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Patten: A Study in Intellectual Dishonesty

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Simon Nelson Patten's[1] critique of Henry George almost perfectly epitomizes the main developments in American economics at the turn of the century. The period was the one in which American economics, particularly as presented in academic institutions, became an increasingly specialized discipline. Up until about 1870 or 1880, American economics was written and taught by men who were almost always either self-taught or trained in other fields, such as law, political science, and philosophy. After about 1880, professors tended to have advanced degrees in economics and tended to concentrate their teaching efforts in economics, although the specialization was often incomplete. In this regard, George seems to be a particularly good example of the self-educated "layman" economists whose era was fading away. But, as Warren J. Samuels has correctly noted, "[George] clearly had mastered economics as it stood in the 1870s, that is, principally, classical economics."[2] Patten, in contrast, is illustrative of the newer generation of those with formal, advanced training in the subject. Patten did his advanced study in Europe for the simple reason that American universities did not have recognized graduate programs in economics at that time. Moreover, this was the period in which American economics "came of age," in the sense that there were sufficiently large numbers of economists to justify, or even make necessary, the formation of professional associations. Patten, along with John Bates Clark (see the separate essay on him in this volume), was instrumental in founding the American Economic Association and each of them served as its president. Finally, this was a period during which economists in many parts of the world made devastating critiques of classical political economy.

Further, George and Patten are of interest since each criticized classicism from a different viewpoint. George's writing is best viewed as an attempt to correct the flaws of classical political economy and to resuscitate it. Patten's critique was, in no small part, a criticism not

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only of classical political economy itself but also of George's critique/resuscitation of it. Patten rejected the orthodox classical view that events—such as the population growth that led to rent increases, as predicted by Ricardo—were beyond man's control.[3] Further, Patten advocated far too much governmental intervention in the economy to be an orthodox political economist. Moreover, classical political economy did lead to pessimistic conclusions about the fate of humanity. Classicism was, after all, called "the dismal science." Patten was far too optimistic to accept the classical premises and/or conclusions. Then, too, this was a period in which the very name of the subject changed from (classical) political economy to (neoclassical) economics.[4] Patten was generally a neoclassical economist. George, in contrast, always viewed himself as a classical political economist, in the vein of Adam Smith. He always viewed economics as a bastardization of the true science, political economy, and he always used the word "economics" in a pejorative sense.[5]

In sum, each of the writers wrote on most of the major topics of concern at turn of the century. It is not too much to say that George's and Patten's writings helped make some of these issues major topics of concern. It is also not too much to say that many of Patten's writings were direct reactions to the ideas of George.

Static vs. Dynamic Analysis

One major area on which the two wrote and differed was the kind of analysis that could be, or had to be, performed. Specifically, they had different ideas about the time period of analysis—about the changes that could occur in the time period considered.

Patten's economics was primarily dynamic with progress as the primary characteristic. For example, he never assumed that the state of the art of production or the level of technological sophistication was constant. He also believed that all living organisms, human institutions, and societies tend to evolve continuously. Patten argued that once any environment becomes occupied by organisms having an appetite for food, a struggle tends to begin as each individual tries to appropriate, sometimes using physical force, a part of the region. Eventually, however, people realize that the food furnished by nature is only a small part of the total amount that can be produced. Patten believed that attention would then turn away from aggressiveness to cooperation in an attempt to increase the total food supply. That, however, led to the introduction of new moral codes, which imposed sanctions upon those who undertook the very actions that were once the primary actions needed to survive. Patten believed that, under the moral codes, the ultimate aim was to increase *the group's* ability to maximize pleasure and minimize pain. Those who were too weak or too lazy to work would not survive in the new competitive struggle to aid the group of producers. Further, Patten argued that those who continue their aggressive actions designed to monopolize the food supply will ultimately be destroyed by their own selfishness.[6]

