PROPHET OF PROSPERITY

Simon Patten, who led the Wharton School during the Progressive Era, was a pioneer of the economics of abundance, theorist of the second industrial revolution, and intellectual godfather of the New Deal. His descent into obscurity poses provocative questions about how the field has evolved.

By Trey Popp

One century ago this year, the Wharton School dismissed the most esteemed and innovative theoretical economist who had ever passed through its doors. Simon Patten, who was appointed Wharton's first professor of economics in 1888 and directed the school during its formative years from 1896 to 1912, was a public intellectual whose breadth and originality left many of his contemporaries grasping for words to describe his insights, which sometimes verged on the oracular.

Johannes Conrad, the eminent German political economist under whom Patten studied, was known to have said that he learned more from Patten than he had "ever learned from any one man." Patten's student Rexford Tugwell W1915 Gr1922 Hon'71, who helped shape the New Deal as a member of Franklin D. Roosevelt's original "Brain Trust," called him a "brilliant mind" whose "prophetic power" was demonstrated by a sprawling body of published work in which Patten foresaw such phenomena as the rise of economic federalism, the success of feminism, changes in consumption habits and a general rise in the standard of living, realignments of industrial and social control, and future programs of taxation. John Bates Clark, a pioneer of the marginalist revolution in economics (whose name graces one of the field's most prestigious awards), once remarked that Patten "anticipated all the later developments in economics." Patten is also credited with coining the term "social work," and became a thought leader in debates about the roles of philanthropy and civic action in elevating the poor.

"His thought," biographer Daniel Fox summarized in 1967, "connected the world of John Stuart Mill with the age of John Maynard Keynes, the psychology of the 18th century with the insight and challenge of Freudian psychoanalysis, and the politics of Lincoln's America and Bismarck's Germany with the politics of the New Deal and later periods." Writing the year after Patten's 1922 death, Tugwell noted the frequent prediction by his survivors that Patten's "reputation will grow with the years." Sixty years later, in his definitive 1982 history of the Wharton School, Steven A. Sass judged him "perhaps the greatest mind in the history of the institution."

ILLUSTRATION BY DOUGLAS JONES

Yet Patten today has fallen into almost total obscurity.

His books, long out of print, molder in remote storage at Penn Libraries' offsite facility. His name is absent from encyclopedias of economics. The analysis of political economy and industrial economics that distinguished both Patten and Wharton during his tenure has vanished not only from the classrooms of Huntsman Hall, but from Anglo-American economics writ large. And according to Richard Gelles, the former dean of the School of Social Policy and Practice: "As best as I can determine, most social workers today have no idea that a Wharton professor developed the term *social work*."

It is not much of a stretch to presume that Gelles's observation applies equally to the vast majority of present-day Wharton students and alumni. And therein lies a suggestion of what is so fascinating about Simon Patten, and why he is worthy of rediscovery—especially right now, when the United States is wrestling over the benefits and drawbacks of free trade, protectionism, and monopoly power more contentiously than in perhaps any era since Patten's own. For Patten's disappearance cannot be explained purely as a function of his accomplishments and failures as an economist. It is also a consequence of how the field itself has evolved over the past century—to a present that finds this nation and many others mired in disagreement about the legacy and future promise of laissez-faire, globalization, and other aspects of orthodox economic thought in our age of extremes.

PRODIGY OF THE PRAIRIE

Simon Patten was born in 1852 and reared on the northern Illinois prairie. His father, William, had acquired a parcel there under the Preemption Act of 1841, which permitted squatters to buy federal land at a discount. He transformed it into a farm where shorthorn cattle, hogs, and horses grazed amid fields of oats, corn, and

SIMON PATTEN

hay. William, like Simon's mother Betty, exemplified the American homesteader ideal. They were god-fearing Presbyterians who struck out westward and transformed what was widely (though erroneously) considered poor land into a cradle of abundance. William became a church elder and served in the state legislature, where he voted for Abraham Lincoln in the momentous Lincoln-Douglas 1958 senatorial race.

Stephen Douglas's narrow victory in that contest derived partly from what might be called the original "October surprise," when he received an eleventh-hour endorsement from John Crittendon, a former Kentucky governor, senator, and US attorney general who had joined the American "Know Nothing" Party. The electoral outcome was a last gasp for a fragile political alliance between slavery accommodators, free-traders, and anti-immigrant nativists. Two years later Lincoln defeated Douglas to win the presidency, on a Republican Party platform that opposed the expansion of slavery, advocated freedom of immigration and full citizenship rights for immigrants, demanded a free homestead policy, and called for protective tariffs in the service of industrial development and "secur[ing] to the working men liberal wages."

That ethos, fused with a staunch commitment to what would come to be called the Protestant Ethic, shaped Simon Patten's passage into adulthood—which came late enough for him to elude the carnage of the Civil War.

Exceeding six feet in height by his 14th birthday, Patten seems to have been destined to stand apart wherever he went. Tugwell described him as "overgrown and awkward, with enormous hands and feet which he was never certain how to dispose of": a country boy in the city, yet one who felt "alien among his people" in rural Illinois.

"Patten carried a high pressure, long unreleased, of idealistic steam," Tugwell reflected. "He longed to reconstruct the world, to liberate the oppressed, to carry the truth to the unenlightened—in short, to expend the unlimited intensities of his energy in the service of his fellow-men."

