



# Political Entrepreneurs and the Transfer Demanding Process: Homesteading the Unassigned District

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**Abstract.** This paper introduces the transfer-demanding entrepreneur to help bridge the gap between static equilibria in an interest group theory of government and process theories. The transfer demanding entrepreneur acts in a creative, discontinuous fashion to organize latent demand for a particular transfer into an effective interest group. The disequilibrating, re-equilibrating transfer demanding entrepreneur provides a theoretical framework for understanding the movement between static political equilibria. This paper considers the transfer demanding entrepreneurship necessary to bring together the western railroads, organized labor, and potential Oklahoma colonists in the passage of white settlement and coal-lease ratification legislation in the Indian Territory.

**JEL Classification:** D720.

## 1. Introduction

Entrepreneurship is a social phenomenon, not only a business phenomenon. Therefore, economists should be able to observe entrepreneurship in all social interaction, from the arts, to commerce, to politics. Furthermore, as concerns politics, economists should expect to observe not only entrepreneurship among providers of policy, but also entrepreneurship among potential demanders of policy. This paper seeks to focus attention on the entrepreneurial behavior that occurs among those who demand, would demand, or will demand transfers from the state, either by coalescing effective interest groups or by creatively, non-adaptively joining existing interests in the pursuit of particular transfers. It further seeks to examine how transfer demanding entrepreneurship creates new opportunities for further transfer demanding entrepreneurship.

This entrepreneurial activity is incorrectly dismissed with a phrase, such as “politics makes strange bedfellows,” or by the assumption that this behavior is implied in static models, and therefore adequately treated via comparative statics exercises. Comparative statics will not explain why a particular set of interests became “bedfellows,” beyond the statement that it was economic to do so. It is surely economic for a wide variety of interests to coalesce and seek transfers, but we do not yet observe their doing so; that is, an exercise in comparative statics cannot explain why one particular equilibria emerged, and not another equilibria that may have been feasible. Comparative statics moreover cannot explain how these interests coalesced and altered the existing system of transfers and cross-transfers. It

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is likewise incorrect to assume transfer-demanding entrepreneurship has been adequately analyzed within dynamic interest group models, as far as the concept of dynamics is regularly applied to neoclassical interest group theories of politics. Analysis of a political event ex post will often lose sight of the fact that, at the time, knowledge of the means and ends necessary for the emergence of the new equilibrium were not certainly known by all. Thus, an analytical program which sees dynamics as a mathematical progression from one set of parameter values to another set of values through time will not consider the disruptive, creative entrepreneurial behavior that brought about the new equilibrium.

There is no shortage of well-articulated theories of entrepreneurship that can be used in conjunction with standard interest-group theory public choice to address these issues. As stated, the purpose of this paper is to focus on transfer-demanding entrepreneurship. This paper accomplishes its purpose by demonstrating the usefulness of an “entrepreneur-augmented” interest group theory in explaining the emergence of successful settlement pressure in opening the Indian Territory to white homesteading; that is, by demonstrating how these strange fellows came to be bed fellows in a manner that adds to our understanding of these phenomena beyond the understanding achieved using standard interest group theories. The concept of the transfer-demanding entrepreneur is used to discuss Oklahoma’s settlement by focusing on the actions of the railroads, especially the MKT, in organizing a latent interest group among the land-less poor of the West. The paper extends that discussion to include the alliance of once and future enemies, the railroads with their mining subsidiaries and organized labor, and to consider how entrepreneurial disruption and re-equilibration begets more of the same: the western railroads coalesced the Boomers, who developed their own agenda on the way to the settlement equilibrium.

## **2. Public choice and entrepreneurship theory**

### *2.1. Entrepreneurs in the interest group theory of government*

The interest group theory of government is rooted in a rational choice framework, with tenet that people’s motivations and behavior are consistent regardless of the field of endeavor, whether private or political. Therefore, public policy can be explained as the result of a competitive process where individuals and groups compete to receive income enhancing favors from the state. Costly information begets rational ignorance, allowing organized interests to exercise power over policy far beyond their sheer numbers. When formulating policy, self-interested policy makers respond to lobbying pressure brought to bear by narrow, organized interests. The resultant policy reallocates property rights to those with access to the institutional structure, or who are able to use it relatively cost-effectively, thereby concentrating benefits and spreading costs regardless of an overarching public interest, ethics, or ideals.

The interest group theory of government and similarly derived models of political interaction have not ignored the presence and actions of entrepreneurs (Denzau and Munger (1986), Peltzman (1976, 1989), Stigler (1971), Wagner (1966)). Authors have had an explicit appreciation for entrepreneurship since early in the literature’s development. Peltzman’s formal version of his 1976 model produces a principle of regulation resting on the

care the political process must give to marginal opposition: the benefits of regulation to a group will necessarily be less than a perfect broker for the group would obtain (Peltzman 1976:241). In making this point, Peltzman states, “[*P*]olitical entrepreneurship<sup>1</sup> [on the part of the regulator] will produce a coalition which admits members of the losing group into the charmed circle” (Peltzman 1976:246). This is Peltzman’s only per se mention of political entrepreneurship. For his purposes, Peltzman conceives of political entrepreneurship as the province of the regulator, *not* the demander of legislation. This seems to be the common use of the entrepreneurial concept in political models both pre- and post-Peltzman 1976. However, in many of these models, entrepreneurial behavior is circumscribed so that it impacts the model only through pre-defined, or otherwise limited channels (Denzau and Munger 1986; Wagner 1966; McChesney 1992; Peltzman 1976, 1989; Stigler 1971; Coppin and High (1991)). Rarely is a well-articulated theory of entrepreneurial behavior central to these models.

Accordingly, there may be room to meaningfully extend the generality of this traditional approach to political economy. This could be accomplished by incorporating elements of a formal entrepreneurial theory, wherein the entrepreneur is an unpredictably disruptive force, and the entrepreneurial function is free to operate in different contexts within the model, including transfer demanding entrepreneurship. Transfer demanding entrepreneurs may act to form new, effective demand for transfers, or unify previously disparate interests into an effective transfer demanding bloc, or act to gain admittance of an interest group into one of Peltzman’s (1976:246) “charmed circles.”

## 2.2. *Process theory and entrepreneurship*

Competition in politics to secure an income-enhancing privilege, is, as in markets to secure a profit, a rivalrous, competitive process, marked by entrepreneurial and strategic behavior. While this process may generally tend towards the regularity and stability emphasized in equilibrium models, entrepreneurial behavior alters the process’ “path” between the previous equilibrium and the new equilibrium which emerges. Many authors have emphasized the nature of social interaction as open-ended processes in which people make real decisions in an atmosphere of general uncertainty, where the most important feature of human society is the entrepreneurial disruption of established procedures (Kirzner 1997, 1992, 1973; Schumpeter 1993, 1989a).

In the terms of dynamic economic analysis, this differs greatly from a theoretical program that views dynamics as the purely logical movement through time from one equilibrium to the next in response to changed functional values. Rather, this conception focuses on a historical, evolving course in which creative humans make non-trivial decisions. Schumpeter views the entrepreneurial function as the stimulus which provokes economic development: innovation, the industrial, commercial, or organizational application of something new, continuously works within the economic structure to destroy the old while creating the new. This is Schumpeter’s process of Creative Destruction, the essential feature of capitalism (Elliot 1993:xix). In this way, Schumpeter’s entrepreneur resembles Mises’ “promoter-entrepreneur” whom “economics cannot do without:” venturesome,

quick-eyed and realizing profit when his monetary calculations under uncertainty turn out correct (Von Mises 1966:254–255).

