

American Progressives and the Rise of Expertocracy

Thomas (Tim) Leonard

Dept of Economics  
Fisher Hall  
Princeton University  
Princeton, NJ 08544  
[tleonard@princeton.edu](mailto:tleonard@princeton.edu)  
[www.princeton.edu/~tleonard](http://www.princeton.edu/~tleonard)

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## Introduction

The project of 21<sup>st</sup>-century progressivism is to uplift the poor and dispossessed via the humane agency of an expert, interventionist state. So too with the original progressives, the Progressive Era economic reformers who essentially invented the idea of expertise and statism in the service of uplift. But, the original progressives, in fact, defended a radically restricted vision of who among the poor and dispossessed deserved uplift, a vision that eugenically sorted the poor into worthy and unworthy categories, a vision that, moreover, depicted the unworthy poor as the cause rather than the consequence of low wages and other economic ills. Making invidious distinctions among the industrial poor, the progressive case for exclusionary labor and immigration legislation was routinely founded on their belief that the labor force should be rid of immigrants, women, blacks and mental defectives, whom they labeled “unemployable,” “parasites,” “low-wage races,” and the “industrial residuum”<sup>1</sup>

The original progressives not only proposed eugenic remedies for the inferiors they blamed for low wages and unemployment; they also promoted an illiberal, retrograde vision of women’s economic interests, endorsed survival of the fittest doctrine (so long as the state chose the fittest), advocated imperial adventures, embraced the new modern corporation, ultimately preferring technocracy to democracy (Leonard 2006). These progressives’ views, in fact, can be seen to exemplify an illiberal tendency in American progressivism, which manifests in the tension between the progressive desire to uplift oppressed groups, and the progressive desire to socially control groups seen to be a threat to the social and economic order (Furner 1975: 308). Social control of inferior groups, like all eugenic thought, opposed the moral equality of human beings – indeed, it is predicted upon human hierarchy. The leading economic reformers were, in short, elitists.

How did this come to pass? In briefest summary: the rise of expertise and statism. The Progressive Era marked a new, intimate and reinforcing relationship between the state and the new sciences of society (especially economics), while progressive economic science increasingly averted to statism in its answers to the leading question of the day, “what should be the

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<sup>1</sup> I argue this in a series of papers, summarized in Leonard (2006) “Still in Search of Progressivism: If the Progressives Weren’t that Progressive, What Were They?”

relationship of the state to the economy?” The role of the political economist changed in the Progressive Era from that of scholar writing to influence public opinion (and, indirectly, policy making) from that of academic providing expert policy counsel directly to policy makers or, in fact, serving as a policy maker in government positions created to accommodate expertise. Progressive Era reform marks a new role for the political economist – expert policy counsel by academics – and a new role for the state, planning in the name of social efficiency.

## II.

Daniel Rodgers’ (1982) thoughtful historiographic essay, “In Search of Progressivism,” is still a helpful place to start. Rodgers argues that the many and various progressive groups drew upon, in different measures, three “clusters of ideas” in progressivism: (1) anti-monopolism, (2) social bonds (read: anti-individualism), and (3) social efficiency. My focus will be upon the last two.<sup>2</sup>

A belief in human hierarchy was by no means new in the Progressive Era. Racism and nativism were deeply rooted in the soil of American political culture. But these indigenous prejudices were biologized by progressive social science. Without abandoning the American ethos of human improvement, or its distinctly moralizing language, the American progressives recast spiritual or moral inadequacy as biological inadequacy. Virtue and vice were remade from matters of character into matters of heredity.

### 1. Anti-individualism

This transition from improving character to improving stock reflects an even more profound change in American thought – the Progressive Era attack upon individualism. Character is an attribute of individuals, but “stock” is an attribute of groups (e.g., races). Since inferior groups would not voluntarily reduce their fertility nor would they voluntarily leave the labor force, state compulsion was required to remedy race suicide. Anti-individualism allowed garden-variety racism, xenophobia and other forms of indigenous American prejudice to be

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<sup>2</sup> “Anti-monopolism” is probably better named anti-bigness, for it was the neoclassical economists, like John Bates Clark, who insisted upon the distinction between scale (which might confer lower costs) and monopoly, the power to affect price. Some progressives shared the populist hostility toward bigness, concentration of power, and elitism, a hostility with roots that go back to Andrew Jackson. But more progressives saw bigness, concentration of power and elitism (in the state) as appropriate weapons to countervail the influence of the trusts.

transmuted into eugenic policy.

Rodgers refers to the Progressive Era's emphasis on social bonds and the social nature of human beings. But this is too tame a label, for while true, the outstanding feature of Progressive Era thought was the progressive's unprecedented assault upon individualism, which enabled American social science's turn to methodological holism.

American progressives departed from the deeply rooted Lockean sensibility of their classical liberal forebears (and of the American founders). Classical liberalism stood on two pillars: one, individualism and two, property rights.<sup>3</sup> Though some progressives professed recognizably socialist notions upon their return from Germany, American progressivism ultimately left standing the pillar of property rights. Indeed, beyond some limited municipalization ("gas and water socialism"), few progressives were prepared to endorse state ownership of property, the heart of programmatic continental socialism. Herbert Croly put it this way: "There are two indispensable economic conditions of qualitative individual self-expression. One is the preservation of the institution of private property in some form, and the other is the radical transformation of its existing nature and influence" (cited in Fried 1998: 6).