Such ambitions were incompatible with a life spent behind the plow. Yet the very notion that the world could be reconstructed was deeply enmeshed with Simon's upbringing on the farm. Patten "knew what it was to swing the scythe," Tugwell noted, but he came of age amid the dizzying spread of mechanical mowers, reapers, threshing machines, and other powerful multipliers of agricultural productivity.

"Working beside his father," observed Simon's biographer Daniel Fox, "he had learned that poor land could be made productive by hard work and the application of scientific techniques, that these techniques enabled poor land to increase in fertility more rapidly than rich land, [and] that fertility was a function of the variety of crops produced on a piece of land."

This knowledge, Patten would soon discover, ran contrary to some of the central premises of classical economic theory—and therefore posed a challenge to the free-trade orthodoxy that flowed from it.

THE GERMANOPHILE AND THE QUAKER

In 1876, after a year and a half at Northwestern University, Patten joined one of the first waves of collegiate Americans to seek a variety of intellectual enrichment abroad that had proved elusive at home. At the University of Halle in Germany he encountered Johannes Conrad, an influ-

Joseph Wharton demanded that the "fungus" of free trade economics be stamped out in the classrooms of his new school.

ential professor of political economy who challenged the dominant British school of classical economics and had begun to chart an alternative. Whereas David Ricardo and Thomas Malthus held up the concepts of diminishing returns and population growth as natural laws that condemned men to lives of scarcity and hardship, Conrad marshalled economic data to demonstrate that the long-term trend was in the other direction. Phenomena like birth control, crop diversification, technological advances, and the growth of world markets promised to propel mankind into an age of abundance. But only—as Patten would go on to argue—if developing countries, and especially the United States, unshackled themselves from British economic orthodoxy.

Back across the Atlantic, another man was thinking along the same lines. Joseph Wharton was a savvy Quaker who had parlayed his early training in chemistry into an industrial empire stretching from fertilizer and zinc oxide works to Bethlehem Steel. He believed that the development of American industry required jettisoning the free-trade theories that had lately taken root in England—and that justified American dependence on British manufacturing on the basis of Ricardian notions about economic efficiency and comparative advantage.

"The prestige universities like Harvard and Yale were all pro-trade," says economic historian Michael Hudson, a research professor of economics at the University of Missouri-Kansas City. "They were affiliated with the trading interests. And there really wasn't any manufacturing industry, apart from Pennsylvania, to push its own interests."

So Wharton, perceiving what he dubbed an "intellectual hiatus in the business life of the nation," endowed an entirely new kind of college at the University of Pennsylvania. The Wharton School of Finance and Economy would train a rising elite in "business management and civil government." He envisioned a new class of virtuous administrators with explicitly civic-minded values. Whether they chose to "serve the community … in offices of trust" or manage private enterprises according to "sound financial morality," they would focus on solving "the social problems incident to our civilization."

JOSEPH WHARTON

Aside from those generalities, the industrialist had a specific pedagogical demand: that the "fungus" of free trade economics be stamped out in the classrooms of the new school. "No apologetic or merely defensive style of instruction must be tolerated upon this point," he admonished the trustees in 1881, "but the right and duty of national self-protection must be firmly asserted and demonstrated."

"Essentially," says Hudson, "the Wharton School was the think tank for American industrialization. … [Its founder] was saying: Look, if we're going to industrialize, we need a whole theory of how to get a trade policy and a government infrastructure policy to support industry."

Where could faculty be found to develop and teach such a corpus? Among the bright Americans who had trained in Germany. One of the first and most consequential hires was Edmund James, who had studied at Halle alongside Patten and quickly, according to Sass, "established himself in the image of a German professor," introducing the first research seminar in the University's history, titled the "Seminary for Political and Economic Science." Soon a disproportionate number of faculty had the University of Halle on their résumés.

After returning to Illinois Patten wrote a volume titled *The Premises of Political Economy*, which won him a faculty appointment in 1888, as a professor of political economy.

It did not take long for Patten to prove his value to Wharton as "the only leading academic economist to defend the doctrine of protection," as Sass recounted. Patten's next major work, *The Economic Basis of Protection* (1890), "gave the policy perhaps its most sophisticated and interesting theoretical defense" to date and "immediately established Patten as the nation's leading academic champion of the tariff."

THE GREAT BRAIN OF PROTECTIONISM

Patten's case for protectionism was, in reality, subsidiary to the two great objectives that shaped his life. The first was his fixation on eliminating impediments to an age of abundance. Yet the teetotaling Presbyterian grappled just as vigorously with anxiety about what such an age might bring: "He refused to discard the nagging fear," as Fox put it, "that unrestrained abundance might turn potential paradise into actual hell."

Throughout history, the hell best known to man was patrolled by scarcity, insecurity, and the constant mortal threat posed by nature's capriciousness. "All civilizations before the 19th century," Patten declared, "like the primitive societies of the Western world to-day and the backward despotisms of the East, were realms of pain and deficit." With the dawn of the Steam Age, however, came the potential for economies based on pleasure and plenty. In fact, the age of surplus was already dawning—but people had not yet awakened to this momentous fact.

Patten was "almost alone," Fox noted, "in his effort to replace the assumption of scarcity with an assumption of potential abundance." Malthusian pessimism so permeated economic thought that the discipline had become known as "the dismal science."