Schumpeter's theory is not constrained to the narrow study of capitalistic markets, but was rather an over-arching theory of man in social action. Entrepreneurship exists not only in the economic sphere, but in all aspects of human society, with entrepreneurial behavior evident in "cultural, artistic, and political fields, every form of thought and indeed intellectual ambitions" (De Vecchi 1995:19). Schumpeterian analysis is based on "surprise" as Kirzner (1997:63) puts it, and human decision making which could not be predicted by the functional values of arguments; decisions which "create... situations from which there is no bridge to those situations that might have emerged in its absence..." (Schumpeter 1989b:222).

In this sense, the entrepreneur's defining characteristic is doing something new, or doing something in a new way (Schumpeter 1989b:223). However, the entrepreneur behaves in a radical, discontinuous manner, and his changes cannot neatly "be decomposed into infinitesimal steps" (Schumpeter 1989a:138). Schumpeter thereby creates a dichotomy in the way the economy adjusts or remakes itself:

"Whenever an economy or a sector of an economy adapts itself to a change in its data in the way that traditional theory describes, we may speak of the development as *adaptive response*. And whenever the economy or industry or some firms in an industry do something else, something that is outside of the range of existing practice, we may speak of *creative response*.

[F]rom the standpoint of an observer who is in full possession of all relevant facts, [creative response] can always be understood ex post; but it can practically never be understood ex ante; that is to say, it cannot be predicted by applying the ordinary rules of inference from the pre-existing facts... Secondly, creative response shapes the whole course of subsequent events and their 'long run' outcome... Creative response changes social and economic situations for good, or, to put it differently, it creates situations from which there is no bridge to those situations that might have emerged in its absence... Accordingly, a study of creative response in business becomes coterminous with a study of entrepreneurship. The mechanisms of economic change in capitalistic society pivot on entrepreneurial activity" (Schumpeter 1989b:222).

The introduction of novelty is the functional starting point for the entrepreneur's impact on the economy, but Schumpeter's theory also encompasses the *creation* of the entrepreneurial innovation. Ex ante, the entrepreneur must exert an effort to imagine, to see a feasible world where his conceived novelty has an impact. Thus, Schumpeterian imagination is more than Kirznerian alertness, where the entrepreneur notices opportunities that others have missed (Kirzner 1973:14).

"[B]ecause he tries something new, the entrepreneur adds something to the facts.... The entrepreneur is a creator, but his creativity is neither instinctive nor irrational, but founded on a knowledge of the present situation and of feasible future situations." (De Vecchi 1995:18–19)

2.3. *The transfer demanding entrepreneur: A model of Schumpeterian entrepreneurship applied to interest group politics*

One may conceptualize Schumpeter’s theory as applied to the interest group theory of government in terms of Peltzman’s 1976 model. The actions of entrepreneurs are key to any process model of social interaction, and the political process is no different. Entrepreneurial behavior is not limited to the actions of current or would-be political office holders or regulators, but also encompasses the behavior of effective demanders of legislative wealth transfers and would-be effective demanders. The mechanisms discovered by the transfer demanding entrepreneur provide the means and incentive for other participants in the political competition process to overcome their free-riding incentives and form a cohesive interest group. Or, the transfer demanding entrepreneur may identify and disseminate information on the cost-effectiveness of unifying previously disparate interests into a combined effective transfer demanding bloc. Or, in response to temporally previous political entrepreneurship, the transfer demanding entrepreneur may discover and act upon the means to include his interest group in a previously established set of government transfers. Any such entrepreneurially organized interests alter the relative benefits afforded legislators or regulators by any policy or law, thereby changing the political outcome: the allocation of property rights to wealth.

Recall Peltzman’s graph of the regulator’s equilibrium, where the public official chooses a regulated price that secures him the support of the largest coalition of interest groups. In price-profit space, this is:

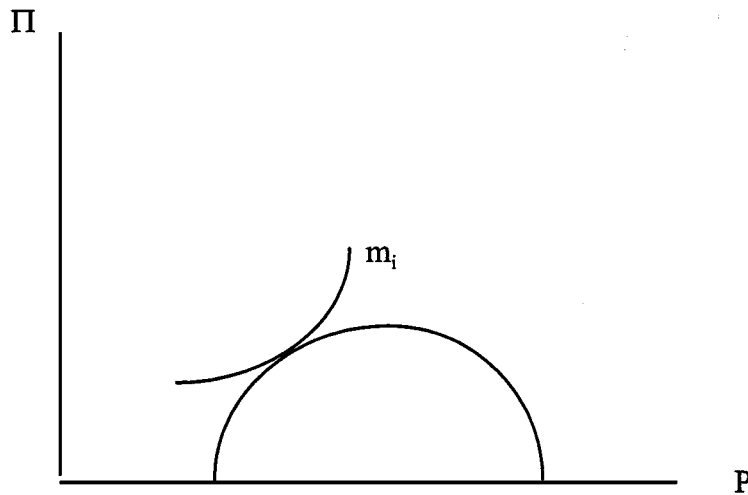


Figure 1. Peltzman’s basic model.

where  $m_i$  is the legislator’s iso-majority curve.

Peltzman makes the common assumption that the indifference curves—his iso-majority curves—are stable, making the conscious decision to focus on changes to “constraints” and not “the appropriate political power function” Peltzman (1976:248). But by viewing his power relationships in this fashion, as analogous to tastes shaping the regulator’s utility function, he downplays a role for outside actors to change that function; that is, for a demander of legislation to alter the legislator’s iso-majority sets.

The remaining task is to endogenize shifts to the iso-majority curves through entrepreneurial effort. Supposing a Schumpeterian entrepreneur were active in politics by organizing a new, previously latent interest group, or engaging in other activities as discussed, then the Peltzmanian program would analyze his effect as an exercise in comparative statics, where one can discuss the existence and properties of the new equilibrium following a change to the iso-majority function, as in figure 2.

By comparison, Schumpeter and the current discussion of transfer demanding entrepreneurship are concerned with the process *between* figures 1 and 2; with how a dynamically unfolding social process so altered the political and economic landscape. One can discuss dynamic changes within a Peltzman-style model, perhaps through the differential with respect to time. This type of dynamics focuses on exogenous but regular (periodic or continuous) changes in the parameter values in the functions over time, and provides for the logical progression from one equilibrium to the next, expected equilibrium inherent in the functional forms and parameter values. Under this conception, shifts in equilibrium are made necessary by the injection of new data into an unchanging framework, by which that data is transformed into outcomes.<sup>2</sup> This conception nearly forces the assumption that the social process is somehow teleological, and the new resulting equilibrium is somehow *the* equilibrium predestined to emerge, given the same set of external facts, data or conditions. However, this sort of dynamics is ineffectual for demonstrating Schumpeter’s radical, creative response.

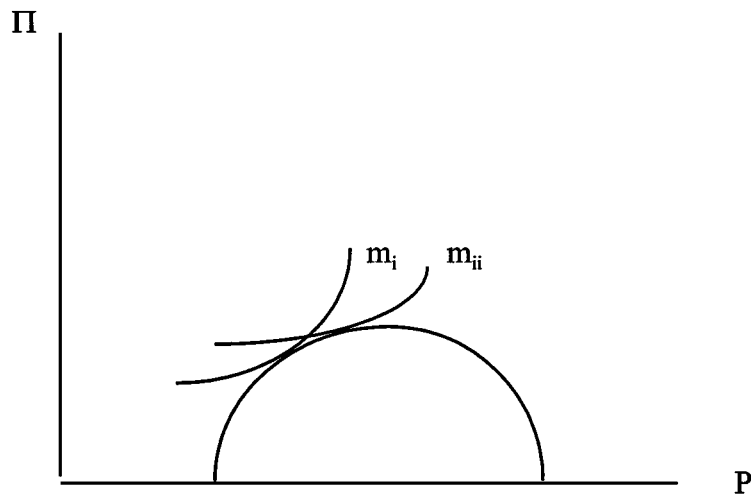


Figure 2. Peltzman’s model with changed iso-majority curves.