The failure to attack property is what has led several Left historians, such as Gabriel Kolko and James Weinstein, to condemn American progressives as "conservative." By "conservative," the Left historians mean insufficiently radical.<sup>4</sup> In fact, in Progressive Era parlance "socialism" sometimes referred less to state ownership of capital, than to a view of the proper relationship between the individual and society, broadly defined. As Robert Lee Hale put it, in a letter rebutting Thomas N. Carver's charge of socialism: "the only sense of the word in which I am conscious of being a 'socialist' is in the sense of not being an individualist" (cited in Fried 1998: 233, n. 34).

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<sup>3</sup> Classical liberalism makes the individual sovereign and puts special emphasis on the importance of property rights. Rights to "life, liberty and property," are, in John Locke's conception, natural rights (hence "inalienable) – law does not create these rights, it recognizes and protects them. And, the liberty classical liberalism makes paramount is negative – liberty means freedom from coercion by other individuals and governments.

<sup>4</sup> I agree with the charge that the progressives were conservative, but for different reasons. The rejection of state ownership of capital does not make one a conservative; "conservative" does not exhaust the category of non-socialist. But the progressives *were* conservative in their impulse to impose order upon what they saw as the disorder of the new industrial capitalism.

But the American progressives did attack the other pillar of classical liberalism – individualism -- and with far reaching consequences. The Anglo-American individualism that the progressives were weaned on was overcome by the Bismarkian statism they admired as graduate students, the Social Gospel's move from individual salvation to a collective project of bringing heaven to earth, and also by an indigenous illiberal tradition of human hierarchy, which posited a hierarchy not of individuals, but of groups.

The attack on individualism, which took on a bedrock American principle, was more than an appeal to cooperation, unselfishness, and public-spiritedness. As Rodgers points out, “that human beings live in a web of human relationships has never been open to doubt” (1982: 124). Though the progressives seized “upon a rhetoric of social cohesion,” they imagined not cooperation among individuals but compulsion of individuals in the name of the social whole. Richard T. Ely, firing the early shots of his AEA insurgency, said that progressive economics “places society above the individual, because the whole is more than any of its parts” (Ely 1886, 54).

When the whole is greater than its parts, then someone has to look out for the whole's interests. The progressives, with their faith in their own disinterestedness as a reliable guide to the social good, sometimes nominated themselves – a form of rule that Lester Frank Ward called “sociocracy.” In other places, progressives were less frankly elitist, preferring to elide the difference between society and the state. Ely, for example, called the state the “great cooperative society,” identifying the state with society rather than imagining the state as the agent of society.<sup>5</sup> Ely disputed the classical liberal view that the state is formed by individuals in a state of nature, deriving its legitimacy solely from the consent of its individual creators. “Men are born into the State . . . the basis of the State is human nature, and the State is the natural condition of men” (1884: ). But, in both events, the progressives repudiated individualism and embraced the idea that society can have interests apart from (and prior to) the individuals who constitute it – a view antithetical to the liberal tradition.

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<sup>5</sup> Ely, a Social Gospeler, went so far as to invest the state with divine favor: “God works through the State in carrying out his purposes more universally than through any other institution” (Fine 1956: 180).

Progressive hostility to individualism was embodied in the Progressive Era's catchphrase, "social control," popularized by Edward A. Ross (1901). Social control, for Ross, did not refer narrowly to state regulation of markets, but described the ways in which society "can mold the individual to the necessity of the group" (Furner 1975: 309). Men were but "plastic lumps of human dough," Ross maintained, to be formed on the great "social kneading board" (in Rodgers 1982: 123).

Not all progressives idealized the state as much as did Ely, Ward, Ross, Simon Patten, Herbert Croly and Theodore Roosevelt, for example, men for whom "the lines of social connection always ran toward the nation, the state . . . ." Some progressives, like Jane Addams spoke more of "the bonds of family, community and neighborhood" (Rodgers 1982: 125). But most progressives involved in economic reform, even those like Florence Kelley, who originally preferred moral suasion to legislation, came around to statism, the idea that the state should promote a collective interest with or without the consent of its individual citizens.

## **2. Statism and expertise**

Rodgers rightly flags what was a profound tension for American progressives. The progressives' impulse to statism – using government to set the world to rights – was tempered by their recognition that American government, at all levels, was itself badly in need of reform. Corrupt and decentralized, the state was, at once, the "locus of progressives hopes, and also the source of their unease" (1982: 125).

The tension between the government progressives imagined and the government they observed did not induce them to abandon statism. Instead, the progressives proposed a kind of technocracy, where experts would administer progressive programs, free (or at least insulated) from the messy business of democratic politics. Progressivism proposed to separate politics from scientific administration, and its more extreme examples proposed to subordinate politics to administration (Haber 1964: 104). Veblen, who imagined an economy governed by a Soviet of central-planning technicians, is only an extreme example of the undemocratic, technocratic impulse in American progressivism.