For Ricardo, the way to make the best of mankind's bad situation was to follow the dictates of "comparative advantage," perhaps the most seminal of his many contributions to the field. Its thrust was that a country should focus resources only on those economic activities where it had the biggest competitive advantage over others. Ricardo argued that even profitable industries should be jettisoned in favor of still-more-profitable ones, reasoning that the outsized gains of the latter would provide a maximal fund with which to purchase products of the former. It therefore followed that unfettered international trade always benefited all parties.

In his classic example, Ricardo contended that Portugal should import cloth from England even if Portuguese producers could produce it with less labor—because Portuguese wine could be produced with less labor still. Portugal would thereby "obtain more cloth from England, than she could produce by diverting a portion of her capital from the cultivation of vines to the manufacture of cloth."

Patten rejected this as a recipe for stultification, monopolism, and agricultural ruin. Like the Germans, Patten rejected the universality of the alleged "natural laws" of economics, arguing that historical contingencies and institutional characteristics caused different economies to function in different ways. Comparative advantage might work among technologically static economies, but it undermined economic dynamism. In a dynamic economy—such as America's—progress came in different sectors at different times, and bursts of productivity in one field might beget improvements in another only after a delay. Free trade between an industrialized nation and a largely agricultural one was especially pernicious, for it condemned the latter to specialize in an area of comparative advantage it might do better to outgrow.

"Cuba would be more prosperous if she were less fertile for sugar, for then Spanish misrule would not be possible," Patten declared, articulating what a century later would be dubbed the *resource curse*. "Coffee hasn't made Brazil or Java rich. If a blight upon the grape-vine should force the people of Portugal to use their land for a [wider] variety of uses, the loss of relative advantage in grape cultivation would be a national gain."

Patten viewed comparative advantage as a formula for destructive monocrop agriculture, because land could only achieve its maximal value when devoted to whatever single crop it produced most efficiently. International trade further narrowed the spectrum of cash crops to those most amenable to long-distance shipping. Ricardo rooted his theory of rent on the assumption that soil had "original and indestructible powers." Patten, having internalized the necessity of crop rotation and diversity to sustain fertility, knew better. In the United States, cotton plantations had exhausted soil fertility through broad swathes of the American South—whose enduring status as an industrial laggard and a bastion of extreme inequality was no coincidence.

A developing economy that yoked its fortunes to unfettered trade was thus likely to hamstring its own development. Patten was by no means the first to make this case. Alexander Hamilton had articulated it a century before. And in fact, the dominance of British classical free-trade theory served to obscure history's best example of protectionist growth: England itself.

The German economist "Friedrich List had railed on about exactly this point in the 1840s," observed James Fallows in a 1993 *Atlantic* article about that pioneer of protectionist national economics (and his pertinence to the "industrial miracles" of Japan and South Korea). "The British were just beginning to preach free-trade theory in earnest. They abolished the famous Corn Laws in 1846, exposing their inefficient domestic farmers to competition from overseas. Yet over the previous 150 years England had strong-armed its way to prosperity by violating every rule of free trade."

What distinguished Patten's argument was the "economic vocabulary" he had learned in Germany, says Hudson, who wrote a book about American protectionists between 1815 and 1914. "He was able to take the protectionist technology impulses and political impulses and explain them in economic terminology," Hudson says. "He always emphasized agriculture as well as industry … And he outlined the logic of protectionism, which was the exact same logic that America used to build up its industry and to become the richest country in the world."

Patten's case championed labor as well as industry. "The prominent injury of free-trade," he wrote, "arises from its tendency to force the labor of each nation into a few industries." Constrained from entering a broader range of occupations, workers were not only at the mercy of monopoly employers, but prevented from developing the "latent qualities" that would be drawn out by diversification. The specialization inherent in comparative-advantage trade might drive down the cost of production, but that cheapness carried a high price. Countries that failed to develop diverse industries lost out on new skills and technologies that could make existing enterprises even more productive. Consumers might have to pay higher prices, for a time, to support fledgling industries protected from competition. But the maturation of those industries would pay dividends to a progressively larger number of citizens—laborers and capitalists alike.

"A nation which relies solely on a few industries," Patten concluded, "can sell cheaply, but its laborers have so little productive power that they cannot buy much even of what is cheap. Free-trade may

“The new morality does not consist of saving, but in expanding consumption,” Patten declared, decades before Keynes and Galbraith.

reduce the price of some commodities, but it reduces productive power so much more rapidly that the people suffer from it.”

This and other strains of protectionist logic prevailed in 19th-century America. The tariffs instituted in 1861 became the basis of a protectionist period that lasted until 1913, with one major reversion between the world wars. The 1890 McKinley Tariff, signed into law the year of Patten’s *Economic Basis of Protection*, raised the average duty on imports to nearly 50 percent. Similar bills were enacted in 1897 and 1909.

The high duties on steel were a rich bounty for Joseph Wharton during the expansion of American railroads. In his definitive 1909 survey of 19th-century tariff policy, Harvard free-trade economist F.W. Taussig demonstrated that duties nearly doubling the price of British steel rails enabled American steelmakers to “obtain exceedingly high prices” for their own. These costs were borne by railroads, and ultimately their customers. Yet Taussig allowed that the “enormous profits” were funneled “very largely into establishments for making more steel,” creating the virtuous cycle of capital reinvestment and productivity improvements advocated by Patten. By 1897, these drove the cost of American steel below that of English. In ensuing decades, US steelmakers became exporters to England, and a major supplier to the Allies during World War I.

