

Illiberal reformers: Economics as hate

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Abstract

This review article discusses Leonard's (2016) study of the ideas of an elite group of Progressive economists who flourished in the United States of America between 1885 and the late 1920s. Advising governments through think tanks and regulatory commissions, they advocated labour market policies that combined a racialized approach to immigration, eugenics, Taylorist labour market efficiency and a living wage. Their interest in women's employment conditions was based on a Darwinian concern to protect mothers of the 'white' race. Parallels are drawn with Australia, where, from the turn of the 20th century, industrial tribunals established a male minimum wage designed to support the maternal role, based on similar racial preoccupations and a view that women's 'inefficiency' as workers would protect men from low-wage competitors. United States Progressives, in rejecting *laissez-faire* economics, espoused instead a role for the state based on a holistic Darwinian sociology of racial contest: an economics of hate. It was not till the 1930s that Keynesianism emerged as an alternative macroeconomic project.

JEL codes: B10, B22

Keywords

Efficiency, eugenics, family wage, macroeconomics progressivism, racialism, Social Darwinism, Taylorism

Thomas C Leonard, *Illiberal Reformers: Race, Eugenics & American Economics in the Progressive Era*. Princeton, NJ; Oxford: Princeton University Press, 2016, pp.: xiv + 250, ISBN: 9780691169590, US \$21.00 (hardback).

In the 50 years after the Civil War, the American economy experienced unprecedented growth. It more than quadrupled in size, and by 1916 was the largest economy in the

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world (p. 3). The rural and agricultural America of small-scale (family) businesses was transformed into an urban and industrial nation of large-scale enterprises that coalesced into trusts. It was also a period of 'mass' migration of peoples from Europe. This transformation was not smooth sailing. Consistent with the operation of *laissez-faire* economics, America experienced booms and busts, financial crises, industrial conflict, and putting aside the now-freed African Americans who were treated 'separately'¹ (mainly in the South), a funnelling of peoples with so-called racial or ethnic differences into ghettos, a widening in the distribution of income, pockets of poverty and other forms of social discord.

The economic growth of this period was also associated with another development which created a new stratum, or what might be called a Mandarin class (in the sense of a group), which would permanently change America. There was a burst in the growth of universities. Between 1870 and 1900, the number of students at American universities quadrupled; graduate enrolments increased from 50 to nearly 6000 (p. 19).

The major cohort of this educated elite, which is of interest to Thomas C. Leonard in *Illiberal Reformers: Race, Eugenics & American Economics in the Progressive Era*, as indicated by the subtitle, are economists. *Illiberal Reformers* provides an examination of the beginnings and growth of American economics; the work of such pioneers as Edward Bennis, John R. Commons, Richard T. Ely and Irving Fisher; the formation of the American Economic Association in 1885 and academic journals which have been the mainstay of the profession ever since. They were described and described themselves as Progressives and propelled themselves to the centre stage of American governance. This new generation of economists, according to Leonard were

[n]early all descended from old New England families of seventeenth century Massachusetts Bay background ... More often than not, progressives were the children of Protestant ministers or missionaries, fired with an evangelical urge to redeem America ... The progressives' urge to reform America sprang from an evangelical compulsion to set the world to rights, and they unabashedly described their purposes as a Christian mission to build a Kingdom of Heaven on earth ... they preached a social gospel. (pp. 11–12)

The majority undertook graduate training in German universities in the 1870s and early 1880s which were regarded as world leaders in political economy. These universities rejected the 'invisible hand' of *laissez-faire* economics, which they disparaged as 'English economics', and advocated a positive view of state intervention to solve problems of the economy (p. 17). These were men (and a few women) who would not sit idly by and watch events unfold. They had obtained expertise and knowledge and would use such skills in responding to problems which bedevilled America. After having established a base within universities, they formed think tanks and proffered their services to governments. They were subsequently appointed to ad hoc and then permanent regulatory commissions to devise solutions to an increasing range of issues. Problems would not be resolved via the grubby interplay of politics, but by experts concerned with promoting the public good.