The lack of a European-style professional civil service made American progressive statism more difficult. Just as the efficiency experts in the scientific firm's planning department brought order to the unplanned chaos of the shop floor, so too would government expertise bring

order to the unplanned chaos of industrial capitalism. But before the state could order the chaos of the competitive marketplace, it would be necessary to bring order to the state itself – that is, to replace the political bosses and their machines with socially minded expert administrators. As one widely read eugenics text put it: “government and social control are in the hands of expert politicians who have power, instead of expert technologists who have wisdom. There should be technologists in control of every field of human need and desire” (Albert Wiggam’s *New Decalogue* 1923 cited in Ludmerer 1972: 16-17).

The progressives believed in the explanatory power of social scientific inquiry, and they also cultivated the epistemic authority lent by the imprimatur of “science.” What is more, progressives also saw science as conferring impartiality. Scientific truths might be hard truths, but there was no gainsaying them – scientifically derived laws, unlike politically derived laws, were not the product of bias and partisanship, and thus were deemed fair. The authority of academic experts derived from the authority of science, as signaled by their professorial chairs. When Edward A. Ross described progressivism as “intelligent social engineering” (cited in McMahon 1999: 90), he was invoking both the epistemic authority and the impartiality of applied science.

As statist, the progressives imagined that expertise would be deployed by the state. By its very nature, expertise was an elite product -- scientific, not democratic in origin. The idea was that the benignly motivated experts would interpose themselves, in the name of the social good. The case for technocratic governance was put baldly by Irving Fisher (1907: 20), when he said: “The world consists of two classes —the educated and the ignorant — and it is essential for progress that the former should be allowed to dominate the latter. . . . Once we admit that it is proper for the instructed classes to give tuition to the uninstructed, we begin to see an almost boundless vista for possible human betterment.”<sup>6</sup>

### **3. Social efficiency and measurement**

Expertocracy – statism joined to expertise – was a means. The great end of expertocracy, for many progressives, was to increase social efficiency, what Rodgers encapsulates as “efficiency, rationalization and social engineering” (p. 126). The scientific state would substitute

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<sup>6</sup> One puzzle to be explained is the progressives’ extraordinary faith – which runs from naive to hubristic -- in their own disinterestedness as a reliable guide to the social good.

rational planning and efficiency for the unplanned chaos and waste endemic to competitive markets, and thereby conserve on natural, social and, especially, human resources.

By efficiency, progressives meant productive efficiency, or economizing. “Conservation” was often a cognate term of art. The AALL’s motto was “conserving human resources.” “The problem of conserving natural resources,” Irving Fisher (1909: 1) argued in his *National Vitality*, “is only one part of the of the larger problem of social efficiency,” particularly that of human efficiency. Madison Grant author of *The Passing of the Great Race*, is today remembered as a reactionary scientific racist, but he also was a leading conservationist, who regarded the despoliation of Western lands and the despoliation of the Anglo-Saxon race as like problems demanding a like solution -- the intervention of expert stewardship.

For many leading progressives, a new kind of firm, the scientifically managed firm advocated by Frederick Winslow Taylor, offered both a method for overcoming destructive competition – planning -- and a model for more efficient government administration. Though “Taylorism” is today a term of abuse, especially on the Left, Taylor’s model of scientific management appealed to many progressives.<sup>7</sup> Taylor’s biographer, Daniel Nelson, judges Taylor’s *The Principles of Scientific Management* (1911) “above all a reform tract, a progressive manifesto” (cited in Kanigel 1997: 504).

Taylor’s great champion, in fact, was Louis Brandeis, counsel to the AALL until tapped for the US Supreme Court by another AALL member, Woodrow Wilson. Brandeis called Taylor a genius and greatly promoted Taylor’s theory when he used it to criticize the railroads in the *Eastern Rate* case of 1910. “The coming *science of management* in this century” Brandeis declared, “marks an advance comparable only to that made by the coming of the *machine* in the last” (emphasis original, cited in Kanigel 1997: 504).

Walter Lippmann believed that scientific management would “humanize work” (Haber 1964: 94). John R. Commons called scientific management “the most productive invention in the history of modern industry” (Haber 1964: 148). Muckraker Ida Tarbell called Taylor a

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<sup>7</sup> The progressives meant the term to mean productive efficiency, also known as economizing. When Taylor referred to the “engineer as economist,” he did not mean that engineers should become “political economists,” but that they should economize, promote greater productive efficiency.



creative genius, and gushed that “no man in the history has made a larger contribution to . . . genuine cooperation and juster human relations” (Kanigel 504-05). Florence Kelley, labor reformer, joined the Taylor Society, which, during the 1920s, served as refuge for future New Dealers, like Rexford Tugwell. Taylor’s condescension to unscientific management, and the distinction Taylor’s system made between the technological aspects of production and the financial (“pecuniary”) side of business eventually won over Thorstein Veblen, an early skeptic. Even Lenin was drawn to Taylor’s emphasis on increasing production above all else (Haber 1964, ch 8).