Traditional public choice, focusing on the movement from one implied equilibrium to the next implied equilibrium, would tend to overlook an important characteristic of Schumpeterian entrepreneurial behavior: as entrepreneurs create new profitable (net wealth increasing) opportunities en route towards a new equilibrium, they are changing the conditions in which other entrepreneurs operate, providing them with new, unexploited opportunities for transfer demanding.

Start with a familiar Misesian (1966) framework:<sup>3</sup> Government policy effects a change in property rights bundles for goods or services of higher or lower order; bundles which can be either transferred via a hegemonic exercise by the state or monetary exchange in markets. These bundles of property rights clearly have money prices; therefore, once one comes into possession of a bundle of rights via political transfer, one can exchange them for rights to other bundles at money prices, and appropriate ex post signals of profit and loss can be drawn from this line of activity. In this way, monetary calculation becomes the mode of decision making for the transfer demanding entrepreneur, just as it is for anyone else.

While the benefits of a transfer, the property rights, may clearly be exchanged for money, that the political benefits provided, the cost, have money prices may not be clear. Transfer demanders support politicians by providing information; bill and speech writing services; pleasant physical surroundings; the promise of lucrative employment and other offers during and after incumbency; photo and speaking opportunities and other services to transmit message; services to deliver votes and (legal and illegal) monetary donations. All of these services can be and frequently are purchased in markets, or, like employment offers, have a monetary worth.

Just as with any consideration of possible future lines of activity, the potential transfer demander considers how property rights to goods' use allows him to use them to lessen unease. In society marked by both contractual and coercive bonds and controlled by self-interest, the potential transfer demander considers whether securing a political transfer through a realizable plan secures the property rights at lower cost than market exchange. If this is the expected case, he implements a plan to seek the transfer.

All entrepreneurs operate in an environment of ever changing conditions, wheeling constellations of subjective costs and benefits, to indulge in some purple prose. The perception of the relative costs and benefits of different planned projects will change as the data, conveyed through monetary prices, changes. Such changes in data or condition are brought about by the on-going adjustment of people's behavior as they interact. One person takes actions that render another's previously discarded plan profitable, or renders a profitable plan of action obsolete. Another carries out a plan which reveals as profitable for another person a plan never before considered. The Schumpeterian entrepreneur operates in this environment created and sustained by his actions and those of other entrepreneurs by exercising leadership, and "doing something new." This description is just as valid when the entrepreneur considers using political institutions to secure a coercive transfer as when he considers using market institutions to secure a mutually beneficial exchange.

Equilibrium public choice provides a useful expository tool, but limited predictive power, because there is no predicting entrepreneurship, and limited understanding of historical phenomena. However, the study of transfer demanding entrepreneurship helps us gain deeper

understanding of historical phenomena than equilibrium public choice alone. If we are convinced that studying transfer demanding entrepreneurship can add to our depth of understanding, and if it is prohibitively difficult to analyze Schumpeterian transfer demanding entrepreneurship through standard mathematics and other accustomed paraphernalia of modern economic analysis, what can economists do? We can study historical examples of transfer-demanding entrepreneurship to see what knowledge we can glean above and beyond public choice-derived understanding of similar phenomenon.

### 3. The standard history of Oklahoma<sup>4</sup>

Through the end of the Nineteenth Century, the history of Oklahoma is primarily the history of the Five Civilized Tribes (the Nations), the Choctaw, Chickasaw, Creek, Seminole, and Cherokee, who had their original homes in the southeastern United States. They were very numerous, well organized, and powerful, living by commerce and agriculture. They had long-standing political and social institutions and laws to which they were committed. By 1866 the Five Civilized Tribes were in their final homes, east of the ninety-eighth meridian and west of Arkansas, concentrated in the eastern and central parts of modern Oklahoma.

In the removal treaties that evicted the Tribes from the Southeast, in addition to annuities, the Nations were guaranteed that their new lands would never be included within a state or organized territory. In fact, the titles were guaranteed to the tribes, corporately, by treaty rights which were later to erode.

The Indians' Southern economic orientation, based on the river transport system, and their abandonment by the federal government explains their support of the Confederacy. The hostilities, external and internecine, devastated the Indian Territory and bred lawlessness. Before and after the hostilities, unwillingness to enforce the laws on the part of the federal government, and the inability of the Indians to do so became a hallmark of Indian Territory.

As they had after Removal, the Nations rebounded after the devastation of the Civil War. Cattlemen negotiated grass leases with the Nations, having their greatest success in the empty ranges of western Indian Territory. Soon after 1870 a coal-mining boom near McAlester, Choctaw Nation, produced dozens of mining towns. The Chickasaws and others found a source of tribal funds in the expanding range-cattle industry and in a system of annual farming permits for white farmers purchased from the Indian governments.

An important factor in the rapid postwar development of Indian Territory and West in general was the steady increase in the non-Indian population. Kansas and Texas in particular were filling rapidly with farmers and with towns to serve the rural population. By the late 1870s most of the arable, well-watered land in the Trans-Mississippi West had been homesteaded, and the Indian Territory represented a farm to the home-seeker, range to the cattleman, and wealth to the railroad and border merchant (McReynolds 1964; Gibson 1981). There was no immediate prospect of filling it up with Indians.

Reconstruction treaties brought fundamental change to the Indian Territory. Through the railroad lobby's influence, pivotal clauses were written into the Reconstruction treaties providing for rights-of-way across each nation for one railroad running north and south and one running east and west through its territory. The Nations reluctantly granted rights-of-way only two hundred feet wide. In all the 1866 land cessions, the tribes retained a residual

right blocking alternative land uses, such as white settlement. The railroads expected more: a few days after the last Reconstruction treaty was signed in 1866, Congress promised conditional grants of Indian Territory land to the projected railroads. The railroads, and these conditional land grants played critical roles throughout the rest of the Five Civilized tribes' history.

The Indian Territory was not public land. The Missouri, Kansas and Texas (MKT) Railroad acquired the charter to build its lines through Indian Territory and the conditional grant of public land along its right of way. The MKT openly declared that it was entitled to 3 million acres as a subsidy for building its north-south line across Indian Territory. Since Indian title was extinguished only by allotments in severalty and Indian land did not become a part of the public domain, the MKT and others were unable to gain possession of this valuable Indian property after laying their lines. The railroads never received these acres and waged a long, bitter struggle against the Indians and other pressure groups to allow further construction and economic development.

The fear of having to give up large blocks of tribal land to the railroads caused Indian leaders to do everything in their power to keep the railroads from expanding throughout their territory. The Indians' sustained resistance blocked railroad expansion, and one observer wrote, "The only way to recoup [the railroads'] investment and hope for future profitable operations was to populate the country... build towns, stimulate agriculture and business enterprises. To this end the railroads maintained a powerful lobby in Washington to promote legislation for the opening up of the Indian Territory to settlement" (Gibson 1981:160). "Of course, railroad companies were hopeful that Indian Territory would soon be settled with a farmer on every quarter section, that thriving towns would develop along the tracks, and that tons of produce would be freighted to distant markets" (Gibson 1981:173).

Each proposal to open the Indian Territory met vigorous opposition. It became apparent to the railroads by the close of the 1870s that their direct efforts to open the Territory to the settler by acts of Congress "had finally become discredited. Their influence behind these proposals had received too much publicity" (Debo 1970:296). In 1879 they changed their tactics.

