies in the hard times and a hard taskmaster. . . . They have struck against a slavery worse than that of the negroes of the South. They, at least, were well fed and well cared for, while the white slaves of Pullman, worked they ever so willingly, could not earn enough to clothe and feed themselves decently—hardly enough to keep body and soul together. Now that they have struck for a living wage, they find themselves penniless, with gaunt famine and despair staring them in the face. . . . Help them as you wished to be helped in the hour of affliction. Their cause is the cause of humanity. Their struggle is the struggle of honest industry against corporate greed. (cited in Lindsey 1942, 101)

Buder (1967, 170–71) notes that the attacks of the *Chicago Times* on Pullman were probably motivated by an alliance with Mayor Hopkins for consideration in patronage. The *Times* was the property of late Mayor Carter Harrison and was being managed by his two sons, who had political ambitions. Circulation grew.

By June, over 800 families of workers were receiving assistance. On 5 June, the 62 members of the City Council unanimously approved a resolution asking Mayor Hopkins to request citizen support for the Strike Relief Committee. Hopkins readily complied as a day was set aside by Chicago unions for the purposes of collecting money, clothes and food.

The Pullman Company rejected any attempt by “citizens’ committees” to arbitrate differences. Since the strike was between the company and its “ex-employees,” there was “nothing to arbitrate.” When asked why he would not submit to arbitration, George Pullman replied to the U.S. Strike Commission that such arbitration would violate a principle—“The principle that a man should have the right to manage his own property” (Lindsey 1942, 94). By mid-June, Pullman was seeing a mass exodus as hundreds of families moved in search of new employment. While the company originally threatened eviction, it practically subsidized the strike since it failed to collect \$70–100,000 in back rent (US Senate 1895, 556).

The strike remained unsettled as the convention of the American Railway Union converged on Chicago. Four hun-

dred delegates assembled at Uhlrich’s Hall on 12 June. These members worked mainly for western and mid-western railroads that were severely affected by the depression. They were sympathetic to the cause of Pullman strikers and opened the Convention to a discussion of the strike.

Pullman strikers offered a statement to the convention on 15 June. “We struck at Pullman because we were without hope. We joined with the American Railway Union because it gave us a glimmer of hope. Twenty thousand rails, men, women, and little ones have their eyes turned toward this convention to-day, straining eagerly through dark dependency for a glimmer of the heaven-sent message you alone can give us on this earth” (87).

“It is victory or death . . . to you we confide our cause . . . do not desert us as you hope not to be deserted” (Buder 1967, 179).

The members of the American Railway Union were about to consider a bold plan of action. If the grievances of the Pullman workers were not adjusted by 26 June, “members of the American Railway Union shall refuse to handle Pullman cars and equipment.” That such a boycott would seriously affect railroad traffic on a nationwide scale set the stage for the most far-reaching strike in American history.

Chapter 3: The Strike

Like George Pullman, Eugene V. Debs was a principled man. When asked why he advanced the “cause of labor,” he claimed: “I do this because it pleases me, and there is nothing I would not do so as human effort goes, to advance any movement designed to reach and rescue perishing humanity. I have a heart for others and that is why I am in this work. When I see suffering about me, I myself suffer, and so when I put forth my efforts to relieve others, I am simply working for myself. I do not consider that I have made any sacrifice whatever; no man does unless he violates his conscience” (Lindsey 1942, 109).

Debs was the chief force behind the formation of the American Railway Union in June 1893. The ARU was a bold attempt at industry-wide unionization to offset the perceived strength of privileged railroads. Its membership was open to all white employees who served the railroads in any capacity and as such, was indirectly open to Pullman workers. It levied annual dues of a dollar and suspended any members engaged in the sale of intoxicating liquor. The Union campaigned for many issues but could not call a strike without local union petition. Strikes, lockouts, boycotts and blacklists were to be avoided.

As the depression deepened and the ARU’s national convention drew near, Debs remarked that “Pullman is a self-confessed robber . . . The paternalism of Pullman is the same as the interest of a slave holder in his human chattels. You are striking to avert slavery and degradation” (124). At the convention, a call was made for the unity of all forces of labor to enjoy the “fruits of their toil.” Stirred by a sense of outrage over the conditions of the Pullman works, the convention called for a boycott of Pullman cars. The boycott was to cut the major source of the company’s revenue and

to compel it to assume a more conciliatory attitude toward labor. Recognition of the union was not an issue.

But within the ranks of labor there was factionalism. Debs had to contend not only with hostile railroad managers but with hostile brotherhoods that instructed their members to refrain from joining the boycott. The ARU was perceived as a threat to craft unionism. The Brotherhood of Locomotive Engineers threatened to expel striking members and replace them with union or nonunion workers. The Brotherhood of Locomotive Firemen and the Switchmen's Union steered clear of "solidarity." The Brotherhood of Railroad Trainmen defended the anti-strike policies of the railroads and the General Managers' Association and claimed that the boycott would violate existing employer contracts. The brotherhoods warned that "the triumph of this railroad strike would be the triumph of anarchy" (Brecher 1977, 92).