Moreover, Patten argued that as these developments occurred, people would discover more and more desires that could not be gratified by the natural food supply. As a result, they would tend to devote more and more of their labor to the production of commodities to satisfy these desires. In a statement using the ideas, if not the exact terminology, of marginal utility theory, Patten argued that people will continue to work to produce these goods up to the point at which the marginal pleasure gained from the consumption of one more unit of a good equaled the marginal pain of producing it.[7] Patten argued that during some phases of economic development the general wage rate would tend to fall, if everything else were held equal. He claimed that in any society the wants first satisfied will be those for which gratification provides the highest level of utility to the consumers. Patten argued that since the highest level of utility was derived from gratification of these desires, consumers would pay, and laborers would earn, a great deal from production. But after these desires were gratified, "less important" desires would be gratified. Gratification of these less important desires would provide less utility to consumers, and consumers would, accordingly, pay less to have them gratified. This sequence would continue, with the "importance" of the desires steadily diminishing, hence the amount producers would earn would also diminish accordingly. But, Patten felt that actually observed wages probably would not fall because technological advance and improvements in the arts of production would more than offset the above-mentioned developments. And if it should occur that the population of any community exceeded the limits of the food supply, some individuals would leave that community to settle a new one. But, he argued, the new settlement would represent a higher level of civilization and a higher phase in the evolutionary process of humanity.[8] Patten's economics was, therefore, a dynamic evolutionary economics in which progress led to better, not worse, things for most people.

George, in contrast, approached political economy in both its static and dynamic aspects. Readers of this essay are presumably familiar enough with *Progress and Poverty* so that a detailed explication of it is not needed. But to summarize a few salient points, book 3, chapter 1 is devoted to the (quite correct) proposition that the static laws of income distribution theory ought to have more unity than the classical theory gave them. And chapters 2 through 6 do attempt to provide a discussion of the several factor payments in turn. That George intended all of book 3 to be static analysis is probably best shown by the fact that the title of the final and summary chapter is "The Statics of the Problem Thus Explained." Then, in book 4, George attempted to consider the same topics dynamically. He titled the relevant chapter "The Dynamics of the Problem Yet to Seek," and proceeded to analyze the effects of increasing population, improvements in the arts of production, and the effect of expectations raised by progress. Later chapters and other books attempt to explain the business cycle, the dynamic aspects of poverty amid increasing wealth, and "The Law of Human Progress." Clearly these are attempts to dynamize the earlier discussion.[9]

Dynamics Wins?

Comparing, contrasting, and evaluating Patten's and George's approach, we conclude that George's was *potentially* the most fruitful. The economy can, after all, be analyzed both at one point in time and as it varies through time. And one may believe that an analyst *should* try to develop both a static and dynamic analysis. Yet, one would also have to judge that it was simply too difficult to develop both statics and dynamics, given the then-available tools. We also conclude that Patten's dynamic theory—implying that people come to believe that the group's welfare is the most important concern, and implying that all new settlements represent progress to higher levels of civilization—was quite naïve and quaint. It must also be stated that George's dynamic theory—driven by a wholly untenable rent theory—was a less than happy aspect of his analysis.[10]

Turn attention to George's theory first. As is well known, George's rent theory was the undiluted Ricardian rent theory extended to all, not merely to agricultural, land.[11] The only unique feature of George's handling of the concept was that his version applied only to the extensive margin of cultivation. He had no theory at all of the intensive margin.[12]

George's static wage theory was perhaps his single most important contribution to economic analysis—even though he is better known for his rent theory. He imagined a worker with no special skills, no capital, and no previously accumulated stock of goods, and placed that worker on a plot of marginal land. Since the land was not totally barren, the worker would produce some product. But, since George has given the laborer no advantages of any sort, it seemed entirely reasonable to ascribe the total product to unskilled labor.[13] That product, said George, would become the wage for that particular worker. Moreover, the perfectly working market mechanism would ensure that that wage rate would become the wage rate for all unskilled labor in the economy, if everything else were held equal. Skilled laborers, who applied more units of effective exertion, would produce more product in the given time period. Since the product produced and the wage rate received were thought of as equivalent, the skilled laborers would earn higher wages.[14]