MKT attorney T.C. Sears and the Cherokee E.C. Boudinot launched the new campaign. Early in 1879 Sears announced he and Boudinot had found that the Unassigned District, 1.9 million acres of land in the heart of the Creek and Seminole cessions, belonged to the public domain of the United States, and was subject to entry by qualified home seekers. Boudinot's article and his many public speeches on the subject had the desired effect. The historians' consensus is that the railroads also hired professional promoters called "Boomers" to mobilize home seekers. This name came to be applied to all who sought white settlement in Indian Territory. The chief Boomers were David Payne, who maintained an incessant pressure on the federal government until his death in 1884, and his successor William Couch. Couch showed less flash but more tenacity. Couch and his followers ultimately participated in the first land run.

Though membership in Boomer organizations, such as David Payne's Oklahoma Colonization Society and his Oklahoma Town Company, was large enough to rival trade or craft unions,<sup>5</sup> the Boomers' strength, and most of their activity, lay outside their sheer voting power. The Boomer leaders, Payne, Couch and others, were powerfully effective public

speakers. They peppered legislatures with a constant stream of petitions and memorials signed by labor unionists, merchants, bankers, manufacturers, border-town shop-keepers, railroad bond-holders, and potential homesteaders. The members of the various Societies and “interested corporations,” meaning railroads, (Gittinger 1917:121) contributed large sums to send Payne and others to Washington for in-person lobbying of federal legislators. Perhaps the Boomers’ most effective tool, though, was their repeated, massed physical invasions of the Unassigned District. These invasions prompted the Army to arrest hundreds of United States citizens and deport them to Texas or Kansas, where they faced Federal Courts. In these court appearances it became ever more apparent that though invading the Indian Territory was illegal, there were no effective penalties the government could assess the invaders.

The Boomer pressure finally won out. On January 30, 1885, the Secretary of the Interior recommended the opening of Indian Lands. On March 3, 1885, Congress passed an act authorizing the president to negotiate the purchase of the Creek, Seminole, and Cherokee surplus lands in western Indian Territory, to quiet any residual interest these tribes might have. The Indians resisted coming to any terms with the presidential negotiators but had wearied by 1889. Sensing that the time for negotiation had almost passed, the Creeks agreed to relinquish all claims to western lands. Shortly afterward, the Seminole delegation signed a similar agreement. President Benjamin Harrison issued a proclamation that declared the Unassigned District would be opened to settlement on April 22, 1889.

Gibson writes:

“Until this time, in populating the public domain of the American West, there had been such an abundance of desirable land available for home seekers that the settlement rate had been continuous. By 1889 most of the good land had been taken and the number of home seekers far exceeded the homesteads available. Because the eventual opening of Indian Territory had been popularized by the Boomers, and because the Unassigned Lands represented such a small settlement area (about 2 million acres), government planners responsible for the opening realized that there would be many more home seekers than claims available. To give equal opportunity to all interested persons, it was decided to settle the area by a novel procedure—the land run. The rule against trespassing on Indian Territory lands was lifted three days previous to the date of the run to allow home seekers to time to gather on the four borders of the Unassigned Lands.” (Gibson 1981:176)

As other lands became available following the implementation of the Dawes Act of 1887 this pattern was to be repeated several times. As surplus land from the reservations came into the public domain, it was transferred to settlers by outright sale, lottery, or land run.

The land run for the Unassigned District and the settlement of the remaining Indian Territory under provisions of the Dawes Act form the climax and denouement of the Indians’ independent political existence. Allotments were completed in all of the reservations in 1892, and on March 3, 1901, all the Indians in the Indian Territory were declared citizens of the United States. The Five Civilized Tribes had ceased to exist except as financial corporations.

#### **4. Empirical application: Transfer demanding entrepreneurship and Oklahoma settlement**

##### *4.1. Theories of the critical decade, 1879–1889*

Historians and some economists present a constituency support, median-voter-like argument in the settlement of Oklahoma. However, the standard theories of interest group formation, especially Olson (1965), suggest that the masses of poor, potential homesteaders would be unable to form an effective lobby, especially in the face of the powerfully organized, more compact cattle and Indian interests. Also, Peltzman's (1976) model suggests that the Oklahoma cattlemen and Indians would not be so completely disenfranchised when the change came. Furthermore, in the standard histories, the poor home seekers' actual use of voting clout is a curiously undeveloped theme.

The scant evidence of the homesteading constituency exercising their vote, and models which predict that unconcentrated interests will not form pressure groups need not imply that the homesteading constituency would be unrepresented in Congress (Denzau and Munger 1986). However, the analysis of final push for opening the Indian Territory begins and ends with the Boomers, a recognizably modern, organized, single-issue interest group.

Aside from voting derived models, the political economist's tool kit consists largely of interest group theory models which derive clearly from the seminal pieces by Peltzman (1976) and Stigler (1971). However, like voting and voter-conditioned models, the interest group literature has a difficult time dealing with the 1880s. This literature can easily explain the equilibrium that emerged in 1889, as patterns of subsidies and cross-subsidies among the various groups involved. However, the most interesting aspects of the historical episode are exactly those aspects in which the Stigler/Peltzman literature is weakest. Over time, how did the new interest group, the Boomers, arise and how did it affect the model to produce the dramatic shift in equilibrium? This is exactly the question upon which Stigler did not elaborate and Peltzman deliberately chose to avoid.

Likewise, our theories of interest group formation, deriving largely from Olson,<sup>6</sup> do not materially get beyond the specific question they ask. Olson's model detailing which interests are likely to be able to form a lobbying group does not then embed that interest group in a very rich model of policy formation. Explaining the settlement of Oklahoma will require more than an exposition of how the railroads or the Boomers were able to organize the lobby effectively, or a description of "share the gain, share the pain" politics.

The MKT's bankrolling, strategy setting, and organization of Payne's Oklahoma Colony and Payne's discovery of viable selective incentives are only a fraction of the transfer demanding entrepreneurship evident in the years-long "Great Oklahoma Log Roll."<sup>7</sup> It also provides demonstration of transfer demanding entrepreneurship not just creating new interest groups, but in joining previously existing, yet usually antagonistic interests, and in demonstrating how political entrepreneurship creates opportunities for further entrepreneurship.

The legislative actions of the "Great Oklahoma Log Roll" began in 1885 when Congress agreed to negotiate with the Seminoles and Creeks to transfer their residual interest to the

Unassigned District, and was completed when Federal officials allotted the final member of the Five Civilized Tribes, whose old domains were then politically attached to the Territory of Oklahoma. The four major pieces of legislation that are indicative of the log roll that reestablished equilibrium, creating a new future, are the Railroad Act of 1886, the Dawes (General Allotment) Act of 1887 and its later extension to the Five Nations, the Springer Amendment of 1889, and the ratification of the coal leases in 1889. There were other pieces of legislation passed and implemented, but these four legislative acts delineate the balancing of various interests in the Indian Territory; defining the scope of observed entrepreneurial behavior. The story of the log roll explains how entrepreneurs discovered the means and ends to “share the gain, share the pain” throughout Oklahoma’s settlement with each new piece of the log roll.

The players in this political drama are the usual suspects: the railroads, their Boomer agents/allies, the border merchants and bankers, the Knights of Labor, the eastern “Friends of the Indians,” the Indians, especially the Five Civilized Tribes, and the cattlemen.

#### 4.2. *Transfer demanding entrepreneurship: The Boomers and the MKT, Part I*

A compact set of interests, the railroads, entrepreneurially organized a latent, demand-side interest group, the Boomers, by imagining and implementing a feasible selective incentive, such that lobbying to satisfy the Boomers would also satisfy the railroads. Ultimately, through its (unusual method of) lobbying, this created interest group drastically affected the rational calculus of the legislators, substituting a radically different path for the previous stable path.