“Protectionists do not desire to destroy foreign trade,” Patten insisted. The problem was that free-traders put the cart before the horse. “Foreign trade is the effect, not the cause, of national prosperity, and protection increases foreign trade by increasing national prosperity.

“As the people become more prosperous their wants become more varied; and, through the greater variety in their wants, they will seek not only in their own country but also in foreign countries for those commodities which will satisfy their new wants,” he added. “Whatever broadens consumption, therefore, has as a result an increase of foreign trade” in articles not subject to tariffs. “The effect of the increased prosperity coming from the tariff will cause each nation to demand so great a variety of articles that many of them cannot be found at home.”

CIVIC SHOPPING AND SOCIAL JUSTICE

Increasing the variety of consumer demand was a central preoccupation for Patten. As a champion of consumer sovereignty decades before that term was coined, he assigned a critical economic role to the buying power of ordinary men and women. Their spending habits, he contended, could unlock the floodgates of abundance. The trick was nudging those habits in the direction of ever-expanding diversity.

Partly, he framed this as another way to limit the depredations of monocropping and monopoly. Men who ate the same staple foods every meal, he reasoned, intensified the market power of those who supplied them. Adopting alternatives—fish, spinach, and bananas instead of constant meat and wheat—would lower the overall demand for any single one of them, thereby increasing everyone’s purchasing power.

The emergence of nutritional science, and its consensus on the health benefits of a diverse diet, reinforced Patten’s line of reasoning. (In a stunning glimpse of the future that must have struck his late 19th-century peers as preposterous, Patten actually contended that “overnutrition” would supplant hunger as the biggest threat to human health. He predicted that this scourge would ultimately be corrected by a process of Darwinian winnowing. That it would instead manifest as a vast complex of dialysis machines, chronic heart disease management, and obesity-related medical care costing an estimated $147 billion per year was unimaginable before the advent of modern medicine.)

But Patten’s program did not stop at the dinner table. He celebrated virtually any product (excluding alcohol) that could tempt people to spend—and therefore motivate them to work and earn. From canned tomatoes to the “cheap magician of vaudeville,” every purchase had its role in the feedback loop of industrial advancement—right down to the “tawdry, unmeaning, and useless objects” that crowded a working-man’s home.

The prophet of abundance called for nothing less than a “new morality.” In a series of public lectures that became his most popular publishing success, *The New Basis of Civilization*, Patten lamented that “the principle of sacrifice continues to be exalted by moralists at the very time” when the “primeval” conditions that necessitated sacrifice were receding amid “the appearance of a land of unmeasured resources with a hoard of mobilized wealth.”

“The economic revolution is here,” he declared, summoning the free-flowing evangelical fervor of a modern-day TED talk, “but the intellectual revolution that will rouse men to its stupendous meaning has not done its work.

“The new morality does not consist of saving, but in expanding consumption; not in draining men of their energy, but in storing up a surplus in the weak and young; not in the process of hardening, but in extending the period of recreation and leisure; not in the thought of the future, but in the utilization and expansion of the present.”

One can imagine the scene at Philadelphia’s Spring Garden Unitarian Church in 1913, where Patten declared: “I tell my students to spend all that they have and borrow more and spend that. It is foolish for persons to scrimp and save. It is argued that they are endeavoring to put something aside for a rainy day for old age. But it is not the individual’s place to do this. It is the community’s.” He urged working women to splurge on "clothing that takes nearly all of her earnings to buy."

This sacrilege won derisive catcalls from his audience, who were not yet ready to embrace a philosophy John Maynard Keynes would later articulate in his 1931 remark that "whenever you save five shillings, you put a man out of work for a day."

Yet Patten's students appear to have listened, or at any rate he had tapped into their emerging mindset. "At Penn [in the 1920s], the average young woman added to her collection annually 7 dresses, 5 sweaters, 3 skirts, 3 hats, 4 pair of shoes, 3 purses, 25 items of hosiery and 12 pieces of lingerie," reports Frank Trentmann in his magisterial *Empire of Things: How We Became a World of Consumers, From the 15th Century to the 21st*. "That was a lot of clothes at a time when two dress shirts and three ties were considered a 'fair' standard for an adult man, with one skirt and nine plain cotton stockings for his wife."

Patten was a paradoxical spokesman for consumerist indulgence. Tugwell describes him as leading a "monk's existence" devoted entirely to the life of the mind. But he persuaded himself that indulgence would eventually lead to restraint, as people's appetites graduated from the tawdry to the refined. "The worker steadily and cheerfully chooses the deprivations of this week in order to secure the gratifications of a coming holiday. From this motive the virtue, abstinence, at length emerges." Occasional crises of faith dogged him—and the prospects for triumphant abstinence remain unclear in the age of *Pawn Stars* and the $1,300 Bugaboo baby stroller. But he insistently declared, "We lack … keen present interests, not solemn warnings of future woes; courage to live joyous lives, not remorse, sacrifice, and renunciation. The morality of restraint comes later than the morality of activity; for men need restraint only after poverty disappears."

He championed consumerism but attacked wealth inequality for its worst excesses. "Greed," he maintained, "is not a personal trait, but is the outcome of a defective social organization permitting wealth and want to exist side by side. Greed flowers in an aristocracy and in regions under autocratic control. In a democracy its force is weakened, and its power would be broken if a state of comfort were attained by all."