Faced with large unemployment, the ARU would have difficulty enforcing the boycott since many qualified workers could be used as "strike-breakers."

The ARU's principal "opponent" was the General Managers' Association. The GMA was a voluntary, unincorporated association for the "consolidation of problems of management arising from the operation of railroads—terminating or centering in Chicago" (McMurray 1953). The GMA was originally designed as a quasi-cartelizing device, which developed a uniform policy for its member roads toward matters of car service, weights of livestock, loading and unloading of cars and rate schedules for freight and switching. It also attempted to stabilize wage schedules since certain railroads undercut others by paying more for the same class of labor or the same amount of work.

The GMA was largely unsuccessful as the roads of Chicago were engaged in a bitter rate war, which drove rates down to unprofitable levels. It was revitalized in January 1893 by Everett St. John. By the spring, it was faced with a switchmen's strike that led to the adoption of several labor committees. Committee Number 1 was to secure strikebreakers for affected railroads; Committee Number 2 would unify wage schedules so as to determine the "justice" of demands for pay hikes; Committee Number 3 was set up in times of emergency to cooperate with city and county government authorities; Committee Number 4 was established for the purposes of setting up an employment bureau.

The association was later condemned by the U.S. Strike Commission as an "illustration of the persistent and shrewdly devised plans of corporations to overreach their limitations and to usurp indirectly powers and rights not contemplated in their charters and not obtainable from the people or their legislators" (U.S. Senate 1895, xxxi). Nevertheless, managers realized that strike-breaking merited more than voluntary cooperation. They turned their attention to federal legislation and petitioned Congress for a law to protect railroads from strikers who interfered with interstate commerce. They claimed that the 1886 statute, which imposed upon the railroads the duty of interstate transportation of passengers and freight, made no provision for protecting the roads in the performance of that duty.

When the ARU proposed a boycott of Pullman cars, the GMA issued its official statement: "That we hereby declare it to be the lawful right and duty of the said railway companies to protest against said proposed boycott; to resist the same in the interest of their existing contracts and for the benefit of the traveling public, and that we will act unitedly to that end" (Manning 1960, 32). While the GMA invited Thomas Wickes of the Pullman Company to its emergency meeting on 25 June, there were no other formal connections between the company and the general managers.

On 26 June, the boycott began. In four days, nearly 50,000 men had left their lines. The GMA set up a legal committee for the purpose of developing a "proper understanding" with law enforcement agencies. The committee suggested that "action which can be had under the federal laws will be more speedy and efficacious" (Lindsey 1942, 141). Proposals were made for prosecuting the ARU for interference with mail and interstate commerce as well as court injunctions to restrain strikers from trespassing or interfering with other employees.

On 28 June, the U.S. attorney at Chicago, Thomas E. Milchrist, received instructions from Attorney General Richard Olney who asked for the names of any who attempted to obstruct mail trains. Milchrist recommended that the federal marshal be authorized to appoint deputies. The U.S. Strike Commission later reported that "United States deputy marshals, to the number of 3,600 were selected by and appointed at the request of the General Managers' Association and of its railroads. They were armed and paid by the railroads and acted in the double capacity of railroad employees and United States officers. While operating the railroads, they assumed and exercised unrestricted United States authority when so ordered by their employers, or whenever they regarded it as necessary. They were not under the direct control of any government officials while exercising authority. This is placing officers of government under direct control of railroads. It is a bad precedent that might lead to serious consequences" (U.S. Senate 1895, 49).

At the suggestion of the General Managers' Association, Olney supplemented the district attorney's office by appointing Edwin Walker as special attorney for the federal government at Chicago. Walker, who had been general counsel for the Chicago, Milwaukee, and St. Paul Railroad since 1870, became the virtual director of affairs for the Department of Justice. The GMA also endorsed injunctions issued by courts of equity to protect railroad property in receivership.

Olney's specialty was as a railroad lawyer. He served as director of the Atchison, the Chicago, Burlington, and Quincy, and the New York Central. As late as 1889, he was one of the members of the GMA. He also represented the New England interests in several western railroads in the hands of federal receivers. Olney firmly believed that "if the rights of the United States were vigorously asserted in Chicago, the origin and center of the demonstration, the result would be to make it a failure everywhere else and to prevent its spread over the entire country" (Lindsey 1942, 150).

Almont Lindsay explains that the entering wedge for federal intervention was the disruption in the movement of U.S. mails. The government post office monopoly had declared all railways in the United States official post roads as early as 1838. In April 1894, the Department of Justice ruled that a mail train comprised all cars that are ordinarily hauled by such a train and that any person attempting to detach any part of it was guilty of obstructing the mail (151). Also in that month, a federal judge, Judge Jenkins, issued an injunction against a strike by employees of the Northern-Pacific Railroad. The power to issue the injunction was derived from the Sherman Anti-Trust Act, which the judge believed forbade any combination of employees from quitting work in a body or in anyway interfering with the operation of a railroad. The judge added that “[a] strike is essentially a conspiracy to extort by violence . . . it must ever remain the duty of the court, in the protection of society, and in the execution of the laws of the land, to condemn, prevent, and punish all such unlawful conspiracies and combinations” (157). Olney, in fact, believed that in the public interest, even peaceful strikes should be restrained. The obstruction of a railroad is an encroachment upon a public highway created “for the benefit of the people.” It was asserted that “the national government has the right, and is charged with the duty, to keep [it] free and open” (Bancroft 1895, 55).