Acting entrepreneurially in a rivalrous, competitive process for government income-enhancing re-allocation of property rights, the railroads, especially the Missouri, Kansas and Texas (MKT), foresaw a feasible alternative outcome, and foresaw a strategy that would allow them to achieve this possible state. The railroads organized a previously latent pro-settlement interest group, the rank-and-file of whom were poor farmers seeking homesteads, through whom the MKT would drag the “clouded” title of the Unassigned District before the federal courts via land invasion. The railroads and Boomers thereby circumvented the Congress’ powerful cattle, tribal and “Eastern Sentimentalist” Rister (1942:40) interests. Concurrently, the new pro-settlement interest group, the Boomers, would lobby Congress in more customary fashions as well. The result of this railroad-manufactured interest group was to alter the set or type of marginal political pressures Congress would “marginally balance” in a Peltzmanian sense, in a way *ex ante* unforeseen yet *ex post* inevitably obvious, resulting in a new equilibria more to the MKT’s liking.

The railroads and their sometimes-maverick agents, David L. Payne and W. L. Couch, were able to coalesce an interest group according to Olson’s (1965) by-product theorem capable of generating wide-spread emotional appeal, and composed of individuals normally predisposed to antipathy towards the railroads (Masterson 1952:81–82). Payne and Couch were offering a selective incentive in the form of a private benefit, and offered a service that coordinated lobbying to help secure the rights to that private benefit. Before legal rights to the land (the principal benefit) had been secured, Payne offered his followers property rights to scarce, high quality farmland near the future cities and railroad facilities. His organization

also promised to provide its paying members property rights enforcement services against any rival homesteading claimants. All of these services greatly mitigated the “publicness”, and therefore the free-riding incentive, of supporting Payne. With these selective incentives in place, Payne extended his activities and organizational skill to lobbying the government to transfer the property to which his selective incentives applied, through testimony, petitions, editorials, and the unique massed invasion of Indian Territory.

Ex post white settlement, the union of the railroads and the landless farmers and their triumph seems inevitable, the denouement of U.S. historical progression of political expansion. From the current vantage point it is difficult to imagine any other “present” in this regard than the one which exists: the forty-eight contiguous states under unified Federal control. Ex ante, however, the railroads’ plan was extravagantly innovative. Railroads had searched for a successful political strategy for ten years, and expended hundreds of thousands of dollars before the MKT discovered this multi-pronged plan of misinformation, court appearances, and land invasion.

Early Spring 1879 the political situation in the Indian Territory must have appeared fairly settled and stable. “The leaders of the Five Civilized Tribes, and the next most powerful group working against the opening of Indian Territory[,]... the cattlemen’s lobby” (Gibson 1981:174) and the western-state Senators with Indian Territory cattle interests<sup>8</sup> appeared to have won the political struggle against “the regional railway companies, banks, farm machinery manufacturers, and wholesale distributors” (Gibson 1981:174) at relatively low political cost. By 1889, the observers’ view of the political reality was very similar, yet simultaneously utterly different.

By early April of 1879, the railroads and their affiliated boosters seeking homesteading in the Indian Territory could see that a drastic change in competitive strategy was needed to secure a preferred political outcome. In an exercise of Schumpeterian entrepreneurial effort, the railroads, especially the MKT, saw that a change in competitive strategy was needed. Just as a market-based entrepreneur “sees” a feasible future in which introduction of novelty can be to his private benefit, the railroads identified a set of feasible futures which allowed profit improvements over the status quo: If the Indian Territory could be made public domain, settlement would occur. At best, the railroads would receive their now immensely valuable land grants along with settlement, and at worst, white settlement would increase railroad traffic. The railroads also foresaw a particular change in competitive strategy which might cause these desired changes. Through a media campaign, they could create questions concerning the Indians’ title to the Unassigned District, where none had previously existed. They could (help) organize a new interest group that could take advantage of the less-than-certain legal status of the Unassigned District. Settlement bills openly sponsored by the railroads had aroused fierce opposition; therefore they would build an interest group of poor homeseekers, the contemporary image of America and a likely “stalking horse” (Gibson 1981:173).

The new interest group could have two political effects. It could allow its members and the railroads to bypass the national legislature as the allocator of property rights by bringing the matter of the Unassigned District before the federal judiciary, who would have to rule on the status of the Unassigned District. By creating judicial pressure and by more traditional lobbying, the new interest group would serve as a disrupting element added

into the existing Peltzmanian equilibrium, bringing their pressure to bear on the Congress, though the underlying economic conditions remained relatively unchanged.

Consequently, T. C. Sears and Elias Cornelius Boudinot (a formidable Cherokee politician), both attorneys, Washington bureaucrats, and paid employees of the MKT, (Gittinger 1917:99) set this plan into motion. Sears was an attorney representing the MKT's Washington lobbying arm.

“T. C. Sears... early in [April] 1879 announced that he and Elias C. Boudinot... had examined the treaties, laws, and land title question for Indian Territory. He claimed they had found that 14 million acres of land in Indian Territory belonged to the public domain of the US, subject to entry by qualified home seekers. “These lands are among the richest in the world,” Sears declared. “Public attention is being called to them and my opinion is that, if Congress shall fail to make suitable provision for the opening of the Territory within a very short time, the people will take the matter into their own hands and go down there and occupy and cultivate those lands.” ” (Gibson 1981:174)

Simultaneously, Boudinot began producing circular letters, newspaper articles, pamphlets, and a widely reproduced map supporting Sears' position. He circulated widely before large public audiences and many leading newspapers reprinted his articles.

Along with this misinformation<sup>9</sup> campaign, which set the interest group plan into motion, Boudinot had met the perfect man to organize their planned interest group around the “shadow on the rights of the Indians” (Gibson 1981:170) their media blitz had created: Captain David L. Payne, assistant doorkeeper to the United States House of Representatives. While a Kansas legislator serving on the Committee of Railroads and Accounts, Payne had developed a reputation for working with the railroads:

“Wichita citizens charged... that he was elected as a result of a “plot” to dismember Sedgwick County to the advantage of neighboring communities and towns. At this time, the Atchison, Topeka and Santa Fe Railroad (which later had two lines through the Indian Territory) was building through its northern townships. And towns within this area, together with the neighboring counties of Reno, McPherson, Rice, and Marion, thought it to their advantage to reduce the size of Sedgwick County. In [the splitting of Sedgwick], the Newton Town Company had favored [Payne] with a grant of two lots. Nominally, the Town Company (of which the leading spirits were prominent Santa Fe officials) had sold him the lots for \$100.00, but he kept them for only four days and resold them for the same price.” (Rister 1942:28)

By the late 1870s Payne also had a keen interest in the Oklahoma lands and their settlement.

According to Schumpeterian theory, the railroads' actions were clearly entrepreneurial for a number of reasons; that is, the railroads introduced novelty into the political system, representing a creative response to systemic conditions. As Schumpeter predicted, from our ex post perspective the respective roles of the railroads and the landless home seekers seems natural, almost inevitable. The general tenor of the historians' account, and even

economists',<sup>10</sup> supports this contention. From modern times, it appears ludicrous that the massive swelling of the United States population should not overwhelm the Five Civilized Tribes, just as the white populace had done every time previously. It also seems ludicrous that the railroads, with so much to gain, so little to lose, and with obvious ex post benefits, should not somehow ally themselves with the home seekers.

However, from an ex ante perspective the innovative nature of railroad support for the Boomers, as well as the tactic of by-passing Congress through the courts, becomes apparent. Settlers and squatters were no great friends of the railroads, whose land grants threatened to take great tracts of land out of the settler's cash-strapped hands. The MKT in particular had difficulty with organized, armed bands of squatters opposing, often violently, railroad development and land ownership (Masterson 1952:82). Though the Boomers were not directly associated with these Land Leagues, the anti—"corporation" language was retained by the Boomer leaders throughout the settlement struggle, even as they accepted railroad support.