He criticized charity work for attacking the symptoms rather than the causes of poverty, and called for a new program of "social work" to replace it. A patchwork of private philanthropies—especially those that chalked up poverty to an individual's moral failings or inability to adjust to society—would merely "alleviate suffering which might have been prevented" with coordinated state action. "The need of the poor is not for advice but for a better environment" fostered via legislation providing for regular employment, a minimum wage, efficient schools, the prohibition of child labor, and public health.

His ideas, which might today earn him the epithet *social justice warrior*, represent one side of an enduring debate within the discipline. "We must go beyond the tests of personality and family" upon which self-appointed Samaritans conditioned the bestowal of "betterment and relief," he argued, urging a "transference of interest from the history and lives of the poor to their environment, their food, and their work." (Patten's emphasis on environmental conditions was accompanied by a rejection of hereditary determinism; he was one of the few Progressive intellectuals to reject eugenics as a tool for resolving social problems.)

And it was a "primary task of education" to arouse the "working poor" to partake of the same "parks, theatres, 'Coney Islands,' [and] department stores" as their better-off citizens. For as a member of society, the "poverty man" was entitled to enjoy its economic surplus too. "He is the pioneer who opens a country, and like Moses, dies without entering in," Patten preached. "He is the woodsman, the miner, the quarryman, the dealer in raw materials, and barehanded wrestler with nature … the maker of permanent improvements."

PROGRESS AND PARASITES

Patten departed in other ways from the British classicists. Notably, he viewed competition between firms as a destroyer rather than an enforcer of value. Citing data indicating that retail prices were rising even as wholesale prices fell, he blamed the cut and thrust of the marketplace. Its costs—advertising, inflated retail rents for prime locations, redundant middlemen whose "useless duplication of stock, wagons and drivers" led to the wasteful spectacle of "a dozen milk wagons driv[ing] by each door every morning"—ultimately came out of consumers' pockets, he argued. (He showed less concern for the growing ranks of people who drew their own daily bread from such work.)

It will come as no surprise that Joseph Wharton also decried "excess competition," and that he had colluded with other industrialists to fix prices and control access to technologies. Here, however, Patten was something other than a shill for his school's patron. Because one thing he shared with the British economists was their abhorrence of economic rent.

Rent, in economic parlance, is something different than the monthly cost of an apartment. It can be thought of as any payment exceeding what is required to obtain the products of human exertion (i.e. labor, or capital goods such as buildings and machinery). Rent often derives from a positional advantage. Imagine, for example, two retail storefronts that are identical in all respects but one: the first faces Manhattan's Union Square subway station, and the second is in the South Bronx. The difference in their lease rates—in this case deriving substantially from the former's proximity to a major public transit hub and municipal park—is an example of economic rent. The regulatory landscape can be as important as the geographical one. Turing Pharmaceuticals CEO Martin Shkreli became a poster boy for (entirely legal) rent-seeking when he raised the US price of a 62-year-old lifesaving drug from

"In the history of American attacks on poverty, Patten, as a theoretician, stands halfway between Andrew Carnegie and Saul Alinsky."

$13.50 to $750 per pill, which sold for less than a dollar in the United Kingdom. Rent-extraction is a common feature of monopoly power. Monopoly broadband providers, for instance, charge New Yorkers and San Franciscans roughly double what Londoners and Parisians pay a broader range of competing firms.

For the British economists, rent was inextricable from the system of entail. This feudal legacy of the Norman conquest stipulated that land (which was originally granted by the monarch) could only be passed from a grantee to his heirs—which meant that neither had the right to sell it. Adam Smith criticized entail for preventing enterprising free men from acquiring property, thereby "obstruct[ing] improvement, and thereby hurt[ing] in the long-run the real interest of the landlord." Ricardo argued that much of the value created by capital and labor was effectively sponged up by landlords, who profited not from productive economic activity but by dint of their legal title to land, from which they derived unearned income. Of the three economic classes—representing his three factors of production—Ricardo considered capitalists and workers superior to landlords, whom he regarded as parasites.

The best-known opponent of the *rentier* class among American economists was Henry George, who believed the economic value derived from land should accrue equally to all members of society, and hence proposed a land-value tax to transform that wealth into a public resource. Yet Patten thought this insufficient. For one thing, land ownership in America, where the Free Soil movement had triumphed, was more egalitarian than in England (at least at the smallholding level). And that served to amplify the power of other rentiers, from railroads to coal barons.

Patten and his Wharton contemporaries lived during the dramatic rise of the corporation as a commercial force. "They were certainly aware of the meaning of supply and demand," says economic historian Walter Licht, the Walter H. Annenberg Professor of History. But it was self-evident to them that "markets are not just individually, atomistically negotiating what a price will be on the basis of supply and demand … They were watching corporate institutions beginning not to react to markets, but *create* markets, *shape* markets, *control* markets." He adds, "And there are all sorts of rentier classes that can take advantage of whatever controls they have on supply."

"The whole fight of classical economics," Hudson says, "was a fight by the industrial forces against landlords, the remnants of feudalism. In America, Patten said: Well, we have not only the landlords getting a free-lunch rent, but [other] monopolists are getting this rent, and also the banks are getting this rent. And if we want to avoid this kind of rent, then we're going to have to either tax it away, as Henry George said, or nationalize the land and utilities and the railroads, and the government will provide natural monopolies."