The appeal of Taylor’s model to progressives is evident. Taylor promised greater efficiency, a leading progressive commitment, achieved by a more scientific approach to management, bringing system and intellectual order to the amateur, pre-scientific enterprise of business management. Scientific expertise conferred two kinds legitimacy for progressives. It offered not only (1) epistemic authority, crucial for the nascent sciences of society, but also (2) impartiality. Properly scientific rules were also fair rules, since, on the progressives’ reading, science would not accommodate bias or interest.

So when Taylor proposed to substitute central planning for what he saw as the arbitrary power of bosses (shop foremen), progressives saw this as increasing not only efficiency, but also fairness. Finally, the output-increasing advantages of scientific management held out the alluring prospect of obviating, or at least mitigating labor-management conflict. The promise of greater production made it possible for “both sides [to] take their eyes off the division of the surplus until this surplus becomes so large that it is unnecessary to quarrel over how it shall be divided” (Haber 1964: 27).

It is difficult to overestimate the progressive enthusiasm for social efficiency. Greater efficiency, for many progressives, essentially defined progress. Following Brandeis’s intervention on behalf of Taylor (who published *Scientific Management* in 1911), a flood of volumes on efficiency appeared, preaching greater efficiency not just in industry and in government, but also in education, in medicine, in the home, and, crucially, in human beings themselves. Joseph Mayer Rice’s 1913 bestseller, *Scientific Management in Education*, reported on the results of the new educational testing. Irving Fisher (1909: 15) advocated “biological engineering,” by which he meant the study of “the conditions under which the individual may

reach his highest efficiency.” Ellen Swallow Richards (1911, 391), founder of home economics, advocated greater efficiency in the home, arguing that “the work of home-making in this engineering age must be worked out on engineering principles, and with the cooperation of both trained men and women.” The social workers at Hull House and elsewhere pioneered the use of social surveys, and of neighborhood maps to visually display their data.

Efficiency, of course, demanded measurement. Introducing *The Wisconsin Idea* (1912), a manifesto for the progressives’ technocratic vision of professorial experts guiding (indeed writing) legislation, Theodore Roosevelt argued that without “measures of result an ideal becomes meaningless.” Progress, Roosevelt argued, depended on measurement: “The real idealist is a pragmatist and an economist. He demands measurable results. . . . only in this way is social progress possible” (cited in Brown 1991: 139).

Efficiency experts measured not only the productivity of factory floors, public schools, households, and immigrant tenements, they also measured mankind – measuring human bodies, human character, and human intelligence. The late Progressive Era marks the advent of measuring intelligence. Stanford psychologist Louis Terman’s 1916 manual for the Binet IQ test *The Measurement of Intelligence* was soon followed by *Human Efficiency and Levels of Intelligence* (1920), written by Henry Herbert Goddard, superintendent of the Vineland (NJ) School for Feeble-Minded Boys. Before eugenicists dreamed of measuring intelligence, they measured human heads. At the turn of the century, Veblen’s *Journal of Political Economy* published an extraordinary outpouring of articles by economist Carlos Closson, who popularized and proselytized for the scientific racism of two leading physical anthropologists, Georges Vacher De LaPouge, and Otto Ammon (e.g. LaPouge and Closson 1897).<sup>8</sup>

The Progressive Era connection between the state, the new sciences of society, and measurement was an intimate, interlocking one. “The welfare state,” historian of statistics Ted Porter reminds us, “evolved in conjunction in with new kinds of data and new forms of social science” (2003a: 39). Progressive social scientists, notably the founders of the AEA and the

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<sup>8</sup> LaPouge and Ammon measured thousands of human heads, calculating the cephalic index, or ratio of head width to head length, which they believed demonstrated a permanent race hierarchy. Anthropology, they informed the *JPE*’s readers, was “destined to revolutionize the political and social sciences as radically as bacteriology has revolutionized the sciences of medicine” (1897: 54).

AALL, pointedly distinguished the empirical method of their reform economics from the more abstract, deductive approach of late classical political economy (Barber 1987). “Look and see” pronounced Richard T. Ely. “Whenever you can,” Francis Galton preached, “count” (Kevles 1995: 7). Progressives were, of course, well known for their private surveys of industrial and social conditions.

But the rise of measurement – especially the measure of human bodies, character, and intelligence – was advanced most by the rise of the welfare state.<sup>9</sup> US and state governments not only funded statistical bureaus, they provided unprecedented access to human subjects – WWI draftees, Ellis Island immigrants, school children, and the institutionalized. The progressive emphasis on statistics is deeply connected to the progressive emphasis upon the state.<sup>10</sup>

#### **4. The visible hand of planning**

I agree with Rodgers that Progressive Era social efficiency -- “the merger of the prestige of science with the prestige of the well-organized business firm” – “gave the “metaphor of system its tremendous twentieth-century potency . . . .” (126). But I disagree that there existed a incongruity in progressive thought revealed by progressives who “slide back and forth between criticism of business-made chaos and schemes to reorganize government along business lines.”

On the contrary, the progressives were consistent: they celebrated the scientifically managed firm, and used it as a model for the technocratic state they envisioned, but they rejected competitive markets as chaotic and inefficient. Systems, like scientific management of the firm, are planned orders; markets are unplanned (spontaneous) orders.<sup>11</sup>

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<sup>9</sup> Eugenic legislation, says eugenics historian Diane Paul (1995: 6), had to “[await] the rise of the welfare state,” and so, too, to a large extent, did eugenic research.

