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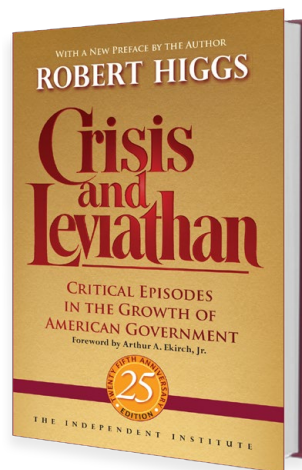
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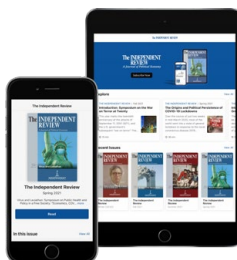
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# The Shaping of a Future President's Economic Thought

*Richard T. Ely and Woodrow  
Wilson at "The Hopkins"*

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CLIFFORD F. THIES AND GARY M. PECQUET

**T**homas Woodrow Wilson (1856–1924) was the first and is still the only president of the United States to hold an earned doctoral degree. His Ph.D. was awarded by the Johns Hopkins University (“The Hopkins”) in 1886. He was also the president of an institution of higher education and, unique among U.S. presidents, rose to such a position from the ranks of the faculty. These characteristics might dispose scholars favorably toward an assessment of his presidency, and, indeed, in Arthur Schlesinger’s 1948 survey (Schlesinger 1997), Wilson was ranked fourth among U.S. presidents, following only George Washington, Abraham Lincoln, and Franklin D. Roosevelt. Biographers appeared until recently to see Wilson uncritically as a “philosopher king,” describing him and his policies as precursors of Roosevelt and the New Deal or of John F. Kennedy and the New Frontier, dismissing his failures and his party’s rejection by the U.S. electorate in 1920, and apologizing for his unseemly positions on race and gender.<sup>1</sup>

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1. In the opinion of left-leaning scholars, Wilson’s ranking has slipped to sixth, behind Thomas Jefferson and Theodore Roosevelt, in addition to those previously mentioned, whereas in the opinion of right-leaning scholars Wilson’s ranking has slipped to eleventh (Murray and Blessing 1988; Taranto and

The possibility of a critical review of Wilson was formerly constrained by the limited availability of his letters and other personal writings and of his previously unpublished speeches. William Diamond, who wrote specifically about Wilson's economic thought, indicates that he was granted access to these papers in 1941 only under certain restrictions (1943, 8). However, the publication of *The Papers of Woodrow Wilson* (1966–74, hereafter *Wilson Papers*) over the course of several years, under the editorship of Arthur Link, facilitates a reconsideration of the evolution of his economic thought, as Neils Aage Thorsen (1988) and Robert M. Saunders (1998) have done with regard to his political thought, and as John M. Mulder (1978) has done with regard to his religious thought. Thorsen indicates that the *Wilson Papers* “revealed new source material relating to Wilson's early years” (1988, 237).<sup>2</sup> This source material potentially calls into question the thesis advanced by Diamond that Wilson was not much influenced by his experience at The Hopkins.

In 1908, Wilson made a dramatic public conversion from conservative to progressive (Bragdon 1967).<sup>3</sup> With limited access to Wilson's personal letters and such, Diamond (1943) advanced a continuity argument that Wilson was always a conservative in his economic thinking.<sup>4</sup> Thorsen (1988) also advances a continuity argument that Wilson was always a reformer in his political thinking. Our disagreement is with Diamond. We relate Wilson's dramatic public conversion in 1908 to a change in his economic thought that occurred during or shortly after his time at The Hopkins.

According to Diamond, Wilson's economic thinking was “tempered” by his experience at The Hopkins, and “his thought [remained] essentially unchanged” (1943, 37). Again according to Diamond, it was only later that Wilson's thinking changed and that he associated himself with the progressive agenda, when he aspired to national office, not during the time he spent at The Hopkins (87). We reconsider here the evolution of Wilson's economic thought and develop an argument that, in fact, he was greatly influenced by his experience at The Hopkins. We necessarily consider Wilson's most prominent instructor there, Richard T. Ely (1854–1943), who, following his own doctoral training in Germany, had joined the faculty just prior to Wilson's arrival there. During his eleven-year career at Hopkins, Ely trained more future leaders in the social sciences than any other contemporary American economist (Tilman 1987, 142).

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Leo 2004). Ivan Eland (2009), assessing presidents on the basis of “peace, prosperity and liberty,” ranks Wilson the lowest of all.

2. Thorsen's biography includes an essay on Wilson historiography (1988, 235–45).

3. Arthur Link once put the date of Wilson's conversion as 1901 (1947, 23–24). The present article develops a string of antecedents going back to his days at The Hopkins.

4. It might be that Diamond, because of his own left-wing orientation, did not suppose that Wilson's economic thought changed much; that is, even though Wilson's thought changed somewhat, he remained a conservative. The interventions he advocated were to preserve competition in the market and thus were more or less the same thing as *laissez-faire*. The economists who reviewed Diamond's book, such as Frank Fetter (1944), chaffed at Diamond's equating neoclassical economics with *laissez-faire*.