Patten was not a utopian. "Unlike Karl Marx," Fox noted, "he refused to credit the creation of surplus value to a single factor of production"—i.e. labor. He believed capitalists deserved the profits they earned, and "agreed with the marginalists that value was created by the demands of consumers rather than by the amount of labor embodied in goods. To him the surplus was what a society retained after the costs of production, including labor and a return on capital, were paid." The state shouldn't burden capitalists and laborers with taxes, Patten argued. It should focus on the surplus, taxing the portion siphoned off by rentiers to "bring a greater equality among the members of society."

This was not, however, to be a matter of direct redistribution—the stern Presbyterian had a modern conservative's abhorrence of handouts. He instead wanted the government to provide universal public goods: a "well-organized system of public education, public parks, cheap, yet elevating places of amusement, good public roads in the country, and an efficient system of drainage and sanitation in the cities."

Such expenditures would raise industrial productivity and the general standard of living in the same stroke. "The test of a good tax is that it creates more wealth than it destroys," he posited in *The Theory of Dynamic Economics*. "If the courts, post office, parks, gas and water works, street, river and harbor improvements, and other public works do not increase the prosperity of society they should not be conducted by the State." Patten argued that not only were such public investments prudent, they amounted to an additional factor of production, along with capital, labor, and land. They "improve the health and intelligence of all classes of producers and thus enable them to produce more cheaply, and to compete more successfully in other markets."

The shrewd path Patten charted—eschewing both class politics and full-blown state socialism—led Fox to remark: "In the history of American attacks on poverty, Patten, as a theoretician, stands halfway between Andrew Carnegie and Saul Alinsky."

The problem was that as time wore on, the vested interests at Wharton—and in America—became less and less tolerant of any departure from the likes of Carnegie.

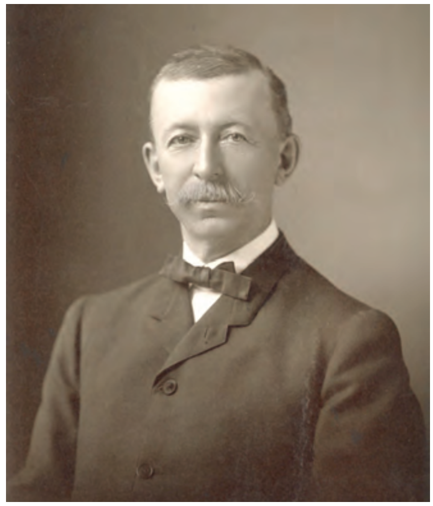
WHARTON PROFS VS. THE GILDED-AGE TYCOONS

Patten presided over explosive growth at Wharton. When he arrived in 1888, the school had 40 students and a faculty of five. After two decades of his administrative and academic leadership, 40 faculty members taught some 625 students. In 1899, Wharton announced a two-year course in social work, which Sass calls "in all probability the first formal university program in the United States." Patten pioneered the PhD program in economics, building an academic reputation that soon began attracting top-drawer doctoral candidates on a national scale. Popularly known as "Patten's men," these graduate students in turn established Wharton as a locus of Progressive Era civic activism, mounting investigations to expose rate-gouging at utility companies, industrial child labor, and municipal privatization boondoggles. Drawing upon Joseph Wharton's explicitly public-spirited morality, Patten urged economists to be "on the firing line of civilization," and his students responded.

The school's trustees recoiled. Sass described an emblematic episode around the turn of the century, when Philadelphia's establishment maneuvered to privatize the city's mismanaged municipal gas works against the recommendation of Leo S. Rowe W1890, a Wharton professor of municipal government who had undertaken a comprehensive analysis. Using "less than honorable means," as Sass put it, the city's business interests rammed through City Council a lucrative 30-year lease to a company whose stock soon ended up in their portfolios. When, in 1905, the company and its political allies attempted to sweeten the terms of their rent-extracting deal further, a "political bloodbath ensued."

The city Republican machine, with the police in its corner, tried to oust its own mayor, John Weaver, who had come out against the deal. "The Penn student body, many of whose parents supported [the company] and the Republicans, valiantly rushed to the aid of the mayor," Sass recounted. On the next election day they "formed mobile squads with flags and cameras to guard the polling places. With beefy Penn wrestlers and football players prominently displayed, these squads faced down the city police, who were intent on coercing the voters to back the machine."

Patten's influence on such events was mainly intellectual. Tugwell diagnosed



EDGAR FAHS SMITH

his cherished professor as lacking the "social sense of the kind that leaders must have. He did not draw groups of men to him; he drew individuals." Yet "all his life," Tugwell added, "men who would be called important came to him for wisdom and he found in himself an inexhaustible store."

Patten's students, some of whom credited him with an impact far outlasting their college years, included *The New Republic* co-founder Walter Weyl W1892 Gr1897; William Draper Lewis L1891 Gr1891, an advisor to Theodore Roosevelt (and the first full-time dean of Penn Law); Frances Perkins, the first woman Cabinet member, under Franklin Roosevelt, and longest-serving US Secretary of Labor in history; and social work pioneer Edward Devine Gr1893, a longtime leader of the New York Charity Organization society (for which Patten recommended him) who is believed to have been the first to use the term "case work."

Crisis was coming for their beloved professor.

The turn of the 20th century saw an unprecedented concentration of corporate power, and with it, abuse. The theorist who had tried to elevate citizen-consumer solidarity above class politics must have regarded the stubbornly persistent spectacle of eight-year-old mine laborers and police violence against industrial workers with despair. The fact was that protectionism alone had not mitigated monopoly power, and the behavior of individual consumers had only ushered in an era of abundance for a small, wealthy minority.