It was not as if an educated elite had not been utilised to solve problems before the emergence of Progressive economists. In 1835, the Frenchman Alexis de Tocqueville

had commented on how ‘courts of justice are the visible organs by which the legal profession is enabled to control the democracy’ (De Tocqueville, 1966: 279). By this he meant that in a large federated nation with a relatively underdeveloped public service, in resolving disputes, the judiciary determined rules of behaviour and interaction. The ascension of the new experts transformed this in two ways. First, the creation of a fourth tier of governance, in the form of regulatory commissions, transferred power away from judges to Progressive economists. They were hard working, active, driven and like judges were handy with a pen and dipped their quills into other intellectual wells. Nevertheless, as will be revealed later, there was one area, very dear to their cause, where Progressive economists were unable to supplant the role of the judiciary. Second, while individual states embraced Progressivism (such as Wisconsin and New York), there was a transfer of decision making away from the states to Washington, and the beginning of the modern American state. This process was further enhanced following the entry of America into World War I in 1917.

Progressive economists rejected ‘individualism’ which lay at the heart of the American Constitution and *laissez-faire* economics. Borrowing from the precepts of German political economy, they viewed society in holistic or organic terms. The needs of the collective that is America were more important than the rights and needs of individuals. Administration by experts, rather than leaving things to the ‘invisible hand’ of the market, was championed as the best way to enhance American progress. Within this organic whole, Progressive economists had a highly developed notion of hierarchy; of those who were deserving and those who were not.

Progressive economists had an exalted sense of efficiency and the associated need to reduce waste. They were impressed with the principles of Scientific Management developed by Frederick Winslow Taylor (Taylor, 1911) in that ‘Efficiency came from expert management, not from market discipline’ (p. 62). They were attracted to trusts for the same reason. Trusts, with their large administrative structures enhanced efficiency, whereas the invisible hand of the market produced waste. Progressive economists supported the regulation of trusts, not their elimination, as it would destroy the cost benefits of large-scale production. Leonard quotes a Progressive who said that small businesses should be ‘allowed to drown’ (p. 59).

Leonard highlights the importance of Darwinian thought (Darwin, 1859) to the development of the Progressive agenda. He summarises it as being based on four ideas: ‘evolution, common descent, gradualism and natural selection’ (p. 91). Progressives objected to the ‘gradualism’ and the precept that which resulted from ‘evolution’ was ‘natural’. Gradualism and the long term associated with change were similar to the notions of *laissez-faire* economics and attendant waste they abhorred. Those species which survived the rigours of competition may have done so by unnatural means – in effect, by cheating. For example, they pointed to the rise of wealthy capitalists at the end of the 19th century due to their ‘subverting competition through unfair trade practices, barriers to entry, political favors, or financial market chicanery’ (p. 96). Progressives also pointed to World War I as resulting in the death of many with superior traits, while those unfit for service were spared and enabled to breed more persons with inferior traits. For Progressive economists, there was nothing ‘natural’ about ‘selection’; it was in conflict with their notion of hierarchy identified above.

Progressive economists combined Darwinian thought with their conception of society in holistic or organic terms. If an organism had ‘cancerous’ or impure parts, should not these parts be cut away and destroyed in much the same way horticulturists pruned their patches and the owners of herds culled their stocks? Moreover, if such external agents interfered with ‘nature’ to bring about ‘progress’ in plants and animals, could not the organism known as society do the same thing with its human stock?

Progressive economists embraced the eugenic agenda to overcome fears associated with ‘race suicide’. The growth America had experienced after the Civil War had been associated with mass migration from Europe. Such people were seen as being inferior to white Anglo Saxons, from mainly England and Germany, which they placed at the top of the racial totem pole. Non-Anglo Saxon Europeans, African Americans, Native Americans, Asians, Jews, Catholics, ‘imbeciles’, the mentally deranged, the disabled and so on were all inferior. For America to survive, to avoid ‘race suicide’, it had to encourage the propagation of those with superior traits and discourage those with inferior ones.

This included advocating sterilisation for ‘imbeciles’ and the deranged and changes to immigration policies to stop the arrival of undesirables. Contraception was a double-edged sword in that Anglo Saxons who tended to be more financially secure (due to their assumed superiority) with their greater knowledge would be more likely to utilise contraception and reduce their number, in comparison with less knowledgeable inferiors who would increase breeding and compound the problems of racial survival.