<sup>10</sup> Ted Porter (2003b) reminds us that this connection between the state and measurement is a vital one. At the beginning of the Progressive Era the word “statistics” still carried its older meaning of “state numbers,” or, more precisely, “state data,” that is, the collection, classification and discussion of facts (numerical and other), that pertain to questions of state (OED). Indeed a “statist,” in the mid 19<sup>th</sup> century, is the name for a practitioner of state data, or statistics. Only in the 20<sup>th</sup> century does statistics begin to refer to the use of mathematical techniques, derived from probability theory, for data analysis.

<sup>11</sup> Dennis Robertson (1930: 85) described firms as “islands of conscious power in this ocean of unconscious cooperation, like lumps of butter coagulating in a pail of buttermilk. The head of a single big business to-day exercises a width and intensity of rule which a Tudor monarch might

For progressives, planning was the source of order. Social efficiency came not from bottom-up innovations produced by market competition, but from top-down plans produced by experts. The planning department determines how to realize greater efficiency, and subordinates execute the plan.<sup>12</sup>

In the era before Soviet-style central planning, Taylor's scientific firm was the exemplar of planning as the means to social efficiency. Some progressives, like Veblen, even imagined the economy as a single, giant firm. This vision simply extended outward the hierarchical, planned control of scientific management, proposing to turn islands of conscious power – little command economies – into a continent of conscious power.<sup>13</sup>

Market competition, for the progressives, was disorderly, chaotic and wasteful. The scientifically managed business firm – “the island of conscious power” – was, in contrast, orderly, rational, hierarchical and efficient, *by virtue of the fact that it suppressed competition*. Progressives saw the visible hand of planning as a substitute for Adam Smith's invisible hand of market forces (Chandler 1977).

In the end, the progressive hostility to competitive markets paved the way for American neoclassical economics. John Bates Clark's neoclassical economics co-opted the progressive's reform impulse, and their emphasis on social scientific expertise, but he rejected the progressive preference for planning over competition. In answering the overarching question of Progressive Era Political economy – what shall be the relationship of the state to the economy? – Clark argued that the state should promote not suppress competition.

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have sighed for in vain.”

<sup>12</sup> Of course, his claims to fairness notwithstanding, Frederick Taylor, like all planners, was not eliminating authority. He was merely relocating it, this by flattening the organizational hierarchy, and placing real authority, especially the authority to hire and fire, with the planning department. Taylor did indeed reduce the power of the shop foreman, but he did so by relocating it to the expert planner (Haber 1964: 25).

<sup>13</sup> Leading industrialists, such as John D. Rockefeller, were pleased to adopt this rhetoric, invoking the language of efficiency in order to justify their anti-competitive practices.

### III.

#### 5. Neoclassical versus progressive expertise

Thorstein Veblen's epithet – “neoclassical” – meant to imply that Clark's marginalist economics merely dressed up old laissez-faire in new marginalist costume, preaching do-nothing doctrine and defending the late-classical view that human action was actuated solely by self interest.<sup>14</sup> But John Bates Clark's economics was neither laissez-faire nor amoral. To the contrary, his project, like that of his progressive confreres, was to find a proper role for the state in the economy. And his first concern, as with all the “ethical economists,” was that economic arrangements be morally defensible (Homan 1927: 41) -- what DeMarchi and Morgan call his “felt need to make fairness objective.”<sup>15</sup>

Both the progressives and Clark wanted fairness and efficiency, but they disagreed on policy means. In the name of fairness of efficiency, Clark wanted to use the state to defend competition. “We are dependent on action by the state for results and prospects which we formerly secured without it; but though we are forced to ride roughshod over *laissez-faire* theories, we do so in order to gain the end which those theories had in view, namely, a system actuated by the vivifying power of competition, with all that that signifies of present and future good” (Clark 1907: 380). The progressives wanted to use the state to suppress competition, which they saw as inimical to fairness and efficiency.

#### 6. Competing Progressive Era conceptions of competition

One difficulty is the term “competition,” which, its importance to political economy

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<sup>14</sup> While most any view might look laissez-faire set next to Veblen's technocratic vision of an economy commanded by central-planning engineers, Veblen's critique of marginalist economics was, of course, more sophisticated than the charge that marginalism was just *laissez faire* dressed up in new theoretical garb. But it is this caricature of Veblen's critique that survives in Progressive Era historiography, and it remains a trope of Left criticism of neoclassical economics.