These disappointments were compounded by the calamity of the First World War. The war "shattered Patten's hope that men would gradually and peacefully adjust to the age of abundance," Fox observed. "Prosperity seemed to provoke national ambition and a desire for conquest rather than lead to altruism and restrained emotion." Germany's role in the conflict also augured professional trouble. Patten was a pacifist who despised that country's militarism as much as he admired its culture and dynamism, but such distinctions were easily smeared in wartime America.

Patten did not lose his conviction that a broad-based abundance economy could be realized, but came to believe that only an activist government could bring it about. He called for price controls, an immediate 50 percent increase in wages, an 8-hour day and 40-hour week, equal pay for men and women, regulation of working conditions, and social insurance. He advocated a "national board of industrial control … with powers similar to the Interstate Commerce Commission." As Fox observed, much of this foreshadowed the National Recovery Administration and other elements of the New Deal.

Such advocacy was beginning to wear out its welcome at the University, which, "in pursuit of new benefactions," in Sass's telling, "added as trustees men whose affairs lay in the direct line of fire of Wharton's progressive reformers." A new provost, Edgar Fahs Smith, set a new tone. This "intimate of the city's notorious Republican machine" was said to have asked three Wharton professors: "Gentlemen, what business have academic people to be meddling in political questions? Suppose, for illustration, that I, as a chemist, should discover that some big slaughtering company was putting formalin in its sausage; now surely that would be none of my business."

Events came to a head with the case of professor Scott Nearing C1906 Gr1909, a

> **"The Wharton School hired Patten to essentially provide the theory that made America rich before. And this kind of theory cannot get a hearing in polite academic circles today."**

child-labor activist and Patten ally whose radical extension of his mentor's economic thinking toward state socialism ruffled 10 feathers too many. Smith fired Nearing in 1915, setting off "the worst moral and public-relations crisis of the University's history" ["An Affair to Remember," Mar|Apr 2002]. Nearing became a patron saint of academic free speech and tenure protection. But Patten's days were numbered. When he reached the age of retirement in 1917, the trustees broke with custom and declined to extend his tenure—even as they extended that of one of his colleagues. Faculty protested his ouster to no avail.

"For Patten it must have been the scene of a great tragedy," Sass wrote. "His Wharton School lay crushed by … the exploiters of child labor and the masters of monopoly … The great task that Patten had assigned for contemporary American civilization—to integrate the German principle of organization with the Anglo-Saxon tradition of democracy—lay defeated not only at Penn but in the great slaughterhouse of World War I."

He passed the final five years of his life in loneliness and shabby accommodations. He died without witnessing the impact some of his ideas and students had on the New Deal, which ushered in a heyday of anti-monopoly fervor, labor support and protection, and massive public works construction. The US's commitment to the latter—a constant lodestar in Patten's program for economic dynamism and competitiveness—culminated in the Interstate Highway System begun under Dwight Eisenhower. Patten's triumph, if it can be called one, was that these developments coincided with what modern political scientists call the "Great Compression," which featured massive economic expansion alongside a dramatic shrinkage of the gap between rich and poor Americans. (It also coincided with trade liberalization. Newly dominant in the wake of World War II's European devastation, the United States adopted free trade with much the same vigor—and effectiveness—as imperial Britain had done the previous century.)

Whatever the causes of this prosperity, by 1958, as Fox notes, John Kenneth Galbraith's bestselling *The Affluent Society* was refocusing "public attention on the concepts and rhetoric pioneered by Simon Patten."

ELEGY FOR AN EXILED THEORIST

But the pioneer, buried beneath the Illinois sod, was well on the way to obscurity. His contributions to academic economics had been eclipsed, notably by his contemporary John Bates Clark. Clark is said to have quipped that Patten anticipated all the later developments in economics—but worked none of them through. This is perhaps a harsh assessment of someone who published more than 20 books and 150 articles—though Patten's failure to synthesize all his ideas into a single volume, along with his shortcomings as a writer, is undoubtedly one reason his reputation has faded. But harsher still was the way Clark worked out the economic problems Patten had grappled with.

If Patten identified four factors of production where Ricardo had focused on three, Clark reduced these to two: labor and capital, collapsing the classical distinction between the *produced means of production* and *land*. Thus landlords and other rentiers were reclassified as capitalists, just ones who invested in land and raw assets rather than machinery, and thereby earned "the increments of value attaching to land." (Clark had a blank-slate view of land ownership. Though his analysis explicitly excluded "land obtained by force or fraud," he waved away the appropriation of Native Americans' land as an "injustice" without a remedy.) What had previously been considered unearned income was thereby redefined as earned income—meaning there was really no rentier class at all.

In the 1920s, Wharton appointed a new dean who reflected this shift. Emory Johnson, a railroad economist, signaled that concerns about the "distribution of wealth" that had stirred Patten's generation of faculty would be put aside in favor of pedagogy aimed at "facilitating the production of wealth." In the mid-20th century, neoliberal economists like Friedrich Hayek and Milton Friedman further deemphasized the social and institutional forces that had been important to Patten's generation (and many of their British forebears).