The ‘labor problem’ was an issue of great concern to Progressive economists, a concern which they were never able to resolve. It was in the labour market that the different races competed with each other in a ‘Darwinian’ death struggle. Leonard points out that Progressive economists focused their attention on immigrant races rather than African Americans. Before the Great Migration (Wilkerson, 2010), there were limited numbers of African Americans competing for jobs in the North. Leonard says, ‘Outside the South, economic reformers typically treated the Negro question as distinct from the labor question’ (p. 120).

Crucial to Progressive economics was the notion of a minimum or living wage. If there was a ‘living’ wage, Anglo Saxon males would be able to maintain and propagate themselves to help avoid ‘race suicide’. If there was not, inferior competitors would be prepared to work at lower rates, which would force (good) nativist Americans to work at lower rates and have less children. Moreover, a lower living wage should not be determined for single men as this would provide an incentive to not employ family men, again with negative consequences on the birth rate and ‘race suicide’.

Women were crucial to the Progressive economists’ concern with preventing ‘race suicide’. If women were paid less than men, Progressive economists feared that they would be preferred by employers over Anglo Saxon males. Leonard quotes a Progressive who saw wage earning women as being ‘the white Chinese of the industrial world. She wears a coiled-up queue, and wherever she goes, she cheapens the worth of human labor’ (p. 176). An equal wage for women would also be a means to stop women from falling into prostitution, which was a major concern of Progressives and other intellectuals in this era. However, a higher (equal) wage would result in many, less efficient women, losing their employment and thereby (so it was presumed) forced into prostitution. Progressive economists believed that the proper calling of women was as ‘Mothers of the

race'. They lamented women who worked in factories or society women who attended college as they were avoiding their responsibility to their race.

Throughout *Illiberal Reformers*, Leonard demonstrates how Progressive economists offered support, or uplift, for those that they favoured, and social control and denial to those inimical to the Progressive project. From 1909 to 1919, they were successful in convincing numerous states in introducing legislation which enhanced the welfare needs of women. This undoubtedly resulted from a 1908 decision by the Supreme Court in *Muller v Oregon* (1908) which found legislation dealing with the employment of women constitutional. Fifteen years later, the Supreme Court overturned this decision in *Adkins v Children's Hospital* (1923) where it declared unconstitutional legislation that interfered with the contract of employment.

Leonard asks why was it that Progressive economists concentrated their efforts on a 'women only' regime of labour regulation. (p. 182). This 15 year period of positive treatment for women, adopted by the judiciary, constituted an aberration by those agents of 'power' identified by de Tocqueville almost a century earlier. With the exception of this aberration, the Supreme Court and other courts in this period struck down pro-worker and pro-union legislation, as they have done ever since.² While there were Supreme Court judges who were infused with Progressive precepts, such as Oliver Wendell Holmes, Louis Brandeis and Felix Frankfurter, when it came to the labour market, the court's championing of non-interference with the contract of employment enabled *laissez-faire* economics to trump Progressivism.

Australia was also influenced by Progressivism (Roe, 1984) and eugenics (Wyndham, 2003). As was the case in America, Australia was concerned with the 'labor problem'. Leonard briefly refers to a Victorian minimum wage law that was enacted in 1894 (p. 172); he probably means the *Factories and Shops Act* of 1896. Australia, at both the state and national level, created institutions to regulate relationships between employers and workers/unions (Macintyre and Mitchell, 1989). A similar body would not be created in America until the passing of the *National Labor Relations Act* in 1935, the National Labor Relations Board. These industrial tribunals, in turn, established a system of minimum or living wages; something American Progressives were unable to achieve. The most famous of these decisions was the basic wage, designed to enable a family of five to live in 'frugal comfort' determined by Henry Bournes Higgins, the President of the Commonwealth Court of Conciliation and Arbitration from 1907 to 1921, in the *Harvester* case *Ex Parte HV McKay* (1907). This was a wage which would be paid to an adult male, whether married or not.