The issue of the federal injunction was highlighted by the need for federal troops to enforce the decrees of the courts. For this, the 1871 Revised Statutes of the United States in blatant violation of Section IV, Article IV of the Constitution, extended the military scope of federal power. The statutes were originally meant to control the activities of the Ku Klux Klan, but were now employed

[w]hensoever insurrection, domestic violence, unlawful combinations or conspiracies in any state so obstruct or hinder the execution of the laws . . . as to deprive any person of any rights, privileges or immunities or protection named in the Constitution . . . and the constituted authorities of such state . . . fail in or refuse protection of the people in such rights, . . . or whenever any such insurrection, violence, unlawful combination or conspiracy opposes or disturbs the laws of the United States, or the due execution thereof or impedes the due course of justice under the same. (44)

On 2 July, Judges William Woods and Peter Grosscup issued an injunction that was largely written by Thomas Milchrist.²¹ Asserting that the U.S. owned the mail bags and had a legitimate property interest in carrying the mails for postal revenues, the injunction ordered the ARU to “desist and refrain from in any way or manner interfering with, hindering, obstructing or stopping” the business of twenty-two lines of railroad. It forbade obstruction of mail trains and any trains engaged in interstate commerce. It forbade trespassing and the destruction of railroad property. Furthermore, it restrained union officials “from compelling or inducing or attempting to compel or induce, by threats, in-

timidations, persuasions, force or violence” any employees to refuse to perform any of their duties and to leave the services of the railroads. It forbade the union from preventing persons from doing their work, or “from doing any act whatever in furtherance of any conspiracy or combination to restrain . . . railroad companies or receivers” in their free and unhindered capacities. It also forbade the union “from ordering, directing, aiding, assisting, or abetting in any manner whatever, any person or persons to commit any or either of the acts aforesaid” (Bancroft 1895, 49).

The *Chicago Times* saw the writ as “a menace to liberty—a weapon ever ready for the capitalist” (Lindsey 1942, 162). When the injunction was read to the mobs at the railroad yards on Blue Island—and the crowds failed to disperse—it was clear to the Federal Marshall, John Arnold, that troops would be needed to enforce the decree of the federal court.

Upon the urging of his attorney general, President Cleveland dispatched federal troops to Chicago. Governor Altgeld of Illinois protested the federal government’s intervention. He wrote Cleveland that “the Federal Government has been applied to by men who had political and selfish motives to ignore the state government. . . . At present, some of our railroads are paralyzed, not by reason of obstruction, but because they cannot get men to operate the trains.” Altgeld added: “To absolutely ignore a local government in matters of this kind, when the local government is ready to furnish assistance needed . . . not only insults the people of this state by imputing to them an inability to enforce the law, but is in violation of a basic principle of our institutions” (cited in Warne 1965, 47–48).

When Cleveland responded that his actions were within the law, Altgeld answered “that the principle of local self-government is just as fundamental in our institutions as is that of federal supremacy.” Cleveland was ignoring the fundamental principle that “our government is founded on the theory that the people themselves do the governing and that the world’s experience has shown that they can be trusted a thousand times over rather than some office-holder” (49–51).²²

Cleveland believed that the danger of anarchy barred any discussion of constitutional technicalities. Believing that the real issue was the preservation of civilization, the press lashed out against Altgeld—the governor who pardoned the Haymarket anarchists. The *Chicago Tribune* declared: “This lying, hypocritical, demagogical, sniveling Governor of Illinois does not want the law enforced. He is a sympathizer with riot, violence, with anarchy. He should be impeached” (Lindsey 1942, 192). But Cleveland ordered the dispersion of the mobs and considered those “forcibly resisting and obstructing the execution of the laws of the United States” as “public enemies” (Cleveland 1904, 106). “We have been brought to the ragged edge of anarchy and it is time to see whether the law is sufficiently strong to prevent this condition of affairs,” exclaimed Olney (Lindsey 1942, 245).

The dispute over the need for federal troops grew out of conflicting reports of mail obstruction and property rights violations. The violations were forbidden by criminal stat-

utes and did not merit the restraining power of the courts. The injunction's purpose was to crush the boycott. It was only after the arrival of federal troops that serious disorders engulfed Chicago in an orgy of destruction.

Violence erupted nationwide. Strikers spiked and misplaced switches, removed rails, crippled interlocking systems, derailed cars and blockaded tracks. Vandalism, fire, depredation and massive destruction of property were blamed on hoodlums, tramps and immigrants attracted to Chicago by the Columbian Exposition and left stranded by the depression. A paralysis of transportation created acute food and fuel shortages as prices rose to prohibitive levels. Miles of food-loaded cars remained outside the city. It was expected that the inability of farmers to market their products was the key to the rising tide of anti-strike sentiment.