<sup>15</sup> As Mary Morgan points out in her *HOPE* “Higgling” volume paper (230), American economists were preoccupied with the ethics of exchange, an issue upon which the English neoclassical innovators spent little time.

notwithstanding, has taken different meanings over time.<sup>16</sup> Clark himself uses the term in different ways (Leonard 2003). But Clark's predominant emphasis is upon socially beneficial rivalry, most prominently, price rivalry among sellers of goods to serve consumers. "Competition is called a war," says Clark (1897, 593), "but it is a rivalry in serving the public," which has the paramount virtue for Clark, in a static setting, of forcing prices toward the competitive price. For Clark, the contest for consumers' business occurs only within established rules. Behavior that violates the rules of acceptable rivalry -- especially predatory pricing and exclusionary contracts -- Clark tellingly refers to as *anti-competitive* practices. Clark refers here to monopoly tactics that reduce price rivalry, by undermining current competitors (predatory pricing) or potential competitors (exclusionary contracts).<sup>17</sup>

Competition among rival producers also promotes innovation. Competition drives firms to innovate technologically, which, in turn, boosts labor productivity and (eventually) increases workers' wages. "If nothing suppresses competition," Clark said in a moment of enthusiasm, "progress will continue forever" (1907: 374). In Clark's static model, competition is rivalry that pushes prices downward toward cost. In Clark's dynamic model, competition is rivalry that promotes innovation, which pushes those costs lower.

Political economists of Clark's day used "competition" to refer to phenomena quite different from Clark's price rivalry, dynamic efficiency, and contestability. The emphasis among progressives was upon waste (inefficiency), disorder, and destruction. Where Clark's neoclassical view regards competition as refereed fair play, and departures from it as something to be policed, the progressives regarded competition as amoral and destructive-- and departures from it as something to be promoted.

The influence of the metaphor of competition in nature cannot be underestimated. Progressives invoked the red-in-tooth-and-claw imagery to condemn the Darwinian attributes of

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<sup>16</sup> Mill (1848: 2:4: 284) said: "only through the principle of competition has political economy any pretension to the character of a science." There is surprisingly little scholarship in history of economics on competition (Morgan 1993 is an interesting and useful exception).

<sup>17</sup> With respect to monopoly, competition can be potential, as distinct from actual rivalry. Here, the mere threat of entry by potential entrants disciplines the incumbent firm to price at or close to the competitive price, and thereby helps prevent monopoly pricing. (Clark thus anticipates the "contestable markets" innovation in Industrial Organization in the 1980s).

the new industrial capitalism.<sup>18</sup> Lester Frank Ward regarded nature as threat to be overcome: “man’s successful evolution amounted to the suppression of competition” (cited in Morgan 1993: 583, n 35). It is human “resistance to the law of nature,” Ward argued, that promotes good ends. “Where competition is wholly removed,” what remains “begins to make great strides, and soon outstrips all those that depend upon competition” (*Outlines of Sociology*, pp. 257-58). Competition, for Ward, was wasteful and dysgenic: “We now have to add to the waste of competition its influence in preventing the really fittest from surviving.”

The progressives were especially concerned with what HC Adams called the “lowering of the ethical plane,” a name for how competition works to erode morals, as exemplified by the “Sunday Barbers” cases. One unscrupulous barber opens for business on the Sabbath, compelling his rivals, all good Christians who would otherwise prefer to observe the Sabbath, to also open on Sundays, on pain of losing business. Regulation – here blue laws – ensures that the ethical plane of competition is not lowered by the one unscrupulous competitor. The premise is that, in the absence of regulation, competition invariably entails a race to the bottom.

The “younger” Clark himself made recourse to this story, and, importantly, even the “mature” Clark’s definition of fair competition (no predation or exclusion) employs rules no less than do the progressive rules designed to raise the ethical plane. If nine firms don’t hire children, but the tenth does, and the other nine are compelled to also hire children to stay in business, it can make sense, on collective-action grounds, to ban child labor. But, we should not confuse the logic of collective action from the substance of what is morally defensible. 21<sup>st</sup>-century

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<sup>18</sup> The idea, of course, was to suggest that economic competition resembled Darwinian struggle, a brutish survival of the fittest. But, of course, natural selection can select for cooperative behavior – it in no way entails tooth-and-claw conflict. That cooperative behavior can be adaptive is a commonplace of contemporary evolutionary biology, and it was also well known to Progressive-Era intellectuals. Petr Kropotkin, a Russian anarchist, made this very argument in his *Mutual Aid* (1902), where he set out to show how cooperative behavior could be the product of Darwinian natural selection, instancing the social insects and many other examples of cooperation in nature. Kropotkin did not reject Darwin; on the contrary, he found in Darwin’s natural selection cooperation rather than competition of the tooth-and-claw variety. “Competition is a totally different thing from the Darwinian struggle for existence,” insisted Arthur T. Hadley. “Competitive ethics is not mere glorification of force.” (Hadley, Arthur: [1906]1907 “Standards of Public Morality” John S. Kennedy Lectures NY: GP Putnam’s Sons, pp. 59-60

progressives would certainly endorse a ban on child labor. But what of blue laws? And, more importantly, what of Progressive Era attempts, in the name of reform, to drive women, blacks, immigrants and others from the labor force, on grounds that their competition was unfair and destructive – lowering wages and promoting race suicide.<sup>19</sup>

It is important that Clark's rules against anti-competitive practices are meant to be laws – the state polices competition, since, with the new industrial economy, laissez-faire no longer guarantees competition. The neo-classical requires the state to achieve his ends as does the progressive. But two important differences remain.