"Hayek and Friedman in some ways reinvent Adam Smith as this pure and simple guru of the beneficent workings of the marketplace," Licht says, remarking that "you could read Adam Smith's volumes and find a completely different kind of Adam Smith." The idea of "natural," self-governing markets, combined with the development of computer modeling, has transformed economics into an increasingly abstract and mathematical discipline from which social and institutional factors are remote.

The state of the discipline has been a boon to rent-seekers, particularly in countries and cities that have transformed public infrastructure and services into private monopolies. The dynamic that drove Philadelphia's gas controversy a century ago is evident today in realms ranging from Chicago's parking meters (leased for 75 years to a Morgan Stanley consortium), to private security contractors in Iraq, to water systems in towns like Coatesville, Pennsylvania, where rates roughly tripled after the municipal asset became a private monopoly. Congressional Budget Office data indicate that federal spending directed to private contractors nearly doubled between 2000 and 2012, to $500 billion, accounting for 14 percent of the federal budget (and nearly half of discretionary spending). State and local governments are estimated to bring that outsourced total to about $1 trillion.

"What Patten said was that infrastructure is a capital investment," Hudson says. "The aim is not to make a profit. The productivity of infrastructure is to be measured by how it lowers the cost of doing business and the cost of living for the population at large … so that industrial employers are not going to have to pay workers enough to pay for privatized basic services. And if you privatize these basic services, then you're going to have to pay labor a much higher wage, and you're going to price American labor out of the market."

Hudson contends that this is what happened in Margaret Thatcher's England—and increasingly in America, which is pursuing "the Thatcherite model of very heavy costs for housing, heavy costs for education, heavy costs for bank credit," and heavy costs for healthcare. He calls it a "toll booth economy," where burgeoning opportunities for rent-extraction "divert spending away from tangible capital investment and real output," exacerbating wealth inequality and hollowing out the middle class.

Germany and some Scandinavian nations stand out as counterexamples, with robust subsidization of infrastructure, education (including tuition-free college), and healthcare.

But Patten has not been forgotten everywhere. "Who reads Patten now? The Chinese," Hudson says, noting the translation of his book about Patten and other 19th-century protectionists by Renmin University Press. "China is following the American protectionist model of the 19th century most efficiently—and they're quite conscious of that." He argues that Wharton's first economics professor merits consideration in some of the debates now playing out in America as well.

"There's an intuition in most people that yes, of course we need infrastructure spending. How are we going to do it? Of course we need to protect industry. How are we going to do it? You have the impulse without the theory. The Wharton School hired Patten to essentially provide the theory that made America rich before. And this kind of theory cannot get a hearing in polite academic circles today."

Laying aside the particular merits and shortcomings of Patten's intellectual corpus, there is a growing chorus urging the expansion of Anglo-American economic discourse. It is evident in ambitious academic tomes like Thomas Piketty's *Capital in the 21st Century* and popular books like James Kwak's *Economism: Bad Economics and the Rise of Inequality*. It showed in the 2016 presidential campaign, which re-injected trade protectionism into the national political conversation. And it is apparent in rising fears about rent-extraction and monopoly power, which may be on the verge of shaking up policy debates in ways that Patten might have found familiar.

"A lot of inequality in the US," said Nobel laureate economist Angus Deaton earlier this year, "comes from rent seeking. It comes from firms and industry seeking special protection or special favors from the government." He contends that rent-seeking has become so pervasive that taxation alone is no match for it. "I don't think that rent-seeking, which is incredibly profitable, is very sensitive to taxes," he said in a panel discussion at the annual Allied Social Sciences Associations meeting in Chicago. "People should deal with rent-seeking by stopping rent-seeking, not by taxing the rich."

Joseph Stiglitz, another Nobel laureate on the panel, countered that taxes have a role in reducing inequality, but he concurred on the importance of reining in rent-extraction. "In all areas of economics, the rules of the game are critical—that is emphasized by the fact that similar economies exhibit markedly different patterns of distribution, market income, and after-tax-and-transfers income," he said. "This is especially so in an innovation economy, because innovation gives rise to rents—both from IPR [intellectual property rights] and monopoly power. Who receives those rents is a matter of policy, and changes in the IPR regime have led to greater rents without having any effects on the pace of innovation."

Together with the remarks of three other Nobel laureates on the panel—whose concerns ranged from campaign-finance rules to the possible revival of 1930s-style corporatism—such comments suggest a growing interest in political economy among the field's leaders.

"We've always had inequality," Licht says. "But now it's extreme beyond anything that we've ever had in American history. That has forced people to think that there's something else besides markets at work here … How can a small percentage claim a great percentage of the wealth creation? Markets should be driving *down* their hold on wealth, and they're not … So people are looking for some kind of different explanation."

So a fitting end to this consideration of Simon Patten—who was brought to Wharton to expand the country's economic discourse—is his student Rex Tugwell's elegiac description of the man as what he, above all else, was: a teacher.

"If education is the process of immersing students in intellectual quandaries and then helping them out, he was a very successful teacher indeed," Tugwell recalled. "Invariably … he first raised the difficulties into consciousness, turning them over and over, then swooped down upon them as though he would crush out of them the very juice of truth in his great bony hands. When he finished there was no difficulty: simply a light shining luminously upon the place where it had been.

"Often there were objections to his solutions," Tugwell wrote. "Sometimes others were presented. Always the hours passed like moments and the discussions ran on and on overflowing into pitched verbal battles in corridors and on pavements long after he had gone his way, silent, bent, plodding, up Locust Street in West Philadelphia."