Supporting federal intervention, the *Chicago Evening Journal* asserted that “[f]or eight days the thoroughly Hopkinized police . . . stood by and saw trainmen driven from their posts, switches blocked, locomotives ‘killed,’ trains ditched, railroad property and railway employees beaten and shamefully maltreated and abused.” The *Railroad Gazette* claimed that because of Major Hopkins’ vendetta against George Pullman, the mayor willfully neglected to use his police force to furnish protection to railroad property.²³ Altgeld, however, believed that the militia’s sole job was to “keep the peace, quell riots and enforce the law,” not to act as “custodians of private property” (183, 200).

Debs was quoted as saying that “the first shots fired by the regular soldiers at the mob . . . will be the signal for a civil war,” implying that a reign of terror would follow. Henry George spoke to a crowd of 10,000 people at Cooper Union. “I yield to nobody in my respect for the rights of property, yet I would rather see every locomotive in this land ditched, every car and every depot burned and every rail torn up, than to have them preserved by means of a Federal standing army” (cited in Nevins [1934] 1962, 622, 626).

While Debs and other ARU officials could not control violence on such a massive scale, the union employed detectives to ascertain the guilt of its own members since it could not sanction threats, intimidation or violence. “Those who engage in force or violence are our real enemies” (Lindsey 1942, 221). Debs, however, was denounced by the *New York Times* as a “lawbreaker . . . an enemy of the human race . . . who should be jailed” (312).

On 10 July, Debs and other union officials were arrested and held in contempt of the court’s injunction. They were later convicted. With the ARU deprived of leadership, the mobs crushed by federal troops and state militia, and the resumption of railroad traffic, the boycott had been beaten. A last call for a general strike drew an anemic response from Chicago workers. It was thought “inexpedient” and “unwise” by the American Federation of Labor, though Samuel Gompers was calling for the final emancipation of labor from an industrial system wrought with injustice. The ARU attempted to work through Mayor Hopkins to ask the GMA that strikers be permitted to return to their jobs. The GMA accepted Hopkins’ letter but refused to negotiate.

In the relatively quiet town of Pullman, the company was eager to rehire workers who resigned from the ARU. By the end of August, the shops hired 2,700 workers—of which all but 800 were former employees. They were paid at the old rates, as the company once again competed for contracts at a loss.

Chapter 4: Aftermath and Implications

It has been estimated that the Chicago Strike of 1894 led to an \$80 million loss in business. Railroads sustained losses of \$5.36 million, \$700,000 of which was in property losses. Chicago law enforcement cost an additional \$400,000. Laborers in Pullman lost an estimated \$350,000 and nationwide, workers lost over \$1.4 million in wages. Thirty-four people lost their lives (Lindsey 1942, 335–36; Brecher 1977, 89).

In the trials that followed, the Supreme Court upheld Debs’ conviction on charges of contempt. Because they violated a court injunction, the defendants were denied a jury trial and sentenced up to six months in jail. Judge McPherson would not concede the “inherent evil” of labor or capital combinations—unless they proved to be a menace to public peace and welfare.

John Hopkins served as mayor of Chicago until February 1895. The civic federation claimed that he permitted open gambling in return for graft and got rich by issuing a municipal franchise to a utility company. His friendship with “Boss” Sullivan in the state Democratic organization made him a party power until his death in 1918.

Governor Altgeld pleaded the cause of the Pullman workers—and worked hard to raise the model town’s taxes and to impose state regulation on sleeping car rates. An Illinois Circuit Court upheld Pullman’s right to own land and residences but this was overturned by the Illinois Supreme Court, which saw the model town as opposed to the public good.

George Pullman’s model town was an experiment never repeated by American industry. Pullman, called “the most consummate type of avaricious wealth absorber, tyrant and hypocrite this age . . . has furnished,” died of a heart attack on 18 October 1897. Immediately thereafter, his life’s work was slowly dismantled.²⁴ By 1900, however, business conditions had improved. Workers’ wages rose dramatically—without the union. Pensions were introduced, the work week was now 54 hours—and substantial rent reductions were made.

The strike itself provoked a wealth of comments on the past and future of American society. Debs, who was to become America’s premier socialist, reiterated his long-standing belief that the United States government “was at the beck and call of railroad corporations . . . [who] with the Federal Courts and troops to back them up had swarms of mercenaries sworn in as deputy marshals to incite violence as a pretext for taking possession of the headquarters of the American Railway Union by armed force, throwing its leaders into prison without trial and breaking down the union” (Debs 1908, 185). Debs suggested “that Government

ownership of railroads is decidedly better for the people than railroad ownership of Government” (U.S. Senate 1895, 163).²⁵

Gompers asked if the strike was justifiable. “From the standpoint of a labor organization having an agreement with an employer whose provisions a strike would violate? NO. From the standpoint of the American Railway Union, having no agreement with either of the railroad companies involved, and expressing the inarticulate protest of the masses against the wrongs inflicted upon any of their brothers and their yearning for justice to all mankind, Yes, a thousand times, YES.” Gompers added: “We must insist upon the right to organize, the right to think, to act, to protect ourselves, our homes and our liberties and work out our emancipation” (Warne 1965, 3–4).