First, in Clark's scheme, the rules pertain to what you do, not who you are. It is unfair to set price below cost in an attempt to drive out competitors or to contractually ban your customers from dealing with your rivals. In contrast, the progressive attempts to force immigrants, blacks, women and mental defectives from the labor force has nothing to do with behavior – race, sex, and nationality are morally arbitrary categories.<sup>20</sup>

Second, in making competitive prices his normative benchmark, Clark's neoclassical scheme both defines and delimits the scope for state action. The reason Clark wished to “make fairness objective” was to make determinate, for the public and for the policy maker, the policy means of obtaining fairness.

## **7. Making fairness objective**

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<sup>19</sup> Wage “competition has no respect for the superior races,” said John R. Commons, “the race with lowest necessities displaces others” (1907: 151).

<sup>20</sup> It may be that different theories of wage determination matter here. Clark's neoclassical approach emphasized productivity, which was, at least in principle, measurable. Most progressives, in contrast, argued that wages should be determined by the amount that was necessary to provide a requisite standard of living, or living wage. But how should a living wage be determined? Arguing that wages should be a matter of an appropriate standard of living opened the door, in this era of eugenics, to theories of wage determination that were grounded in biology, in particular to the idea that “low-wage races” (and women) were biologically predisposed to low wages, or “under-living.” Because race rather than productivity determined living standards, John R. Commons could populate his low-wage-races category with what he saw as the industrious and lazy races alike. Edward A. Ross (1936, p. 70), the proponent of race-suicide theory, argued that “the Coolie cannot outdo the American, but he can underlive him.” “Native” workers have higher productivity, claimed Ross, but because Chinese immigrants are racially disposed to work for lower wages, they displace the native workers.



Clark's theoretical innovation was twofold: one, the extension of marginal thinking into a general theory of value, in particular, the idea that the pricing of labor and capital is governed by the same economic processes that govern the pricing of ordinary goods. Wages and interest rates are prices, too. Markets are markets are markets. Two, Clark, in making competitive prices his normative benchmark, regards the role of the state as policing departures from competitive pricing – market failure remedy.<sup>21</sup>

Clark's contemporary critics and later critics have tended to run together Clark's normative claim – that worker's paid their marginal products get what they deserve – with his positive claim – that competitive labor markets tend to set wages equal to marginal product. It was the normative claim -- “to every man his product, his whole product, and nothing but his product,” Clark said in 1890. (“The Law of Wages and Interest” 1 *AAAPSS* 43, p. 44). -- that landed Clark in hot water with his contemporaries and with later historians of economics.

Among his contemporaries, he was criticized not just by Veblen and others on the left, but also by economists as diverse as Frank Fetter (*AER* 8(1): 232-238), Frank Taussig (*QJE* 1912: 518), and J. Lawrence Laughlin. (Laughlin, a proponent of *laissez-faire*, believed that talk about marginal productivity was metaphysical and unnecessary (Persky 2000).

Later historians accused Clark of permitting critics to use Clark's ethical claim – workers deserve their marginal products -- to indict by association the purely scientific claim, that, under ideal market conditions, workers actually *do* get paid the value of their product. Schumpeter 1954: 870 says that Clark's normative evaluation created an unwelcome and unjustified association of marginalism with “capitalist apologetics.” George Stigler (1946) makes the same charge, calling Clark “a ready-made foil for the diatribes of Veblen.”

This is doubly unfair. Clark carefully argued that “whether labor gets what it produces or not is a question of fact and not of ethics” (1899: 8). “We might raise the question, whether a rule that gives to each man his product is, in the highest sense, just.” But, Clark insisted, “the

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<sup>21</sup> The neoclassical notion that labor and capital markets are no different than goods markets was vigorously contested for the better part of the 20<sup>th</sup> century. It took two generations or more for industrial relations, a separate domain of intellectual inquiry, to be dragged into the neoclassical tent. Leading labor economists (Dunlap, Kerr, Lester, Reynolds), well into the 1960s, all avowed that labor markets, especially wage and employment do not operate like goods markets.

entire question whether this is just or not lies outside of our inquiry, for it is a matter of pure ethics” (1899: 8). And, what is more, Clark clearly believed that workers often do not get paid their marginal products. The whole point of Clark’s neoclassical policy scheme is that the state should police and remedy departures from competitive prices.<sup>22</sup> Clark was a cautious advocate of minimum wages and wage arbitration when wages were held below marginal product.

But, in all events, Clark’s distributive ethics ultimately proved to be sideshow.<sup>23</sup> In proposing competitive prices as a normative benchmark, Clark gave American economics an analytical approach to the ethics of distribution – competitive prices are fair and efficient. “We know, at least,” Clark said, “at what we should aim . . .” (This is his Presidential Address to the AEA, “Modern Appeal to Legal Forces” published in *PAEA* 9 (1894: 482-83). Progressive economics offered no alternative.<sup>24</sup> Indeed, it couldn’t. For where Clark intended to police markets, the progressives intended to replace them. Statism, like scientific planning, relies upon the ongoing wisdom and impartiality of the expert planners.

Clark’s neoclassical approach also dovetailed better with the concept of the expert, so important to the newly professionalizing discipline. The progressives remained more firmly anchored in the German historical school, with its methodological insistence that economic claims were relative to time and place, and thus each economic problem must be approached *de novo* (Church 19xx: 593). Fairly or not, this may have worked to undermine the academic economists’ claims to the authority of science (*ibid*).