The Diamond thesis might appear to be supported by Ely's extended comment on Wilson in his autobiography (1938, 108–19). The section is clearly affected by Ely's disappointment in Wilson at Versailles (116–19). It is replete with faint praise<sup>5</sup> and subtle. "It cannot be said that we at The Johns Hopkins molded Wilson," says Ely (109), seemingly confirming Diamond. The key word in this sentence is *molded*. Ely saw his role to be that of a "mid-wife" (111), to get ideas growing in his students, not as that of a molder. Wilson's brother-in-law, Stockton Axson, also thought Ely played the role of something like a midwife:<sup>6</sup> "Mr. Wilson's chief teachers were Herbert Baxter Adams in history and Richard T. Ely in economics. For Ely, he had no admiration whatsoever, and for Herbert Adams only a limited admiration. But the point of it all is that these were modern men with modern methods of study and were able to guide Mr. Wilson and assist him in finding things out for himself" (1993, 58). Wilson was at first critical of Ely, regarding his teacher's research as shallow. But while at the Hopkins Wilson discontinued being critical and at least started to adopt the historical view. To be sure, he saw past the superficial dichotomy between the a priori and historical approaches taken by Ely, thinking that Adam Smith and other classical economists also used both a priori and historical methods.<sup>7</sup> Wilson also remained committed to lowering tariffs. By the time his book *The State* was published in 1889, however, well before his dramatic public conversion to progressivism in 1908, Wilson fully embraced the historical view of the state—that changing conditions might warrant new policies—and explicitly rejected the liberal or contractarian view of government. By the time his book *The New Freedom* was published in 1913, Wilson could argue that Thomas Jefferson himself would have rejected laissez-faire economics: "I feel confident that if Jefferson were living in our day he would see what we see: that the individual is caught in a great nexus of all sorts of complicated circumstances, and that to let him alone is to leave him helpless as against the obstacles with which he has to contend; and that, therefore, law in our day must come to the assistance of the individual" (1913, 284).<sup>8</sup>

Ely was not oblivious of Wilson's initial, critical evaluation of him (1938, 111). With regard to Wilson's public transformation from conservative to progressive many years after his graduate studies, however, Ely observed that Wilson's attitudes toward

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5. Ely seems annoyed by Wilson's gifts in speaking and writing. For example, he writes that Wilson's speeches were "very convincing even if they were not absolutely sincere" and that Wilson "could speak beautifully and say nothing" (1939, 109–10).

6. Stockton Axson first met "Brother Woodrow" in 1884, while Wilson was at The Hopkins, and they remained close thereafter. He lived with his sister Ellen and Wilson for a time while Wilson taught at Wesleyan (Axson 1993, xii). Axson dictated the material used in *Brother Woodrow* during 1919–21, and Link later edited it and added it to the *Wilson Papers* as a supplementary volume.

7. Wilson would later associate himself with John Bates Clark, who combined his own training in the German Historical School and his inclination toward economic and political reform in his theoretical work.

8. John Bates Clark says similarly, "We are dependent on action by the state for results and prospects which we formerly secured without it; but though we are forced to rise roughshod over *laissez-faire* theories, we do so in order to gain the end which those theories had in view" (1907, 380).

labor had changed *prior to that*, as indicated in a presentation Wilson made at an early meeting of the American Economic Association. Ely took pride in saying that “the seed which is sown and apparently rooted in the ground may at last sprout and bring forth fruit” (1938, 114).

## The Young Wilson

Wilson’s father and both of his grandfathers were staunch Presbyterian ministers.<sup>9</sup> Wilson was therefore reared in a household that held to two seemingly conflicting positions: first, individual responsibility; and, second, the church as an organic entity in the service of God. Calvinism taught that each individual is a “distinct moral agent” and also held the church to be a special organic body charged with carrying out God’s mission. Each man is responsible for providing for his own family, and an elite council is responsible for leading the church in its mission. In one of his college essays, Wilson describes the church as an advancing army with a mission (*Wilson Papers* 1966–74, 1:180–81). This metaphor shaped his philosophy of the state. As Mulder (1978)—the first biographer to make full use of the *Wilson Papers*—argues, Wilson, as a result of his reconciliation of the two Calvinist positions, was something of a conservative in the manner of Edmund Burke, seeing society as an organic entity, not simply a liberal in the manner of the English Manchester school, seeing society as a nexus of contracts among individuals. According to Axson, “He long thought Jefferson too much of a political theorist, too immersed in an abstract something called ‘the Rights of Man’” (1993, 72). Wilson’s early association with liberal *economic* policies was not paralleled by an underlying liberal *political* philosophy.

As a teenager, Wilson was undoubtedly introduced to free-market economics by reading his father’s subscription to *The Nation*. Edwin L. Godkin, the magazine’s editor, advocated laissez-faire economics, the police theory of the state, the (British) Whig view that history slowly advances in the direction of individual liberty and that democratic constitutional government is the high-water mark of this process. Young Wilson’s favorite authors included market-oriented liberals such as Charles Fox, Richard Cobden, and John Bright. His favorite statesmen included William Gladstone and Grover Cleveland (Diamond 1943, 18–19).

As an undergraduate at Princeton, Wilson studied economics as an a priori science connected to the wider discipline of ethics as developed by the classical economists. The Reverend Lyman Atwater, professor of logic and moral and political science, taught economics to the young Wilson. Atwater defended economics as a deductive science based on a few a priori axioms; he defined economics as “the science of laws according to which men in society under organized government can produce

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9. He was named “Woodrow” for his maternal grandfather, the Reverend Woodrow Wilson; he dropped his first name, “Thomas,” during his time in graduate school.

for themselves the maximum of utilities which are the products of human labor, with the minimum of effort" (1880, 429).

Unlike modern economics, which prides itself on being value free, but like Adam Smith, Atwater subsumed economics within the general framework of moral science. He recognized that market discipline encourages trustworthiness. "The ethical element is paramount because the best means of recognizing the true meaning of Political Economy is to attend the moral element. Faithfulness in keeping engagements is necessary to Political Economy." Atwater summarized his laissez-faire views: "Men and corporations hire men for labor performed. Men work for money to gratify their desires, and corporations hire men to gratify their desires, and government has no right to interfere" (qtd. in Diamond 1943, 21–22). The young Wilson supported free-trade principles and hard money. He had harsh words for protectionists and greenbackers: "Damnable heretics" (*Wilson Papers* 1966–74, 1:684).