The U.S. Strike Commission, which was appointed by Cleveland to conduct a comprehensive investigation, condemned boycotts and strikes as “internecine war” that disturbed society and led to greater and more destructive conflicts. Congressman James McCreary echoed the Commission’s concerns by stating that there was something “higher” than the rights of capitalists or workers at stake—it was American freedom and prosperity and “the perpetuity of their national government” (Lindsey 1942, 328).

For some, the actions of the government were more than justifiable because “the government has millions of dollars invested in the trans-continental railroads . . . and it was the clear duty of the President to use all the means in his power.” This would save the “legitimate revenue due to the Government” (Warne 1965, 7). In fact, the increasing scope of the federal government became a major area of concern. Governor Altgeld feared the usurpation of federal power. “We will have a rapidly increasing central power controlled and dominated by class and corporate interests” (Barnard 1938, 337). Charles Warren reinforced Altgeld’s fears of federal usurpation when he concluded that the Supreme Court decision was a long step toward the centralization of authority. “Slowly, but inevitably, one after another of these State police powers is being brought within the limits of Federal jurisdiction” (84). John Boscom added that a hard conservatism was ready “to applaud the prompt intervention of national power” concealing the virus of tyranny (Rezneck 1953, 337). Cleveland was seen as “the great historic heretic who is to pave the way for Caesarism in the next century” (335).

In addition to the threat of centralized political power, many pointed to the scourge of immigration. Dr. James Weire claimed that “[y]ear after year Europe pours into the United States multitudes of degenerate human beings, who incited by the freedom of American institutions . . . immediately give free rein to their atavistic imaginations, and . . . plunge into anarchy and lawlessness” (339). General Miles advocated the restriction of immigration and the “ruralization” of population through soil reclamation and colonization as the best guard against the “material poisons” of the Debs’ element (337). The Strike Commission too warned of a “certain class of objectionable foreigners . . . precipitated upon us by unrestricted immigration” (cited in Manning 1960, 49).

Reverend Carwardine ([1894] 1973, 123–24) suggested compulsory arbitration as the solution:

The strong arm of the law should compel the autocratic millionaire as well as the dependent mechanic to submit his case and abide by the decision. . . . And where, as in this strike, there is an obstinate refusal to arbitrate, then the federal or state governments should take possession of the railroads, the telegraph, the coal mines or the manufacturing plants and run them in the interest of the whole people, and not in the interest of obstinate corporations. The public good and the peace of the country demand this.

Carwardine added that those who refuse to arbitrate:

are traitors to their country’s best interests . . . enemies of every principle that is good and pure and holy and peaceable. They should be dealt with to the utmost extent and with utmost rigor of the law.

That such compulsory arbitration might create a corporativist structure, which would serve the industrial managers, never seems to have phased the good Reverend.

Richard Olney was the quintessential advocate of expanding the federal government’s role. “The notion that territory of any state is too sacred to permit the exercise thereon by the United States Government of any of its legitimate functions never had any legal existence, and, as a rule of conduct, became practically extinct with the close of the Civil War” (James 1923, 56). Olney later co-authored the Railroad Arbitration Act, which was to include a clause permitting a court appeal for a Bill of Equity to name receivers for any road that refused arbitration in labor disputes. These receivers would operate the roads in the public interest until settlement was reached (Rezneck 1953, 337).

While serving as attorney for the Boston and Maine Railroad, Olney authored another legislative initiative: the Sawyer Bill (S.3805) of 1893. This bill was to establish a special railroad “commerce court”—a safety valve for the railroads in the event that the Interstate Commerce Commission strayed in “undesirable” directions. Olney also offered to help Senator Elkins draft a bill that would undercut the ICC’s powers. The Commission, originally designed as a “first step” toward industry-wide stabilization, was susceptible to much political pressure (Kolko 1965, 98).

The dominant trend toward the federalization of the regulatory machinery designed to protect business from competition was paralleled by the “federalization” of the military and judicial system to protect business from labor’s rising dissatisfaction. The U.S. Strike Commission perceived railroads as quasi-public corporations who had derived all their privileges from the state and should be compelled to do whatever would best serve the public interest (Lindsey 1942, 357). As far back as 1877 in response to the Great Strikes of that year, the *Railway World* advocated greater federaliza-

tion of authority. “The lines of railway[s] are no longer to be considered merely state organizations and under state control, but national in their character. . . . The Government must be placed, by law, in such a position as to protect, when necessary, the railways or take control of them, without the interposition of state authority” (Kolko 1965, 14).