George's static theory of interest, in contrast, was the weakest component of his system. First, George argued that since capital was, among other things, "stored-up labor," interest could be viewed as another form of wages. From this he deduced that the ratio of wages to interest must be constant.[15] Second, in order to account for the mechanics of the return to capital, he advanced his ingenious concept of the "reproductive modes" of interest.[16] The theory was discredited and never gained adherence—even among many of those who accepted most of the rest of his work—so it would scarcely be useful to summarize or analyze it here. But we can note that at least one commentator has noted its incompatibility with the rest of his system,[17] while another has noted its superfluity.[18] Whatever the philosophical merits of George's notion of capital as "stored up labor," and of interest as a specialized form of wages, it is without empirical support. The ratio of wages to interest is not, in fact, constant, and, even if it were, George never indicated any way to determine the value of the ratio.

George's dynamic theory of income determination was derived from the Ricardian rent theory applied to the extensive margin, and from some of his own ideas about speculation, increased population, improvements in the arts of production, and material progress. Briefly, George argued that once population increased, the arts of production improved, and/or the amount of material wealth increased, the demand for land would also increase, causing rent to rise. Speculators, anticipating even further increases, would purchase land, and hold it idle or underused while waiting for its value to increase even more.[19] Laborers, barred in large measure from the chance to work on speculatively held land, would either go to the city and become a class of urban poor, or move to hitherto submarginal plots of land and settle on them. When the new plots were settled, the rent on all plots already inside the margin would increase and rent would arise for the first time on the former marginal plots. Hence aggregate rents would rise. Moreover, since all wages were ultimately based upon the productivity of labor applied to marginal land, wages would inevitably fall as long as the margin of cultivation or building continued to extend downward and outward. And since the ratio of wages to interest was supposed to be constant, it seemed to follow that the rate of interest would also fall.

Patten was less concerned with income distribution theory than was George. In a significant sense that was logical, given Patten's concern for dynamics. While there is, of course, a dynamic theory of income distribution, it was not uncommon for then-current writers who were concerned primarily with dynamics to pay little attention to that theory. Patten's distribution theory, such as it was, showed several crucial differences from George's. In essence, Patten's rent theory was closer to Malthus's than to Ricardo's in the sense that it placed heavy emphasis on social factors. Like George, but for a different reason, Patten believed in a social law of increasing returns to factors of production. He contended that social innovations and mechanical inventions would more than offset the diminishing returns that applied to the factors considered separately.[20] Patten also seems to have rejected the classical idea that rent and profits vary inversely. He did not believe that profits would tend to zero in competitive long-run equilibrium. His conclusion seemed to follow from his consideration of a dynamic economy. Since new industries were always forming and firms were always introducing new inventions, there was always some profit accruing to somebody somewhere. That, he argued, was sufficient to prove that profits do not tend to zero.[21] But, it is not clear that Patten realized that the traditional statement was to hold only in equilibrium and was not intended to apply to the case he considered. Patten was, in fact, discussing a different proposition, not refuting a classical one.

Patten did not consider interest to be a cost of production, although it is not precisely clear why he didn't. Instead, Patten adopted what was essentially a time-preference theory of interest, which stated that when one saved, he gave up a certain amount of goods today for an anticipated preferred bundle of goods in the future. Given the fact that people tend to prefer goods in the present, one could be enticed into saving only if he were offered more goods in the future.[22] It is hard to find in Patten's work a definite statement of a law of wages that is comparable in analytical quality with George's. Instead, Patten devoted most of his discussion of the topic to consideration of the social factors that caused changes in wages. These included the rate at which new job opportunities opened up, laborers' preference for present over future goods (labor produces goods that will be available in the future, but it must be paid in the present; hence the wages paid were said to be some function of the present value of the future goods), the consumption habits of the citizens, the state of the arts of production, the foreign trade policy of the nation,[23] and, as discussed earlier, the rapidity with which diminishing returns to labor apply.