Even as a young man, Wilson had formed a vision of the proper administration of government. His favorite British constitutional scholar was Walter Bagehot, who contended that American politicians were "trustees carrying out a misdrawn will." Wilson preferred the British parliamentary system to the division of powers under the U.S. Constitution because that system consolidates executive responsibility (Bragdon 1967, 60).

After graduation from Princeton, Wilson studied law at the University of Virginia for one year and completed his preparation for the law exams on his own. However, his law practice in Atlanta floundered. Atlanta was apparently saturated with lawyers, and Wilson found it detestable to pursue clients by "ambulance chasing" (*Wilson Papers* 1966–74, 2:144–45). Wilson explained to his fiancée, Ellen Axson, that he could not pursue his lofty political objectives and legal clients at the same time (*Wilson Papers* 1966–74, 2: 501). During his uneventful practice of the law, Wilson began work on his first book, *Congressional Government* (1885).<sup>10</sup> He left the legal profession in 1883 and enrolled in the new, research-oriented graduate program at Johns Hopkins University with the idealistic hope of transforming the U.S. government into a parliamentary-style system.<sup>11</sup>

## Wilson at The Hopkins

Prior to leaving Atlanta, Wilson defended free trade before the Tariff Commission, organized an Atlanta branch of the Free Trade Club of New York, and sought a staff position with *The Nation*, known for its laissez-faire positions. One of his graduate professors, J. Franklin Jameson, described Wilson's economic viewpoints

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10. book was completed and became a popular success while Wilson was at The Hopkins, and it was accepted as his dissertation.

11. Concerning this new approach to graduate education, see Barber 1988.

when he entered the program at The Hopkins as “pretty much old Manchester school,” to the right of John Stuart Mill (qtd. in Diamond 1943, 26). Wilson, however, downplayed the importance of ideas at The Hopkins, writing in a letter to his fiancée soon after starting class, “Style is not much studied here; ideas are supposed to be everything—their vehicle comparatively nothing. But you and I know that . . . an author’s influence depends upon the power and beauty of his style . . . and style shall be, as . . . it has been one of my chief studies” (*Wilson Papers* 1966–74, 3:504).

Wilson studied history and political economy primarily under three professors: Adams (history of international relations and American colonial history), Jameson (English constitutional history), and Ely (political economy). These renowned professors employed “the committee method” of instruction. A research topic would be assigned to a student, and the student would prepare an essay and present his findings to the class.

Ely, who was only two years older than Wilson, came from Puritan, pietist stock. His father was a strict Sabbatarian and ardent prohibitionist who refused to grow barley (uniquely suited to his soil) because it would have been used to produce beer. Sharing his father’s zeal, Ely believed that he served God by transforming the social sciences and enacting progressive policies (Rothbard 1989, 102). Ely had graduated from Columbia College in 1876 and then pursued his graduate studies in Germany, where he earned his Ph.D. in 1879.

In Ely’s lectures, political economy was divided into three schools of thought: the classical school, which reasoned from a priori first principles; the historical school, which relied on the use of statistics and history; and the socialists, who, he said, formed a distinct school (*Wilson Papers* 1966–74, 2:506). Ely lectured, “Historically, Adam Smith was quite right in favor of repeal of all laws regulating relations between laborer and capitalist because those laws were then (as they are not now) all based in the interest of the capitalist. This is a very important distinction and one which occurs to no one but a student according to the historical method. And although Adam Smith may have been right does it follow that Cobden was also right?” Young Wilson responded in his notes with a resounding “yes” (Ely quote and response in *Wilson Papers* 1966–74, 2:498), affirming his continued allegiance to classical economic doctrines. He was not impressed by Ely, describing him as a “dribbler” who could “infallibly be relied upon to find the weakest form of expression” (Bragdon 1967, 107).

Ely assigned Wilson to prepare a lecture on Adam Smith for his Advanced Political Economy class. Wilson attended Ely’s undergraduate lectures on Adam Smith and read many of Smith’s original works and the literature written about Smith. Ely’s lectures relied heavily on secondary sources and struck Wilson as superficial. Wilson’s own research notes, unlike Ely’s lectures, contained extracts from *The Wealth of Nations* that dealt in depth with employment, wages, profits, components of prices, regulation of usury, and retaliation in trade (*Wilson Papers* 1966–74, 2:497–98, 506–8, and 512–14).

To Wilson, Smith did not fit neatly into Ely's category of an a priori classical economist. Instead, Wilson defended Smith as fitting in the historical tradition. "Though Adam Smith writes in the spirit of the philosopher he also writes . . . in the historical spirit. . . . He has theories for almost everything, but these theories never stand in the way of the doctrines of practical sense. Smith got the flavor and spirit of his work in actual life—he speaks of practical matters and lives in the real world. He seems to have a very deep regard for statistics. . . . His illustrations always contain real life, from practical affairs. His work abounds in comparative studies of the economic conditions of peoples and nations." Wilson argued that Smith's principles favored government control of monopolies because freedom of competition was impossible where monopoly prevailed (*Wilson Papers* 1966–74, 2:541).

Wilson expressed disappointment with the quality of instruction at The Hopkins during his first semester. In a letter to Miss Axson, he wrote, "[T]he department of history and politics is more weakly manned as regards its corps of instructors than any other department of the University. Of our three Ph.D.'s, one is insincere and superficial, the second man is full of information but apparently much too full to have any movement which is not an impulse from somebody else, and the third merely a satellite of the first. I liked all three at first, and I don't dislike them now; but I expect very little aid or stimulation from them; and it makes one uneasy to discover, as I did in studying Adam Smith, that his instructor is inexact and prone to take his materials not from the original and authentic sources but second hand" (*Wilson Papers* 1966–74, 2:552).