This statement was reiterated in the Chicago Strike of 1894 when the U.S. Strike Commission claimed:

Railroads have not the inherent rights of employers engaged in private businesses; *they are creatures of the state*, whose rights are conferred upon them for public purposes, and, hence, the right and duty of Government to compel them to do in every respect what public interest demands are clear and free from embarrassment. It is certainly for the public interest that railroads shall not abandon transportation because of labor disputes . . . (emphasis mine) (U.S. Senate 1895, 11)

The revolt against these “creatures of the state” was made most explicit during the Pullman strike. Some of the most violent displays of popular discontent occurred in the far west where individuals localized the ARU struggle and rebelled against the Central and Union Pacific and Southern Pacific Railroads. These corporations gained monopolistic control of virtually all rail facilities in California and were able to charge exorbitant rates—all by virtue of legislative action. The state of California had been closed to competition by legal restrictions. Benefiting from state barriers to entry, these lines also received the full support of federal troops since the roads were chartered by Congressional acts for military and other governmental purposes.

With trains paralyzed on the west coast, reports of sabotage multiplied. On 11 July, 542 soldiers reached Sacramento by boat followed by 370 sailors and marines who landed at Oakland on the following day. Trains began moving again under the protection of the military.

The Northern Pacific Railroad was also severely affected. Traffic had halted between St. Paul and Puget Sound. Engines were ditched, the bridge at Hell Gate River was burned. Attorney General Olney explained that when the railroad was chartered in 1864, Congress provided that it should always be available for the transportation of mails, troops and military supplies. Congressional subsidization of the line and its description as a military road made it the duty of the President, as commander-in-chief of the armed forces, to keep it open (Lindsey 1942, 256).²⁶ It was a known fact that with the use of federal troops “the strike would collapse like a punctured balloon” (144).

As in the days preceding the Great Strikes of 1877, the state and federal governments increased expenditures for armories, militia and riot control. Benjamin Flower wrote in May 1894: “Millions for armories and the military instruction of the young but not one cent to furnish employment to able-bodied industry in its struggle to escape the terrible alterna-

tives of stealing or starving—such seems to be the theory of government in the United States today” (cited in Rezneck 1953, 332).



Clearly, the Pullman Strike was an outgrowth of the social and economic instability caused by the Panic of 1893—a depression due to state intervention and fraudulent bank credit expansion. The dislocations in the late nineteenth century economy were complicated by further government intervention on behalf of the railroads in the form of subsidies, land grants, and monopoly privileges.²⁷ Massive liquidation of malinvestments had the effect of destabilizing the social order. That order was held together by unparalleled federal intervention to crush striking employees.

The crucial role of the state has not been fully appreciated by market theorists. These theorists have traditionally focused on the coercive nature of strikes. W. H. Hutt (1973, 282) derides “[t]he strike-threat system [as] an intolerable abuse of economic freedom. The strike is a type of warfare under which privileged groups can gain at the expense of the unprivileged.”²⁸ Sylvester Petro (1978, 448), however, upholds the rights of workers to form trade unions and to strike. But “freedom cannot survive in an atmosphere of violence, vandalism, depredation, property destruction and intimidation.” As such, he advocates the use of the injunction, ex parte restraining orders, to prevent irreparable injury and forestall actionable harm for which there is no adequate remedy at law.

The body of law in equity was developed by Anglo-American jurists since common law did not offer the means to forestall injurious acts and public nuisances. Historically, the use of the injunction went beyond its intent to forestall “injurious” conduct—and in the process became a weapon to crush labor. One thing is certain—even Sylvester Petro points this out—that “it would be difficult to exaggerate the significance of the fact that before the advent of interventionist labor legislation in the United States, injunctions against peacefully conducted strikes for higher wages were virtually unknown. Since such legislation (dating roughly from the Railway Labor Act of 1926), injunctions against peaceful, though large-scale strikes for higher wages have been sought and granted in a number of cases. The petitioning party is in each instance, the government” (298ff).²⁹

But the twentieth century is a vastly different world from the nineteenth century. The crucial link between the government and the railroads provided a model of the corporate state in its infancy. Social control and military repression were used to offset the effects of intervention on the economic and social order. As interventionism becomes pervasive, insulating businesses and unions from market forces, the capital structure of the economy is mangled. That the state-corporate nexus has placated the forces of labor is the irresistible conclusion of Philip S. Foner (1947, *passim*).³⁰ Jeremy Brecher (1977, 241) claims: “In the final analysis, the state authority and the industrial authority function as parts of a unified system.” He adds, and we may concur from a profoundly libertarian perspective: “The challenge to it is revolutionary . . .”

Notes

Introduction

1. Kolko (1977, 302) described the “independent” state as a convenient ideological myth. The neutral state is a “mythology based on the assumption that those who control the state will not use it for their own welfare.”

2. Marx was not as naive as some of his followers in this matter. “All revolutions perfected this machine instead of smashing it. The parties that contended in turn for domination regarded the possession of this huge state edifice as the principal spoils of the victor” (Marx 1977, 122). However, both Marx and Engels believed a genuine proletarian revolution would end the necessity for a special repressive force. “The society which organizes production anew on the basis of free and equal association of the producers will put the whole state machinery where it will then belong—into the museum of antiquities, next to the spinning wheel and the bronze ax” (Engels 1972, 232).