It seems reasonable to conclude that Patten's theory was not unified while George has a somewhat unified theory based upon the productivity of labor applied to marginal land and upon marginal rent theory.

Ethics

Each also considered the ethical issues involved in income distribution theory. George's *Progress and Poverty* is, in fact, as much a moral as a politico-economic treatise. John Bates Clark presented a response to it at the single-tax debate at the 1890 conference of the American Social Science Association at Saratoga. He placed strong emphasis on his ethical objections to George's ideas. These objections were elaborated upon in an article, "The Ethics of Land Tenure," which appeared later that year in the initial number of *The International Journal of Ethics*. In April of the following year, Patten published in the same journal "Another View of Land Tenure," in which, while rejecting George's program, he took issue with some of Clark's objections to it, and accepted some of George's ethical assumptions. Later, however, his opposition to the single tax became so ferocious that, as we shall see, he committed a breach of intellectual honesty to combat it.

George considered the private appropriation of land value to be unethical as well as inefficient. His basis for that belief was his theory of property rights—a theory that held that an individual had valid property rights in anything he created or acquired through voluntary transfer from one who legitimately owned the item under discussion. Since no human being created the "original and indestructible powers of the soil," nobody could ever claim legitimate property rights in those powers. Nor could the state confer such rights because to do so would be to abrogate to some person the natural opportunity made by God as a patrimony for all. It seemed to follow that the private appropriation of rent or land value was unethical. That was not to say that landlords, personally, were to be morally condemned, but rather that the system itself was inconsistent with moral law. Wages and interest, in contrast, were quite properly subject to private ownership, being payments for productive services legitimately rendered.

While Patten was interested in social reform, he favored retention of the traditional structure of property rights, although modified by governmental intervention. Patten's adherence to the more or less traditional property rights led some subsequent writers to call him an apologist for the then-current system.[24] Specifically, he condemned the single-tax proposal as unethical since it threatened to nullify what he understood to be valid property rights in the then-current system.

There is another way in which the question of ethics enters into Patten's critique of George—namely, his professional and intellectual ethics in making his criticism of George. It seems to me that Patten was flagrantly unethical. Patten explicitly conceded that many of George's propositions and conclusions did, in fact, follow logically from classical political economy. But his opposition to the single tax grew so extreme that he came to advocate restructuring of the entire discipline so that it did not lead to those conclusions. After citing George as one who attacked that harmony of class interest theory in which Patten believed, he wrote: "If the new group of thinkers called themselves sociologists or historians they might be disregarded. But they openly claim to be economists; and the worst of the matter is, they have, so far as statement goes, the mass of the older economists on their side. Nothing pleases a socialist or a single taxer better than to quote authorities and to use the well-known economic theories to prove his case. The economists rubbed their eyes in surprise when this assault first began; but they soon realized that their favorite authors were not so perfect as they supposed and that economic doctrine must be recast so that it would rest wholly on present data. This, I take it, is the real meaning of the present movement in economic thought. It will not accept socialism; and to free itself from the snares into which it has fallen through the careless statements of its creators, it must isolate itself more fully from history, sociology and other disciplines that give undue weight to past experience."[25]

Patten thus proposed to reorganize radically the entire science so as to eliminate the propositions that George and the socialists used to develop their arguments. It really does appear that Patten was flagrantly intellectually dishonest. He literally proposed to pick his ethical conclusions in advance, pick the body of propositions that would lead to those conclusions, call that body of propositions "economics" and to "isolate" himself from anything that might lead to other conclusions. That procedure amounts to nothing more than rationalization of preconceived biases and it is another reason why Patten has been called an apologist for the then-current order.