In addition, the tribunals determined a lower basic wage for women, which, depending on the jurisdiction was in the vicinity of 50% of the male basic wage.³ Unlike American Progressives, the regulators of Australian tribunals were not fearful that lower minimum rates for women would result in unemployment for men. William Jethro Brown,⁴ President of the South Australian Court from 1916 to 1927, used precepts at the heart of American Progressivism in reaching such a conclusion. In the 1918 *Printing Trades* case he said,

the comparative inefficiency of women in a large number of occupations may be attributed to a physiological constitution which involves periods of relative inefficiency ... Women are

inferiors in the industrial world because they have not decided (except individually) that they desire to do otherwise, or at least they desire to pay in training the price of efficiency. (pp. 42–43)

He had a second reason for wanting lower wages for women, which was an antipodean expression of a fear of ‘race suicide’. In the 1919 *Women’s Living Wage (Cardboard Box Makers)* case, he said

Unless there exists the division of labour involved in a system of domestic help, the day of the white race is approaching its close. The typical mother of the white race cannot endure child birth, and the more or less prolonged period subsequent to child birth, unless she is helped and helped materially. A scheme of wages which involved the abolition of the domestic help must involve the ultimate failure of the white race and their gradual disappearance before the less sensitive, less educated and less developed races to the tropical or semi-tropical areas. (p. 23)⁵

What is the legacy of American Progressivism? It could be said that it introduced ‘experts’ to governance with the emergence of a fourth branch, regulatory commissions; an approach to governance which has been with us ever since. Or was it that Progressives brought to America a device of governance that had already been developed in Germany? Given the increasing complexity associated with technological changes and industrialisation that occurred in this period, all/most ‘modern’ societies found themselves turning to permanent bodies staffed by ‘experts’. Australia, for example, developed regulatory bodies to resolve problems it encountered. With respect to the ‘labor problem’, Australia moved along a different path to that of America.

American Progressives were naïve in believing that you could take politics out of the process of resolving economic and social problems. Those who are concerned with such issues, corporations, and other interest groups continue their struggles in other arenas; before the regulatory bodies themselves, and if there are decisions not to their liking, they pressure governments to change legislation or call on armies of lawyers to enable judges to perform the role identified by Alexis de Tocqueville 180 years ago.

Because of their rejection of *laissez-faire* economics, they were unable to comprehend how markets forced many to accept ‘low subsistence’ wages and dangerous, soul destroying employment. Progressive economists eschewed breaking up trusts and monopolies, to reduce monopsony/enhance competition in the labour market, because of fears of reducing efficiency. ‘Black letter’ lawyers, with the exception of favourable treatment for women for little over a decade, thwarted their attempts to regulate the labour market and introduce such things as a living wage. Their scorn and policies were directed at those who were the victims of broader social and economic forces; racial and ethnic groups who they saw as being on the wrong side of history. They proselytised an economics of hate.

And while Progressive economists viewed America, or society, in ‘holistic’ or organic terms, their viewing was not based on what would be called ‘holistic’ economic categories or concepts. Their ‘holistic’ approach was sociological, comprising struggle between different racial and ethnic groups. It would take an English scholar in the depths of the great depression of the 1930s to provide a ‘holistic’ *economic* model, or what became known as macroeconomics (Keynes, 1936).

Leonard is highly critical of American Progressives economists, highlighting their arrogance and vanity.⁶ He says that, fearful of the ever encroaching evils of ‘race suicide’, they ‘assaulted political and civil liberties, trampling on individual rights to person, to free movement, to free expression, to marriage and reproduction. The progressives denied millions these basic freedoms, on grounds that their inferiority threatened America’s economic and hereditary security’ (p. 191).

Illiberal Reformers: Race, Eugenics & American Economics in the Progressive Era represents scholarship of the highest order. It draws on research that Thomas C. Leonard has been conducting for more than a dozen years (pp. vii–viii). He clearly explains and teases out the nuances and various strands of the Progressive agenda. He provides an excellent account of the emergence of these early economists, the evolution and basis of their thinking, and their subsequent propelling to the centre stage of American policy debates.

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Notes

1. The Supreme Court, in *Plessy v Ferguson* 163 US 537 (1896), introduced its ‘separate but equal’ doctrine which provided legal backing for the differential treatment of white and black Americans.
2. See Forbath (1989), Klare (1978) and Getman (2016).
3. In the 1919 Clothing Trades Case (*The Federated Clothing Trades of Australia v JA Archer*), Higgins set the female basic wage at 54% of the male basic wage.
4. Details of his career, and the following material draws on Roe (1984: 22–56); Dabscheck (1983: 78–97); Dabscheck (1986).
5. Also see Brown (1927).
6. He refers to Peart and Levy (2003: 217)

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