Challenged by Wilson's paper on Smith, Ely asked Wilson to participate in the writing of a complete history of political economy of the United States. Ely was to write the chapters on Matthew Carey.<sup>12</sup> Another graduate student, Davis Dewey,<sup>13</sup> was to write on the American economists before Carey, and Wilson would cover the economists since Carey. Wilson revealed strong reservations about the project in a letter to his fiancée. "Alas! Alas! Think of all the trash I shall have to read and do the work in this new field: For I can't refuse. I came here to advertise myself for a position (as well as to learn what I could) and the best way to do that is to please the professors and get them to push me. Don't you pity the poor economists who have written since Carey? I do, but not as much as I pity myself. I hate this thing of serving other men: but it's politic; and service is honorable" (*Wilson Papers* 1966–74, 3:36).

A week later Wilson complained that the project depended largely on Ely's business sense, mentioning also that Ely's writing style was not forceful, although he was "quite full of encyclopaedic matter and Germanic doctrine." The project took months of research, diverting Wilson from his primary scholarly interest—reforming

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12. Ely described Carey as the first American economist and wrote approvingly of Carey's advocacy of a protective tariff (in Samuels 2002, 113–36).

13. Davis Dewey was the brother of philosopher John Dewey, who occasionally attended Hopkins seminars (*Wilson Papers* 1966–74, 3:136).



the congressional system (*Wilson Papers* 1966–74, 2:49–50). He had qualms about doing collaborative work with Ely: he disagreed with Ely over both policy and matters of style; and after the research on Smith, he even doubted Ely’s scholarship. Miss Axson urged him to take on the project. Papa Axson, who had been a professor, was impressed “by the Ely-Wilson-Dewey scheme.” Miss Axson admonished Wilson to trust his professor’s judgment. “A first-class professor, you see, must know what he is about, and it is much less trouble to accept his opinions than to form them for one’s-self [*sic*]. Who cares unnecessarily to exercise their own powers of discrimination and appreciation? Here is a learned professor, whose judgment has already been given tangible shape” (*Wilson Papers* 1966–74, 2:75). During that same month, Ely published “The Past and Present of Political Economy” (1884), which declared war on classical economic theory.<sup>14</sup>

### Ely’s Historicist Critique

In his 1884 article criticizing classical economic theory, Ely calls for a new political economy, the German Historical School, to replace the British school of classical economics. He rejects the classical economists’ reliance on deductive reasoning, although he conceded, “It must be confessed that no single principles have been discovered by the German School, which throws new light upon the multifarious phenomena of economic life” (1884, 21).

Ely critiques the classical economists on several grounds. First, he notes that John Stuart Mill and others acknowledge numerous exceptions to laissez-faire policies,<sup>15</sup> remarking that classical theory “began to look as if it were all exception and no rule” (1884, 24). Rather than attempt to explain or reconcile the seeming contradictions, Ely casts a cloud over economic theory as such and implies that additional exceptions to laissez-faire should be made on behalf of the needy and the laboring class of society (26).

Second, Ely dismisses the “harmony of interest doctrine” advanced by Frederick Bastiat (in *Economic Harmonies* [1850] 1996) and other classical economists.<sup>16</sup> The Harmony Doctrine argues that the long-run interests of both laborers and capitalists coincide with private-property rights, laissez-faire, and economic progress. Ely

14. To be sure, the classical economics of the 1880s suffered some serious deficiencies. Among them were the problems the marginalist revolution resolved. It must be borne in mind that Alfred Marshall’s first principles textbook with formal supply-and-demand graphs was not published until 1890, and John Bates Clark’s pioneering work in marginal productivity theory would later provide a bridge to neoclassical economics (Leonard 2003a).

15. Mill endorsed the “presumption of laissez-faire” and held that the burden of proof lay on those who sought regulations, but he allowed arguments for numerous regulatory exceptions on a case-by-case basis ([1848] 1965, 950).

16. Not all classical economists held to an unqualified doctrine of harmony of interests, and Ely’s description of the doctrine was something of a straw man. Smith discusses several conflicts of interest in *The Wealth of Nations*, although it might be inferred that he believed in an overarching harmony of interest because of his belief in a providential design of a market economy.

dismisses the Harmony Doctrine by appealing to the authority of David Ricardo without mentioning his name:<sup>17</sup> “That there is an entire harmony of interests between the classes of society is at complete variance with the teachings of modern science.” He then insists that a higher moral development (involving self-sacrifice), rather than rational self-interest, is needed to hold society together (1884, 28).

Third, Ely ridicules supply-and-demand analysis. “At bottom, it [supply-and-demand analysis] is only a truism proved by the experience of cooks. When fish is scarce it is dear. In sooth, a beautiful discovery! Nevertheless, there is nothing necessary in this. Suppose a religious law which forbids one to eat fish; it might be very scarce and at the same time cheap” (1884, 39).