Seen in this light, it is easy to see the innovative nature of the railroad's pro-settlement coalition of interest groups. As never before in Indian Territory settlement issues, the railroads were able to unify interests such that the separate, normally opposed, interests could be achieved by the same political action.

The novelty of the railroad's new approach to settlement is evident in their deliberate introduction of misinformation via Sears and Boudinot, and by tactic of dragging the Unassigned District before the courts. Though the judicial gambit was only partially successful, it was a new tactic; not tried before on this issue. Armed settlement incursion on Indian lands, and preemption of public domain had occurred elsewhere, but not to force a series of court rulings designed to by-pass Congress and compel homesteading, and not involving Indians who had been guaranteed perpetual title as had the Five Civilized Tribes.

Thus, the issue of settlement was being jointly decided by the courts and the legislature. The courts were finding it illegal to settle in Oklahoma, but finding that violators could not be charged or penalized (Gittinger 1917:115). A federal judge's famous November 20, 1884, decision read in part,

"I am of the opinion... that the acts charged do not show a conspiracy to commit an offense against the United States within the meaning of the conspiracy clause..., and for this reason these indictments [against Payne and other Boomer leaders] must be quashed."  
(Rister 1942:183-184)

Shortly thereafter Congress began to negotiate with the Creeks and Seminoles to settle residual claims to the Unassigned District. Despite such rulings, the Army continued to evict the Boomers and not disturb the ranchers for four more years. Ultimately it was Congress, and not the weight of judicial rulings, which opened Oklahoma.

As leaders of the Boomers, David Payne and his lieutenants raised a dues-paying membership, consolidated and absorbed other colonization companies, started a newspaper, wrote articles and letters, and stumped continuously. At any bar, theater, or train station, Payne and Couch could rouse an enthusiastic crowd, eager to dispatch another memorial or petition to Congress. The Boomer leaders also produced a great deal of old-fashioned,

direct lobbying in the various state capitals and Washington (Rister 1942:168). Following Payne's death in 1884, Couch carried the case to Congress. He was a frequent visitor to the capitol, representing various mercantile, manufacturing, banking and civic booster organizations, and appeared before the Senate on numerous occasions.

However, the Boomer's best remembered and most effective tactic was large-scale invasion of the Oklahoma lands. From 1880 to 1884 Payne maintained large camps of potential homesteaders directly across the state line from Indian Territory. At regular intervals he would lead wagon trains across the border and into the Unassigned District. Once in the District the colony would survey town sites and farms, and begin construction and plowing. Invariably, the army would pull up the survey stakes, round up the colony, deport the rank-and-file, and arrest the leaders, giving the Boomers another chance to drag the Oklahoma lands before a federal judge. The Boomer press would print reams of lurid material which would be widely reprinted by the national news associations.

How were Payne and his lieutenants were able to offer the selective incentive which allowed them to create an effective large-membership interest group? A curious point to mention is the nature of the homestead benefit. The 160-acre farm was certainly a private, non-collective benefit. However the legislation that produces that benefit, i.e. that organizes the property rights allocation scheme, has very public aspects. There was a severe free-rider problem inherent in the passage of a homesteading bill for the Unassigned District.

At root, Payne offered an *ex ante* private benefit through his (incorrect) insistence on preemption laws, and the arrangement of the Colony to support colony-member claims. The Colony then lobbied to "produce" the transfer of property to which these private rights applied. Payne, his lieutenants, or his railroad supporters discovered private, selective incentives:

This certificate of membership in Payne's colony was supposed to secure for the holder the protection of that body in retaining his homestead. No member of the colony would be permitted to settle on a claim already staked off by another member, and it was understood that persons who were not members would be allowed to settle only on land that had not been chosen by or for those who had paid for it. In other words, the colony was to become a vigilance committee to protect the rights of its members in an extra-legal, not to say illegal, way." (Gittinger 1917:110-111)

Rister discusses the complementary half of Payne's private benefit message:

"Over and over he stressed the point that under the Pre-emption Law Boomer claims... established [through invasion] would be valid once the country was opened to settlement. There is little doubt that this repeated assertion [on the force of the pre-emption laws] gave force and drive to the Boomer Movement. How else could one explain the fact that poor Oklahoma claimants had repeatedly made donations to the Boomer cause even to the point of sacrificing family needs? They realized that their expenditure of time, labor, and money could only be fruitful if and when Oklahoma was opened to settlement. This, of course, was a desperate gamble, an economic cow which Payne milked dry from year

to year. Always there was need for money—to pay a Washington agent’s expenses, to employ attorneys, or to launch a newspaper.” (Rister 1942:134)

A Boomer paying his fee is little different from an investor in a start-up firm. The fee not only funds political action, it is also a bond for personal lobbying. Payne and his followers entered into a paid-for mutual defense society to protect their nascent property rights, but if they had not lobbied, then their “rights” would have been worthless.

Aside from any personal remuneration from the railroads, or public office ambitions,<sup>11</sup> it is not difficult to understand the Boomer leaders’ incentives: “The income from these sources must have been fairly large, especially as the fee for active membership was raised for a time to six dollars,” (Gittinger 1917:110–111) and that Payne had sold over 14,000 membership shares (Rister 1942:130).

#### 4.3. *More evidence from the “Great Oklahoma Log Roll:” Railroads, old settlers, and the Knights of Labor*

During the 1870s and especially the 1880s, while the railroads were engaged in the long, arduous process of opening the Indian Territory to white homesteading, they were also active in the economic development of the Indian Territory. The railroads were especially prominent in the development of the Territory’s coal, lead, and zinc mines, and its lumber industry. In many cases, especially coal mining and lumbering, the railroads were not only the carriers, but were the operating companies as well (Gibson 1981:171).

The Indian Nations participated in the process which supplied the railroads with the necessary labor to develop their Indian Territory interests. Through annual permit laws, the tribal governments allowed mechanics, laborers and their families to settle in the Territory. The annual residence permit price was \$2.50 for laborers and \$5.00 for mechanics and farmers, and the permits became important revenue sources for the tribal governments. Without the permit, a man and his family would be classified as intruders and expelled back into the United States.

The railroads heavily recruited miners from the eastern United States and Europe to fill the personnel needs of their leased Indian Territory mines. In the Territory, the railroads’ mining subsidiaries established the “company town” system prevalent in the United States. The railroads also were responsible for thousand of additional immigrants who legally or illegally followed along their lines through the Territory, along which the railroads regularly laid out the towns and stations to serve the thousands of anticipated settlers. Eventually, as Gittinger states,

“The white person or the negro who paid his occupation tax was not an intruder according to the tribal laws, and the expulsion of all non-citizens would have destroyed the existing industrial system. At first, few settlers had invested money in the territory; but before 1895 substantial towns, containing from one to five thousand inhabitants each, had been on the land belonging to the Indians. Millions of dollars had been expended by those who had no other title than that of tenants at will. The Indian citizens formed a caste that had

a monopoly, not only of the land, but of the schools and the local governments so far as they existed.” (Gittinger 1917:188–190)

The miners, farmers, and would-be leading spirits of the towns represent rich potential constituencies, and Oklahoma settlement could be approached from Wagnerian (1966) entrepreneurial policy provider lines. However, there appears to be limited evidence concerning the political acuity of these people who would become citizens of Oklahoma. However, there is a much simpler story to be told, centered on the Knights of Labor.

Having projected their lines across two hundred miles of “tunnel” (Gibson 1981:173) in the early 1870s, the railroads would clearly benefit from exploding populations of small farms that homesteading would bring into western Indian Territory (Masterson 1952; Gittinger 1917; Gibson 1981; McReynolds 1964). The miners of the eastern Indian Territory were not such clear beneficiaries, however. White settlement in the “Unassigned District” and the western plains, long the focus of Boomer and railroad attention, would leave the miners in the political domains of the Five Nations. Furthermore, white settlement could be expected to increase the railroads’ profitability and possibly their control over the company towns erected.