Clark also well understood that his neoclassical policy of market failure remedy also co-opted the reform impulse of progressivism. In showing how “the work is to be done,” Clark

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<sup>22</sup> “The distribution of the income of society is controlled by a natural [read: static] law, and . . . this law, *if it worked without friction*, would give to every agent of production the amount of wealth that agent creates.” (Clark 1899: v, emphasis added).

<sup>23</sup> Clark’s distributive ethics erred by conflating pricing of factors with ownership of factors. The price paid for an hour of labor, say, can be fair when set to the value of the service rendered, but it does not follow that the distribution of human capital (the amount and quality of labor a person possesses) is therefore fair. None of Clark’s critics recognized this error, save Thomas N. Carver.

<sup>24</sup> “The neoclassical position,” Joe Persky argues, “achieved a clarity embarrassingly lacking from institutional formulations of fairness” (2000: 104).

said, his standard “reveals a line of public policy that is sage and efficient, and that offers an outlet for the reformatory energy that, with a zeal that is not according to knowledge, is now trying to undermine society” (op cit, pp. 482-83).

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An old carnard in history of economics depicts neoclassical economics as a fixed entity, a retrograde holdout of the Classical Era, a conservative bastion that repelled successive waves of reform-minded barbarians, until it became permanently fortified with mathematical armament imported from the Continent in the late 1930s. But American neoclassical economics has deep roots in progressive economics.

Clark’s vision is progressive in its emphasis upon fairness and in the desire for reform. It is also progressive in its reliance upon expertise and measurement. (The expert must determine whether wages are below the value of marginal product, and also comparatively evaluate policy alternatives for remedy).

Clark, of course, is not new in emphasizing market failure: Clark joins the extant British market-failure tradition with the new marginalism. The late classical economists well recognized market failure. At mid-19th century Mill, for example, takes note of external costs (negative spillovers) as a shortcoming in the system of natural liberty. In Sidgwick (188x), the taxonomy is full-blown: external costs, common property resource problems, information failures (regarding product quality, e.g.) and more. But, the economists of the classical tradition were skeptical that the state could remedy market failure – they worried that government cures would be worse than market diseases. Clark is progressive in his faith that the state expert can, sometimes at least, ensure that remedies are better than the market disease.

But Clark is not progressive in other ways. He conspicuously delimits the role of the expert. Market failure remedy asks much less of the expert than does the potentially unlimited responsibility (and power) of statism and planning. As a partisan of competition, Clark rejects planning, with its endemic opposition to free exchange.

And Clark also conspicuously resists the anti-individualism of progressivism, and it is here that Clark is anti-elitist. All elitists believe in human hierarchy, the idea that some persons are better than others by virtue of their superior breeding, superior knowledge, superior talent, superior virtue, etc. Elitism maintains that the elite should govern their inferiors, on grounds that

the inferior represent a threat to themselves (paternalism) and to society more generally.

Anti-elitists rejoin in two ways. First, the anti-elitist says that human differences are not innate, but due to varying life circumstances. Thus, as Peart and Levy (2005) remind us, Adam Smith maintains that the differences between the humble street porter and the lofty philosopher are not inborn, and it is vanity on the part of the philosophy to pretend otherwise. Second, the anti-elitist says that, differences notwithstanding, all human beings are moral equals. “I may not be as smart as you are, or as hard working as you are, but I am as good as you are” (Hausman and McPherson 199x).

Clark was anti-elitist. He argued, at a time when it was deeply unfashionable, that the “Negro problem” was not a matter of black inferiority, but a matter of providing blacks economic and political rights.<sup>25</sup> “Part of the difficulty lies, probably, in the Negro’s psychology; but that is not so deeply rooted that it cannot be eradicated,” Clark argued. “It is not, at any rate, permanently in the blood.” “I expect in due time to see the Negro brought to the polls in a coach and four rather than see him repelled. I expect to see fullest suffrage given to him before, from mere education, he is ready for it . . . The vote of the Negro who owns his farm will be a terror to nobody. It will be a source of safety to the republic as a whole” (Clark 1891, 95).

The purpose of expertise, in Clark’s view, is not to give tuition to inferiors unable to make socially good decisions by virtue of their biological infirmities. For the anti-elitist, the problem does not reside in persons, still less in entire groups. The job of the expert is to rightly structure the social, legal and economic institutions that affect persons as moral equals.

## References

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<sup>25</sup> Contrast Clark with Frederick Hoffman’s (1896) monograph, published by the AEA, “Race Traits of the American Negro.” Hoffman, a member of the AALL’s Administrative Council offered virtuoso scientific racism. “The presence of the colored population is a serious hindrance to the economic progress of the white race,” and, Hoffman volunteered, the “white population . . . will not hesitate to make war upon those races who prove themselves useless factors in the progress of mankind” (1896: 328-329). Hoffman said of the inevitable decline he attributed to black America, “all the facts prove that a low standard of sexual morality is the main and underlying cause of the low and anti-social condition of the race at the present time” (ibid).

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