Ely's approach to political economy dismisses deductive principles as “dogmatic extremes” and argues in favor of a look-and-see, trial-and-error approach:

This entire change in the spirit of political economy is an event which gives occasion for rejoicing. In the first place, the historical method of pursuing political economy can lead to no *doctrinaire* extremes. Experience is the basis; and should an adherent of this school even believe in socialism as the ultimate form of society, he would advocate a slow approach to what he deemed the best organization of mankind. If experience showed him that the realization of his ideas was leading to harm, he would call for a halt. For he desires that advance should be made step by step and opportunity given for careful observation of the effects of a given course of action. (1884, 64)

Ely denies the validity of universal, a priori economic laws and argues in favor of a “national” approach to economics (1884, 17). National economy depends on the application of the “trial-and-error” method by the managers of the nation-state. In this vein, Ely praises the German Historical School for rehabilitating the reputation of the Mercantilists (48). Both the German Historical School and the mercantilist emphasized nation building as a matter of policy.<sup>18</sup>

In “Recent American Socialism,” Ely argues that the role of government in social and economic matters ought to be reconsidered and expanded:

An obstacle [to the expansion of the State's role] in economic activity has been found in the low view that men have too frequently taken of its [the State's] nature. Calling it [the State] an atomistic collection of units, some

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17. In *On the Principles of Political Economy and Taxation* ([1817] 1951), Ricardo's “fundamental theorem of distribution” requires wages and prices to vary inversely. To be sure, production in Ricardo's model features only labor and land, obviating the possibility that the return to capital might increase the marginal product of labor in the long run by influencing the rate of saving.

18. The actual mercantilists advocated trade barriers, which spawned numerous colonial wars before Adam Smith and the classical economists came on the scene (see Smith [1776] 1937, 863–900). Regardless of any change of opinion regarding industrial policy and hard money, Wilson remained committed to free trade and tariff reduction throughout his life.

have even gone so far as to speak of the support for public schools as robbery of the propertied classes. Now, it may rationally be maintained that, if there is anything divine on earth it is the State, the product of the same God-given instincts which led to the establishment of the Church and the Family. It was once held that kings ruled by right divine, and in any widely accepted belief, though it be afterwards discredited, there is generally found a kernel of truth. In this case it was the divine right of the state. (1885, 73)

Ely's state is thus something of a "living organism," with an existence independent of the persons who, in the liberal view, invigorated it through their consent,<sup>19</sup> and it is furthermore imbued with a divine mission. The Hegelian "living organism" metaphor implies change that casts doubt on the epistemological regularity of economic laws. As H. K. Betz observes, "Neither human nature nor the world in which man lives are [*sic*] treated as constants" (1988, 412–13). No longer would "outdated" economic principles based on a priori assumptions impede the state in its "divine" mission. To be sure, Ely presented himself as an opponent of (revolutionary) socialism. He advocated instead the expansion of government programs on an incremental and tentative basis to keep the revolutionaries in check.

Years later Ely would incorporate the law of diminishing marginal utility and supply and demand curves into his popular economic textbook (Ely and Hess 1937, 151–54, 162ff.), with the qualification that laws, monopolies, and custom also play a role in determining value. Yet he adopted the historicist approach on matters of policy such as minimum-wage legislation (Ely and Hess 1937, 806–8). Ely dismissed the theory developed by John Bates Clark that marginal productivity determines wages, offering the sanctimonious observation that Clark would have done better if "he had taken the role of a reformer. [But] he took the role of a scientist, reasoning out things deductively" (in Samuels 2002, 259, 260). Warren Samuels argues that although Ely's tone shifted from polemic to something "somewhat more conservative," his thought never changed (2002, 4). Regardless of the extent to which Ely would *later* accept the marginalist revolution in economics, while Wilson was at The Hopkins, Ely was unbothered by the reconstruction of economic theory that was taking place at the time.

To summarize, Ely criticized the standard classical economic theory, relying heavily on sophomoric debating techniques. Although he correctly identified important shortcomings in classical economic theory, he incorrectly argued that theory should be abandoned rather than be revised. Ely thus justified an ad hoc approach to economic policy in order to benefit the poor and working classes and to fulfill the state's "divine" mission.

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19. Not until the rise of the public-choice school (Buchanan and Tullock [1965] 1980) did economists develop formal models of public decision making and the importance of constitutional limitations.

## Wilson Is Introduced to the Historical Approach

Ely's lessons were not lost on Wilson: the de-emphasis of a priori economics and a willingness to consider economic policies on an ad hoc, pragmatic basis; the state's divine mission; and the tactic of presenting oneself as a conservative while advocating progressive reforms. After March 1884, Wilson's letters no longer expressed doubts about his professors.

At the April 1884 seminar, in reviewing articles from *Banker's Magazine*, Wilson refrained from using the deductive tools rejected by his professors and focused on superficial matters: political trends and style. Wilson criticized the author of "American Forests" for being too optimistic and "ludicrously out of tune with the times," while praising an article on "banking in France" for its style of condensing and conveying information. He criticized other articles for being "colorless" and "lacking in imaginative treatment" (*Wilson Papers* 1966–74, 3:135).

Wilson publicly described socialists as being "long-haired and wild-eyed." Ely chided him, saying he had never seen a socialist who fit that description. Wilson answered, "If you say such things you make people believe you are a conservative and then you can go ahead and do progressive things" (qtd. in Bragdon 1967, 110). Wilson would later follow the same pattern during his political career, establishing himself as a conservative before embracing the progressive program.

Wilson completed a draft of his part of Ely's proposed study of American political economists.<sup>20</sup> Diamond describes Wilson's effort as a "colorless fifty-five page description with occasional critical comment of the economic thought of no-longer remembered American economists. . . . It contains very little of Wilson himself" (1943, 30–31). Henry Bragdon summarizes the study: "Wilson's treatment of American economists reveals that he had been shaken loose from Dr. Atwater, who had taught that political economy was an *a priori* pure science, deduced from obvious maxims that partook of divine law. He had been brought in touch with recent economic thought, on the continent as well as in England and America, and begun to suspect that there might be a legitimate place for state intervention into the economy" (1967, 116). Many years later Ely commented on Wilson's effort: "Mr. Wilson . . . undertook a detailed study of the innumerable American text-book writers of the orthodox Ricardian (classical) School. He handed in about eighty-pages in his own handwriting. It was a credible performance, and he is to be specifically praised for his appreciation of the ideas of relativity and evolution" (qtd. in Walworth 1965, 42).