However, the railroads and organized labor were able to find an appropriate set of transfers and cross-transfers that enabled leaders of both to align their interests concerning western homesteading, despite their normal antagonism, and instead of other alignments of the organized interests that could have emerged. In return for their support for homesteading in the Unassigned District, the Knights could expect railroad support for legitimizing the mineral leases, and therefore, increased stability of union jobs. In short, if the Knights would support the settlement of the western Territory, the property rights of the mining lease holders would be improved, promising job stability. Additionally, if the western half of Indian Territory were settled, the probability of rapid settlement in the Five Civilized Tribes’ Territory, where the mines were located, would increase greatly. If the Knights lobbied for western settlement, they could expect to get rapid reprieve from the Indian governments’ labor taxes.

Correspondingly,

“During [the 1885 and 1886 sessions of Congress] a flood of petitions reached Congress asking for the opening of [the Unassigned District] to settlement. These petitions were from all parts of the United States except the far West, but in particular from Illinois, Iowa, Kansas, and Missouri. *More than half* of them came from the Knights of Labor.”<sup>12</sup> (Gittinger 1917:133–137)

Gibson continues,

“Boomer charges of inequity and injustice in the use of Indian lands, such as cattlemen being a privileged group, won over the Knights of Labor and other powerful groups. One labor leader declared, “The cause of Oklahoma colonists was the cause of the poor man, the laborer.”” (Gibson 1981:176)

This statement becomes even more interesting, when one realizes that the railroads are conspicuously absent from labor's lists of privileged groups and monopolies.

As if to remind the other interested pressure groups of labor's previous support, and that support's price,

“Four thousand white American coal miners gathered at Krebs[, Indian Territory,] in the summer of 1888, and in orderly fashion petitioned [Federal] Agent Tufts for federal co-operation, through his office, in establishing themselves under municipal rules and regulations. The miner's petition went to Washington, *endorsed by both* Agent Tufts and the [MKT];<sup>13</sup> it was said to have had considerable effect on the officials in the nation's capital.” (Masterson 1952:243)

Shortly before the first Land Run, a large portion of the deal was delivered:

“On March 1, 1889, an act was passed establishing a United States court at Muskogee for the Indian Territory. [T]he most important section of incidental legislation was the one which authorized the leasing of mines. Coal leases, like grazing leases, had been technically illegal hitherto, but by this law the mining industry was placed on a more secure basis.” (Gittinger 1917:181–182)

The rest of the deal with the Knights was delivered when the Five Civilized Tribes accepted allotment in severalty, undoing their governments, and their governments' taxes.

This demonstration of transfer demanding entrepreneurship is not in the sense of discovering a selective incentive to organize a previously latent interest group, as was Payne's. The entrepreneurship of the Knights of Labor and the railroads lay in aligning interests that were elsewhere violently opposed: in the aligning of organized labor, mine management and company town officials, and the railroads. Further entrepreneurship was evident and in the separation of interests aligned elsewhere at this same time: separating labor from the producers of livestock, interests largely aligned during this time period.

As expected, this entrepreneurial behavior was not necessarily foreseen *ex ante*, and had the effect of disrupting the current system of property rights, and was functional in re-equilibrating the property rights. Without the Knights' support, the Oklahoma colonists' cause would have received far less media coverage and popularization. The Boomers would have been far less well known throughout the mid-west of Kansas, Missouri and Illinois, whose popular support could effectively countervail the eastern “Friends of the Indians” who were generally aligned with the cattle producers and tribal governments against the railroads and Boomers. Absent the support mustered by organized labor, white homesteading in the western territory may have taken longer and been more costly to achieve, and may *not* have spread into the land of the Five Nations, who were developing pan-tribal governments as means to the end of an Indian state within the federal Union. Lacking organized labor's support for western Indian Territory settlement, the actively discussed solution possible at the time, an Indian state in the Union with voting members in the Congress, might have been implemented. Furthermore, organized labor could just as easily joined with the eastern “Friends of the Indian” *against* the railroads, and lobbied for Indian statehood in the eastern

Territory, thereby substituting weak Indian control of the mines for railroad control. While this suggestion today seems “cut of whole cloth,” it was perceived as feasible at the time (Gittinger 1917).

The recognition that this utterly different equilibria might have emerged from the same situation gives us opportunity to appreciate the entrepreneurship that *did* occur, giving rise to our current political situation. A standard, public choice analysis of the interest groups involved, and the equilibrium that emerged would leave us without this understanding. Neoclassical public choice offers powerful analysis of this same situation, but leaves us with no appreciation of the real-time context of decisions in which the new equilibrium emerged.

#### 4.4. *Entrepreneurship begets entrepreneurship: Railroads and the Boomers, Part II*

The land run mechanism accommodated the various interests of the railroads, Boomers, and business lobby with varying degrees of effectiveness for each. The land run implied a very rapid settlement, though not to the first choice of the railroads, in that they were denied their land grants along their Indian Territory lines, originally promised by the Federal government in 1866. Rapid settlement also was to the benefit of the railroads’ banking, commercial, and mercantile allies and bond-holders. The land run mechanism accommodated the Boomers’ desire for “no monopoly encumbrances” (Gittinger 1917:146) on the land, though at the price of their claimed preemption rights.

By legal requirement, the Oklahoma district was settled by actual settlers. The law deprived Sooners of their homestead rights if they were apprehended before official opening. The law also denied one of Payne’s biggest selling points. Any Boomer’s squatter’s rights on homesteads laid out before the run were declared void. Given other circumstances, each of these provisions worked to the benefit of the railroads and their business allies. Homesteading via land run was more amenable to them than either sale, lottery, or preemption. In the event that the railroads would be finally denied their land grants, homesteading via run with no preemption guaranteed the most rapid, dense settlement. If the land grants were finally delivered, they would be much more valuable by their proximity to settled farmland. The land run by actual settlers would make it more difficult for any person or group to gain large holdings, and speculatively withhold them from production, relative to sale or lottery. Homesteading provisions insured that the population would remain fairly high for at least five years. The small size of the holdings meant many more customers for the railroads and their mercantile backers than there would have been otherwise.

Furthermore, homesteading by actual settlers drew a certain class of people into the market: young, poor, industrious family men. They were low-risk customers in great need of credit and farm equipment (Thompson 1986:7; 53–54). These men also provided an excellent source of low-cost labor in the following construction boom that solidified the railroads’ position, as well as providing labor and raw materials for Kansas manufacturers and large-scale wheat farmers (Thompson 1986:42), who were long-time Boomer supporters and bond-holders of the railroads.

Likewise, denying the Boomers’ preemption rights encouraged greater demand for Oklahoma quarter sections. Following a decade of Boomer hype about squatter’s rights, the

Springer Amendment drew back into the market those people who would have assumed the Boomers had pre-empted all of the good quarter-sections. Their numbers would be swelled by the recently denied Boomers, who would be likely to make the run anyway. To re-iterate, the greater the population and the greater the settlement activity, the greater the market both for the railroads and their banking/commercial/manufacturing allies. When their land grants had been denied, the railroads were blocked from their normal game of building, then selling, cities along their lines. A land run by actual settlers under homestead provisions represented optimizing under this constraint.

Despite this, a common view of the land run for the Oklahoma District is that the dominant, or most successful, group was extremely cash poor; the landless farmers who could only use 160-acres. One can detail a median voter story based on this observation, much as Alston and Spiller (1992) do. One could just as easily tell an interest group story, which better fits the historical facts. While land run homesteading benefited the railroad and business interests, those same provisions cut both ways. The settlers benefited from them as well.