3. This is not to say that Marxists view capitalism as marked by class harmony. In fact, in outdistancing other modes of production, capitalism is allegedly responsible for the great exploitation of the working class. The exploitation argument rests on Marx’s labor theory of value, a subject which is beyond the scope of this paper. The classic refutations of the labor theory are Wicksteed’s “The Marxian Theory of Value” in Wicksteed 1948 and Böhm-Bawerk’s “Karl Marx and the Close of His System,” in Sweezy 1975.

4. Bukharin cites Marx (*Capital*, vol. 3, a 1909 Chicago edition): “It is always the direct relations of the owners of the conditions of production to the direct producers which reveals the innermost secret, the hidden foundation of the entire social construction, and with it of the political form of the relations between sovereignty and dependence, in short, of the corresponding form of the State.” Marx (1978, 53–54) further states that out of the “contradiction between the interest of the individual and that of the community” arises the independent form of the state “divorced from the real interests of individual and community, and at the same time as an illusory communal life.” All struggles within the state are “merely the illusory forms in which the real struggles of the different classes are fought out among one another.” Thus, the struggling class must “first conquer for itself political power in order to represent its interest in turn as the general interest.”

5. Revisionist works include Kolko 1965; 1977. Also see Weinstein 1969 and Radosh and Rothbard 1972.

6. On the impossibility of monopoly on a free market, see Rothbard 1970, 560–660 and Rothbard 1977a, 37–82.

7. The great libertarian political theorist, Albert Jay Nock, developed this theory in terms of “social power” versus “state power.” “Social power” is the huge matrix of interaction through production and voluntary exchange. “State power” is the institutionalized process of force and theft that thrives parasitically off the fruits of social power. Nock saw state administrators as indistinguishable from a professional criminal class. He believed that the victory of collectivists would mean the complete extinction of social power through absorption by the state, reducing the scope of individual responsibility and moral autonomy. See Nock 1977. For Bukharin’s criticism of the Oppenheimer theory, see Bukharin 1925, 285.

8. On this note, Nock saw the American constitution as a counter-revolutionary statist coup d’etat, which has led to the continued growth and centralization of state power and the emergence of the financial powers as economic barons. Nock saw the financial sector’s control on market exchange as the crucial link in the establishment and entrenchment of the ruling class. Compare Marx (1978, 79–80) on the modern state, which is “purchased gradually by the owners of property by means of taxation, has fallen entirely into their hands through the national debt, and its existence has become wholly dependent on the commercial credit . . .”

9. If no initiation of force is justified, then the State is inherently immoral. On how the free market can provide traditional state services of defense and adjudication, see Rothbard 1978, especially 191–241; 1977a, 1–9.

10. John C. Calhoun identified these groups in terms of “tax-consumers” and “tax-payers.” See Calhoun 1977.

11. Bukharin assumed that capitalism destroyed class privileges. However, laissez-faire never existed in the American economy and what emerged was a form of neomercantilism. Local and federal governments financed railroad construction, provided lucrative means of obtaining fortunes and had an important impact on the financial and banking institutions. See Kolko 1977, 4.

12. Grinder also points out the Hayekian insight that those who are most adept in the use of the political means will tend to rise to the top. See Hayek 1944. Grinder believes that two fundamental sociological laws militate against the free society: (1) the praxeological law of human action—that human action will be undertaken only if it is anticipated that the actor will be able to substitute a more satisfactory state of affairs for his present and less satisfactory condition and (2) Epstean’s Law (cited by Nock) that “man tends to satisfy his needs and desires with the least possible exertion.” Since the state systematizes expropriation, the political means will tend to become a prevailing social relationships—this, of course, in the absence of a strong libertarian ideology. It should also be noted that under the heading of voluntarism (the “economic means”), there exists an array of social relationships that may not fit an individualist criteria. We will consider the quasi-collectivist scheme of George Pullman—and the role of the state in the Pullman Strike.

Chapter 1

13. This theme is echoed in Ware 1935, Perlman 1929, Adamic [1931] 1963, and Foner 1947.

14. On how this relates to socio-political phenomena, see Grinder and Hagel 1977, and Grinder n.d.

15. See Kolko 1977, 217–54 on the crucial role of bankers in this historical episode.

16. On the Austrian theory of the trade cycle, see Mises 1953; Hayek 1966a; 1966b; Rothbard 1972, especially 1–77.

17. See also Lauck 1907, 4–7.

Chapter 2

18. On the illegitimacy of patents as a means of enforcing property rights, see Rothbard 1977, 71–75.

19. See also U.S. Senate 1895, xxxvi. Here, the Commission shows a keen sense of awareness: “The commission thinks that the evidence shows that it [the Pullman Com-

pany] sought to keep running mainly for its own benefit as a manufacturer that its plant might not rust, that its competitors might not invade its territory, that it might keep its cars in repair, that it might be ready for resumption when business revived with a live plant and competent help, and that its revenue from tenements might continue.” To which we might add: So? What’s the crime?

20. That some businesses helped strikers may not fit into the Marxian mold of class solidarity. That some unions did not support the wider strike actions seems to corroborate this.