Eighteen months after leaving Johns Hopkins for a teaching position at Bryn Mawr, Wilson expressed his opinions on the competing schools of economics. He

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20. The Ely-Wilson-Dewey project was never completed. Ely and Dewey failed to do their parts. Ely apparently expected Wilson to find that the American economists were rigid exponents of British classical theory. On the contrary, Wilson found that although American economists frequently criticized government policies, they did not advocate laissez-faire doctrines (Thorsen 1988, 80–81).

praised the efforts of the Historical School: “Their protest is significant, their purpose heroic, beyond a doubt” (Thorsen 1988, 86). Yet he believed that the attempts by some members of the Historical School to develop a new economics were naive.<sup>21</sup> Thorsen notes that in this essay Wilson rejects *both* the classical and the historical schools of economics in favor of politics (1988, 86–87). But the historical method is itself a rejection of economics as a science, with theories deducible from axiomatic principles subject to validation or rejection by observation. The historical method provides a kind of freedom from any laws of economics, justifying the pursuit of the good as one perceives it on a pragmatic basis, especially in view of changing political and economic conditions. Although each of Wilson’s three academic appointments had “political economy” in the title, before arriving at Princeton in 1890, he negotiated a provision that he would have to teach political economy for only two years. After 1892, he never again taught economics.

### The Social Gospel Movement

Ely was a prominent founder of the Social Gospel Movement, a predominantly Protestant Christian social and political movement begun in the late nineteenth century that sought to relieve the conditions of the poor and working class by changing society.<sup>22</sup> Ely attended the first Social Gospel conferences during the 1880s along with such notables as Simon Patten, John Bates Clark, and a Hopkins graduate student named Woodrow Wilson.<sup>23</sup> The Social Gospel Movement originally tolerated diverse viewpoints, but free-market economics and the doctrine of *laissez-faire* were soon deemed “incompatible with Christianity.” As Washington Gladden, an early leader of the Social Gospel Movement, said: “It becomes clear that Christianity is not individualism. The Christian has encountered no deadlier foe during the last century than the individualistic philosophy which underlies the competitive system” (qtd. in Opitz 1999, 14).

According to Ely, government was a divine instrument for resolving public issues on an ethical basis. He eagerly awaited the arrival of the “New Jerusalem,” believing that universities and social sciences would play an essential role (Quandt 1973, 402–4). He preached, “The State is religious in its essence,” and “God works through

21. Historicists in America were succeeded by American institutional economists, including John Commons, one of Ely’s later students, and Wesley Mitchell. This school’s quest for a theoretical formulation is explored in Breit 1988.

22. Protestant Christians had formerly attempted, through Charity Organization Societies and other such groups, to relieve poverty by reforming the behavior of the poor.

23. At about the same time, Ely cofounded the American Economic Association to serve the younger, “progressive elements” (Rader 1966). He—along with Henry C. Adams, John Bates Clark, Edwin R. A. Seigman, Alexander Johnston, Arthur Yager, G. B. Newcomb, James H. Canfield, Jesse May, and a budding new professor at Bryn Mawr named Woodrow Wilson—drew up the association’s first platform (Ely 1886, 7). The charter praised the role of government as indispensable to progress, dismissed a priori reasoning as “speculation,” promoted social experimentation, and sought to deal with the labor/capital conflict (Bateman and Kapstein 1999, 250).

the State in carrying out his purposes more universally than through any other institution” (qtd. in Fine 1956, 180–81).

The Social Gospel Movement’s deification of the state departed from the traditional American distrust of political power and support for constitutional limitations of such power. Charged with a divine mission, the crusaders refused to tolerate such constraints. Social reforms could hasten the advent of God’s Kingdom on Earth by “purifying American Society” (Waldo 1948, 16, 48).

Wilson’s connection with the Social Gospel Movement may have been more a matter of political expediency than of a shared doctrine. To be sure, he “was an active proponent of the Social Gospel, and among his core constituencies in 1912 were reforming Protestants” (Bateman 1998, 33). However, Wilson preached a gospel of service, not the idea that the state was a divine institution. Moreover, reflecting the organization of the Presbyterian Church, which featured an elite leadership within the church along with the masses of self-responsible persons, he believed in public administration but was not anti-individualist. He argued that responsive democracy required more centralized and more expert government. “There is no danger in power, if only it be not irresponsible” (1887, 213).

### Professor Wilson’s Political Economy

As noted earlier, upon leaving The Hopkins, Wilson took a faculty position at Bryn Mawr. Three years later he took a position at Wesleyan. Then another three years later, in 1890, he returned to his alma mater, Princeton, and in 1902 he was named president of that institution. During his tenure as an academic, he wrote and spoke extensively on government. In 1889, he published his ideas concerning the role of government in *The State: Elements of Historical and Practical Politics, a Sketch of Institutional History and Administration*. Contemporary critics praised this book for being the first work of its kind to use the historical method to explain the state (Thorsen 1988, 92–93). Wilson rejected John Locke’s contract theory of government as “revolutionary liberalism.” Instead of relying on contract theory, he argued that political authority derived from kinship and social emotions (1889, 1–15).<sup>24</sup>

In *The State*, Wilson employs his technique of deriding socialists as naive and mistaken (“wild-eyed”) so as to establish his bone fides as a man of reason, all the while accepting socialism’s goals. The socialists’ “schemes,” Wilson writes, are “mistaken enough to provoke the laughter of children,” although “they have the right end in sight.” Socialism seeks to replace “selfish, misguided individualism” by bringing each person into “harmony with society” so as to “perfect mutual helpfulness.” Wilson proposes to accomplish this goal via a “middle ground,” controlling “the competition that kills” while allowing “wide freedom to the individual” (632–33).