Gittinger states,

“On February 8, 1888, there met at Kansas City a convention that claimed to represent the people of all the states bordering on the Indian Territory. The real significance of the memorial was contained in the statement, “The Indian Territory lies in the center of Southwestern civilization, an obstacle to trade development and an injury to every state which borders upon it.” The resolutions adopted by the convention called for the opening of the Indian Territory... to settlement, with payment to the Indians for their lands. Finally, the resolutions asked that these lands be disposed of in small holdings to actual settlers and that no leases or other forms of monopoly should be tolerated. One of the [eighteen delegates selected to present the memorial to Congress] was W. L. Couch, the chief of the Boomers.” (Gittinger 1917:146)

The prohibition against monopoly encumbrances included not only the cattle interests’ grass leases, but also the railroads’ hoped-for land grants. This statement neatly encapsulates the coincidence and divergence of Boomer and railroad interests. One could argue that almost anything good for either group was also good for the local banks, business, and manufacturers.

Previously the Boomer leaders were depicted as good agents of the railroads. Arguments that the Boomers were organized and funded by the railroads are accurate, but that does not guarantee that the railroads and the Boomers had perfect incentive compatibility. Certainly, though Payne was often discussed as a railroad lackey, Couch was discussed less so, but this may only be interpretation. In any event, the Boomers could ask for something else in return, after the railroads organized them and pointed them in the right direction. The Boomers would support the railroads’ scheme for the District’s settlement, but at a price. They wanted homesteading with no encumbrances; that is, no railroad land grants, as well as no grass leases.

Though created and supported by the railroads, once in operation, the Boomers could exert pressure in favor of their independent preferences. Specifically, the Boomers wanted the railroad land grants denied, which would simultaneously put the railroads out of the

“town lot” business. The land run could also work to the poor Boomers’ benefit. Not only would the railroads be kept from purchasing the land, but all manner of speculators could be kept out. A land run would be harder for moneyed interests to “fix” than would sale or a lottery. At the same time, if the Boomers were to be denied their squatter’s rights, then a land run offered them many opportunities to improve their lot over the Johnnies-Come-Lately. The Boomers could draw on their experience and knowledge to enter early, locate the best lands, evade the army and hide. Furthermore, many Boomers were temporarily employed by the Santa Fe railroad, then expanding its track through the Unassigned District. Many Boomers made the run from the Santa Fe construction camps, gaining a precious ninety minutes on the other participants.

Supporting this line of reasoning, the 1889 Springer Amendment accomplished three things: 1) the railroads and the Boomers both got settlement, but 2) the railroads were explicitly denied their land grants, and 3) the Boomers were explicitly denied their squatter’s rights.

The foregoing differs from simply detailing Peltzman’s first principle of regulation because of the temporal sequencing. Temporally previous transfer demanding entrepreneurship created a previously non-existent environment, altering the costs and benefits to future transfer demanding behavior. Payne and Couch were able to exploit the entrepreneurial opportunities afforded them by the railroads such as the opportunity to earn a handsome income as lobbyists and popular leaders and, for Couch, to become Mayor of Oklahoma City. The railroads’ organization of the Boomers also allowed the rank-and-file Boomer opportunity to appropriate Ricardian rents from town lots alongside rail depots, which were usually denied settlers because of railroad control over the tracts along their line. All of these opportunities existed because of the railroads’ organization and bank-rolling efforts. Furthermore, the rail lines along which the Boomers settled, free from “monopoly encumbrances,” existed because of entrepreneurial effort by the railroads in the drafting of the 1866 Reconstruction Treaties with the Five Nations, which first allowed railroad entry into the previously inviolate Indian Territory.

Neoclassical public choice would view this historical process culminating in the Springer Amendment as a transfer and cross-transfer between organized interest groups. But viewing these same events within the context of a continued pattern of entrepreneurial behavior allows us to understand how new opportunities for transfers come about: they are created by previous entrepreneurial behavior, and brought into reality when a new entrepreneur imagines this feasible transfer opportunity and acts upon it. This creation of transfer opportunities not well described outside of the appreciative theory that often parallels the formal theory of interest-group public choice.

## 5. Conclusions

The analysis suggests that entrepreneurs are pervasive throughout human endeavor and through time, and that they are active in organizing and seeking political transfers. It reinforces the concept that entrepreneurial behavior is not limited to the pursuit of profit in capitalistic markets, and that entrepreneurs are anyone who exploits opportunities for their own gain, whether in markets or in politics. The analysis also suggests that interest groups

are omnipresent and persistent, and that politics, or rent seeking, makes strange bedfellows. Moreover social scientists may occasionally make sense of history by employing a process-based approach to political economy to address issues left unresolved in popular equilibrium frameworks. This may be especially true, or enlightening, when the analyst is faced with transfer demanding entrepreneurs who lobby the government for special favors.

This paper also develops an economic tool and uses it to approach a specific historical episode. There is now the opportunity to develop that tool into a powerful generalization, that is, a true theory. On a smaller scale, this is analogous to Peltzman's development of Stigler's insights. From Stigler's informal explanation of observed events, Peltzman derived an extremely powerful and popular model. This paper starts with Peltzman's model and develops an extension of it from a different perspective and demonstrates one example of the subsequent reasoning.

As with any theoretical addition, no matter how marginal, there remains the need to further refine and extend it, thereby developing testable statements which will reveal the strengths and limitations of the framework.

## Notes

1. Italics added.
2. The author would like to thank an anonymous referee.
3. The author would like to thank Prof. Steve Horwitz for suggesting the Misesian line of reasoning. The author is solely responsible for all errors.
4. The material in this section is a synthesis of several standard histories of Oklahoma, and a few other selected works. The interested reader is directed to the following secondary sources, upon which this section is heavily dependent: the seminal *Formation of the State of Oklahoma*, by Roy Gittinger; *Oklahoma: A History of Five Centuries* by Arrel Morgan Gibson; *Oklahoma: A History of the Sooner State*, by Edwin McReynolds and *History of the Indians of the United States* by Angie Debo.
5. Common estimates are that Payne's Boomer groups accounted for at least 14,000 members by 1884, though that number may well understate paid membership in Payne's various organizations.
6. As written, this seems to be implying a hard and fast dichotomy between the Stigler/Peltzman literature and "Logic of Collective Action," which would be obviously untenable. Stigler's "Theory of Economic Regulation" clearly has strong affinity to Olson's work. However, Olson is known more for its model of latent/actual interest groups than the embedded policy model that suggests unorganized interests receive no legislative favors (see Wagner 1966). As a separate model of the formation of interest groups, Olson is conceptually separate from Stigler's emphasis on who wins legislative favors. It is in this respect that this paper makes a distinction between Olson and Stigler Peltzman.
7. Author's term for the decades-long process culminating in the opening of the western Indian Territory to white homesteading.
8. See Gittinger, Rister and especially Masterson for an incidental and extended discussion of sitting Senators' interests both in Indian Territory cattle and the regional railroads.
9. Prior to Sears and Boudinot, no one had seriously questioned the rights of the Indians to the Unassigned District. After the fact, a steady supply of opinions from attorneys general, federal department heads, and federal judges supported the interpretation that the Indians held a residual right to the land. Furthermore, there were factual errors in Boudinot's circular letter and his map.
10. Alston and Spiller build a model of legislative supply based on the work of Weingast and Moran (1982). In such modeling, the question of Indian support is largely (and perhaps correctly) ignored. The Indians could not vote, and therefore could not support Congressmen. However, a political principal-agent model like this appears to minimize the potent impact Indians wielded through non-vote lobbying.
11. Couch was the first mayor of Oklahoma City until a rival claimant to a prime corner-lot gunned him down in the street. Couch later died of his wounds.

12. Italics added.

13. Italics added.

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