Chapter 3

21. This should not imply “guilt by association.” Gustavus Myers (1912) points out that Grosscup’s brother was a Northern Pacific Railroad attorney and that Grosscup was later the recipient of free transportation for himself and his family. Myers also explains the various inter-relationships between Supreme Court justices and the railroads, which allegedly gave their decisions a class bias. We do not claim that class determines consciousness. (Lyman Trumbull, Debs’ counsel, was a corporate lawyer too).

22. Other governors—from Colorado, Kansas, Missouri, Oregon, Idaho and Texas—resented the action of the Cleveland administration too. See Lindsey 1942, 261.

23. The Strike Commission Report recognized: “That policemen sympathized with strikers rather than with the corporations can not be doubted, nor would it be surprising to find the same sentiment rise among the military. These forces are largely recruited from the laboring classes. Indeed, the danger is growing that in strike wars between corporations and employees, military duty will ultimately have to be done by others than volunteers from labor ranks.” See U.S. Senate 1895, xlv.

24. After the strike, Henry Villard wrote to George Pullman: “I can well understand the disappointment and grief you must naturally feel at the shocking ingratitude and dastardly conduct of the very people whose material well-being and social elevation you made as much your life work as the progress of your company. That a man to whose true public spirit and genuine benevolence, the town bearing his name, forms the greatest monument. . . should have been attacked, tempts one to almost despair of human nature” (Buder 1967, 252ff).

25. Virgil J. Vogel added this perceptive note in his introduction to Carwardine’s *The Pullman Strike*. “For workers and socialists, of course, the question is, ‘Whose government?’” xxxvi. On the subject of government operation of railroads and the interests that are served by such operation, see Sciabarra 1980.

26. It should also be noted that the Great Northern encountered some difficulty from employees because the government was to utilize the lines to transport troops. However, it was the only transcontinental railroad that escaped involvement. It had settled its difference with the ARU in the months preceding the strike and it had no contracts with the Pullman Company and used no Pullman sleepers. J. J. Hill’s railroad also had the cleanest history; it was the most efficiently run railroad network and was built without any federal help. See Ayn Rand’s “Notes on the History of American Free Enterprise,” in Rand 1967, 102–9. Rand also states of the Big Four of California: “It was the political

power behind their activities—the power of forced, unearned, economically unjustified privileges—that caused dislocations in the country’s economy, hardships, depressions, and mounting public protests. But it was the free market . . . that took the blame” (49).

27. 2003 Note: On the issue of railroad malinvestment, Rand’s arguments are worth pointing out. Citing Mises’s thesis on the impossibility of economic calculation under socialism, Rand (1995, 515) tells philosopher John Hospers (27 November 1960): “Assume in some specific case that the government has invested money in some long-term project which may actually have future economic value; the fact that it was a forced, premature investment which was not yet economically justified (that is: not yet profitable for private investors), which the economy could not yet afford, has disastrous repercussions on the whole economy and causes unpredictable, incalculably harmful consequences. The best example of that is the government-subsidized construction of the so-called first transcontinental railroad in the United States (the Union Pacific and the Central Pacific). A railroad, as such, is an economic value; but the premature construction of a railroad which private capital could not yet find profitable caused economic evils (the plight of the farmers, the Granger movement, etc.) which are still multiplying to this day.”

28. See also Hutt 1980. Compare Rothbard 1970, 154: “[A]nother legitimate action on the free market is the boycott, by which A urges B not to make an exchange with C, for whatever reason. Since A’s and B’s actions are purely voluntary and noninvasive, there is no reason for a boycott not to be permitted on the unhampered market. On the contrary, any coercive action against a boycott is an invasion against the rights of free persons.” Rothbard also, rightly, upholds the blacklist.

29. The immoral nature of the injunction, which forestalls injurious conduct before it occurs, is beyond the scope of this paper. Remedies at law are available for criminal conduct—after the fact. Much work needs to be done by libertarian theorists in this area of law in equity. That the injunction was used by the State in so many labor disputes may indicate that, as Benjamin Harrison once said: “The principal function of the law is to keep the poor in subjection.” Cited in Lovestone 1923, 191.

30. Foner (1947, 73) quotes the National Civic Federation: “Unionism is the strongest bulwark in the body politic today against the encroachments of socialism.” The point is that if we define socialism in the Marxian sense, as the supplanting of the market as the agency of circulation, what we are in the process of achieving is socialism. To replace one political elite with the “dictatorship of the proletariat” will not address the problems and fundamental instability of a nonmarket, statist society.

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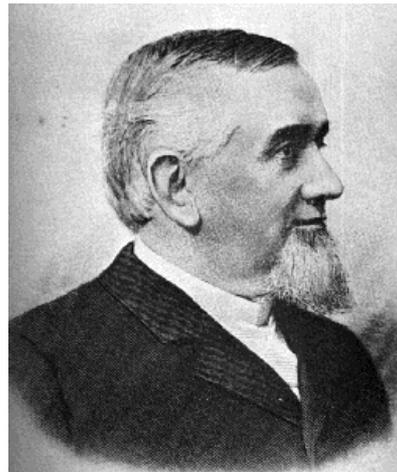
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