Conclusion

In conclusion, the participants in this discussion wrote on—indeed, were responsible for formulating—many or most of the major topics of concern in economics in their era. Patten often did not refer to George, and some of his references were indirect. But there can be no doubt that he was heavily influenced by George and that he developed many of his ideas as a negative reaction to George's work.

Notes

1. Simon Nelson Patten (1852–1922) received a doctorate from Halle (Germany) in 1878. He was unable to secure a university teaching position until 1889, when Edmond Janes James helped him obtain an appointment at the Wharton School of the University of Pennsylvania, where he eventually became head of the economics department, and remained until his mandatory retirement at the age of sixty-five. His publications include eighteen books (some on topics other than economics) and 130 articles. He is best known for his advocacy of protectionist policies. He also believed that progress brought general prosperity—a belief for which—as we shall see—today he is often regarded as an apologist for the then-current social order.

2. Warren J. Samuels, "George's Challenge to the Economics Profession," *American Journal of Economics and Sociology* (v. 42 n. 1, January 1983). While we agree with the substance of Samuels's comment, we note that it is better to refer to George as a "political economist" rather than as an "economist," if only because George hated the word "economist" and used it only pejoratively.

3. Patten's economic writings are analyzed in James L. Boswell, *The Economics of Simon Nelson Patten* (Philadelphia: Winston, 1934). A discussion of Patten's differences from the classicists appears in the first chapter.

4. Before George and Patten wrote, the major work in the field was John Stuart Mill's *Principles of Political Economy*; the next major work was Alfred Marshall's *Principles of Economics.*

5. See especially Henry George, *The Science of Political Economy* (1897; reprint ed. New York: Robert Schalkenbach Foundation, 1968) particularly pp. 128–29 and 207–09.

6. This paragraph relies quite heavily upon the exposition in Boswell, *Economics of Simon Nelson Patten*, pp. 25–27.

7. Simon Nelson Patten, *The Consumption of Wealth* (Philadelphia: Ginn, 1901), pp. 28–30.

8. Boswell, *Economics of Simon Nelson Patten*, pp. 25–26.

9. The references are to book and chapter titles in *Progress and Poverty* and apply to any unabridged edition.

10. Charles F. Collier, "Henry George's System of Economics: Analysis and Criticism," Ph.D. dissertation, Duke University, 1975, especially pp. 247–60.

11. See George, *Progress and Poverty*, bk. 3, chap. 2.

12. Note that George always wrote in terms of displaced workers, or increasing population, moving to the frontier and settling on hitherto submarginal plots. They were never permitted to become additional workers on already-cultivated plots. The original Ricardian theory allowed for both cases.

13. Technically speaking, since the land was not totally barren, its productive powers would contribute something to the productive process. But since the land considered was marginal land, George had eliminated as much nonlabor input as he could have.

14. For a further discussion, see Collier, "George's System of Economics," pp. 16–22.

15. See George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954) pp. 198 ff.

16. Ibid., pp. 180–88.

17. James Haldane Smith, *Economic Moralism: An Essay in Constructive Economics* (London: George Allen and Unwin, 1916), p. 73.

18. Irving Fisher, *The Rate of Interest: Its Nature, Determination and Relation to Economic Phenomena* (New York: Macmillan, 1907), p. 28.

19. In fact, as Francis A. Walker pointed out, there is no valid reason why speculators would hold their land idle, but George assumed they would.

20. Boswell, *Economics of Simon Nelson Patten*, p. 30.

21. Ibid., pp. 30–31.

22. Ibid., pp. 60–63. There is no particular reason why interest determined by time-preference should not be a cost of production.

23. Ibid., pp. 102–13.

24. See, for example, "The American Apologists," http://cepa.newschool.edu/~het/schools/apologists.htr.

25. Simon Nelson Patten, "The Conflict Theory of Distribution," *Yale Review* (August 1908), reprinted in *Essays in Economic Theory*, ed. Rexford G. Tugwell (New York: A. A. Knopf, 1924), p. 219.