24. *The State* was not Wilson’s first expression of this view. As a graduate student, he had argued that the state derived from kinship, not from contract (Thorsen 1988, 103–4).

He distinguishes the state from society, but he asserts that the state “is the organ of society, its only potent and universal instrument” (633). He understands unblinkingly, however, that the state, “in its last analysis, is organized force” (572).

Many historians consider Wilson to have been a political conservative, perhaps because he professed admiration for Edmund Burke. “If I should claim any man as my master, that man would be Burke” (*Wilson Papers* 1966–74, 8:211). Like Burke, Wilson rejected the rationalist Enlightenment political thought of Locke, Hobbes, and Rousseau and appealed to nonrationalist explanations of order, such as social customs and emotions. Burke, however, believed in a stable social order limited by these traditions, whereas Wilson replaced tradition as well as contract theory with social experimentation conducted by the state on a trial-and-error basis (Thorson 1988, 158–59).

Like Ely, Wilson believed that the state’s role must continually evolve to express the needs for social growth. “It should be the end of government to accomplish the needs of organized society: there must be constant adjustments of governmental assistance to the needs of a changing social and industrial organization. . . . The regulation that I mean is not interference: it is equalization of conditions” (1889, 661). Wilson believed that neither individual rights nor an originalist interpretation of the U.S. Constitution should be allowed to impede the state’s evolutionary requirements. He believed that “a Constitution must hold the prevalent opinion, and its content must change with the national purpose” (*Wilson Papers* 1966–74, 8:271–72). In an unpublished essay, he wrote: “The real foundations of political life in the United States” were not in the Constitution. “Justly revered as our great Constitution is, it could be stripped off and thrown aside like a garment, and the nation would still stand forth clothed in the living vestment of flesh and sinew, warm with the heartblood of one people, ready to recreate constitutions and laws” (*Wilson Papers* 1966–74, 5:69).

Wilson believed that the difference between socialism and democracy was a matter of means rather than ends. In an unpublished 1887 essay, he compared socialism and democracy:

“State socialism” is willing to act through state authority. . . . It proposes that all idea of limitation of public authority by individual rights be put out of view, and that the state consider itself as bound to stop only at what is unwise or futile in its universal superintendence alike of individual and public interests. The thesis of the state socialist is that no line be drawn between private and public affairs which the state may not cross at will; that omnipotence of legislation is the first postulate of all just political theory.

Applied in a democratic state, such doctrine sounds radical, but not revolutionary. It is only a [*sic*] acceptance of the extremest [*sic*] logical conclusions deducible from democratic principles long ago received as respectable. For it is very clear that in fundamental theory socialism and democracy are almost if not quite one and the same. They both rest at

bottom upon the absolute right of the community to determine its own destiny and that of its members. Men as communities are supreme over men as individuals. Limits of wisdom and convenience to the public control there may be: *limits of principle there are, upon strict analysis, none.* (*Wilson Papers* 1966–74, 5:561, emphasis added)

Wilson repudiated Locke and the Founding Fathers in suggesting that the misconception of a fundamental difference between socialism and democracy came from “a political philosophy radically individualistic, but not necessarily democratic.” According to Wilson, “The difference between democracy and socialism is not an essential difference, but only a practical difference—[it] is a difference of organization and policy, not a fundamental motive” (*Wilson Papers* 1966–74, 5:561).

Wilson defended private property and free markets against the socialists, but only on practical grounds.

Democracy has not undertaken the tasks which socialists clamor to have undertaken: but refrains from them, not for lack of adequate principles or suitable motives, but for lack of adequate organization and suitable hardihood: because it cannot see its way clear to accomplishing them with credit. . . .

The socialist does not disregard the obvious lessons of history concerning overwrought government: at least he thinks he does not. . . . He points to the incontrovertible fact that the economic and social conditions of life in our century are not superficially but radically different from those of any time whatever. . . . Corporations grow on every hand, and on every hand not only swallow and overawe individuals but also compete with governments. . . . In face of such circumstances, must not government lay aside all timid scruple and boldly make itself an agency for social reform as well as for political control?

“Yes,” says the democrat, perhaps it must. You know it is my principle, no less than yours, that every man shall have an equal chance with every other man. . . . But the means? The question with me is not whether the community has the power to act as it may please in these matters, but how can it act with practical advantage—a question of policy. (*Wilson Papers* 1966–74, 5:561–62)

Wilson appeared to convert politically from conservative Democrat to progressive Democrat in 1908. Insofar as his economic thinking is concerned, however, he had converted from Manchester liberal to historicist sometime during or soon after his graduate studies at The Hopkins. He distinguished himself from the socialists not in regard to ends, but only in regard to means. He rejected the liberal doctrine that men form governments to pursue happiness and instead maintained that “[m]en as



communities are supreme over men as individuals.” He rejected any principled limit over the power of the state and defended individual rights and private property only on pragmatic grounds.

### Wilson the Conservative

During the 1890s, Wilson preached popular but contradictory sermons. In national politics, according to Stockton Axson, Wilson was a “gold Democrat,” dissenting from the regular Democratic ticket: “Wilson reacted strongly against the theories of the Middle West, of Kansas and Nebraska, reacted against the farmer’s alliance, Populism, labor doctrinaires, against Jerry Simpson, and, especially, against William Jennings Bryan” (1993, 720). As an educator, he warned of the danger of the “scientific attitude” in academia. According to Wilson, the scientific methodology had become too prevalent throughout the campus. The danger lay in encouraging too much social experimentation, leading to agnosticism in philosophy and anarchism in politics. To check the undue influence of science, he proposed to make the “humanities human again.” He supported classical scholarship and held that the “spirit of service” and “the consciousness of the solidarity of the race, the sense of duty of man towards man” (Wilson Papers 1966–74, 10:29–30) are more important values of higher education than application of the scientific approach and social experimentation without regard for the wisdom of the past.<sup>25</sup> Wearing the hat of a conservative educator reacting against the tide of the scientific outlook, Wilson derided the historicism taught by his graduate professors and promulgated in his own works (1896, 447–66). Did Wilson have a change in heart about historicism? Probably not. George Osborn explains that Wilson made a political appeal to the faculty and alumni in order to enhance his prospects as a replacement for Princeton’s president Francis L. Patton (1968, 254–55).

At about the same time that Wilson was advocating conservative politics at the national level and deriding historicism on campus, he argued in favor of municipal ownership of city railways and gas works on the grounds that public ownership would lead citizens to take a greater interest in city affairs. He called bipartisan boards “the invention of the devil” and opposed bicameral councils. He proposed that the ordinance-making power be concentrated in one body. The composition of the governing council would be determined by a citywide (at-large) ticket (Osborn 1968, 231–32). These reforms closely resembled his earlier proposals for a British-style “cabinet” form of government to replace the chaos inherent under the congressional system.

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25. The call for racial solidarity played an important role in the origins of both the Social Gospel Movement and the American Economic Association because Ely believed that self-sacrifice was needed to hold society together. Wilson concurred, adding that Burkean nonrational sentiments were also important. Although the connections between progressivism and overt racism are beyond the scope of this article, they have been explored in recent literature (see Cherry 1976; Luker 1991; Bateman 1998, 2003; and Leonard 2003b, 2005).

Wilson even advocated free (unpaid) compulsory municipal service. He wanted mandatory participation in the administration of public charity, tax assessment, and service on mercantile arbitration under the direction of citizen committees (Osborn 1968, 231–32). At the municipal level, his reforms did not seem extreme.<sup>26</sup>

Conservative or historicist, where did Wilson's heart lie? Was he at heart a conservative who only reluctantly embraced progressive policies, or was he at heart a historicist who wore conservative clothes whenever doing so became politically advantageous? Perhaps Wilson did not see the two as dichotomous and appreciated the roles both of tradition and experimentation in social evolution. Another possibility is that he had become an astute politician who had no qualms about using his brilliant debating skill for his own advancement.<sup>27</sup>

### Wilson, the Political Chameleon

In 1906, Wilson launched his national political career as a proconstitutional, laissez-faire advocate—that is, as a conservative alternative to the radical William Jennings Bryan. He denounced government intervention in no uncertain terms. “It was a principle of Thomas Jefferson’s that there should be as little government as possible,—which did not mean that there should not be any government at all, but only that men must be taught to take care of themselves. I heartily subscribe . . . because moral muscle depends upon your showing that there is nothing to take care of them except God and themselves” (qtd. in Bragdon 1967, 340). He issued a credo in which he explained that his legal training led him to regard the Constitution and common law as sufficient to check all the vices of modern business. He criticized the Sherman Antitrust Act and regulatory commissions, such as the Interstate Commerce Commission, as unnecessary and ineffectual. He opposed the graduated income tax and blamed the Panic of 1907 on rate regulation applied to the railroads that prevented them from raising money (Bragdon 1967, 340–43). He gave numerous speeches from 1906 through the first few months of 1908, attacking progressive regulation and defending limited government.

Then, beginning in April 1908, according to Bragdon, Wilson's speeches suddenly changed. Almost overnight he seemed to replace his laissez-faire arguments with those of the progressive camp. He blamed the corporate form of business organization and its limitation of liability for the loss of individual responsibility. His speeches denounced corporations and the laissez-faire system rather than particular unethical businessmen. He warned that “sensible” regulation was needed to avert

26. Progressives were more comfortable using government at the state and municipal levels (Bateman 2005, 175). During World War I, however, Wilson introduced extensive *federal* control of the economy.

27. Wilson never severed his ties with the progressive movement. He joined the American Association for Labor Legislation, a prominent labor advocacy group that spearheaded the early labor legislation, shortly after Ely organized the society in 1905 (Leonard 2005, 206–7).

revolution (Bragdon 1967, 348–51). Bragdon suggests that Wilson’s change of heart had come from a shift in the political winds. Wilson originally campaigned as a conservative alternative to populist William Jennings Bryan, but as the year got under way, he was thought to be a potential running mate for Bryan.

Robert Saunders, in a book appropriately titled *In Search of Woodrow Wilson*, indicates that prior to 1908 Wilson had been taking positions “calculated to make him a responsible alternative within the Democratic Party to William Jennings Bryan.” Then in early 1908 he “changed dramatically his public positions on wealth and on business leadership . . . [to] move from a position of defender of business leadership to a position of reluctant critic” (1998, 33).

Until recently it was thought, following Diamond (1943), that Wilson remained through 1908 basically the classical liberal who had entered The Hopkins and that *during that year* he experienced some kind of epiphany. His private papers indicate, however, that he had changed much earlier in a way that could justify almost any kind of political pirouette.

Candidate Wilson’s conservative persona gave him broader appeal than Bryan. In 1912, Wilson positioned himself as a progressive and made the graduated income tax a centerpiece of his campaign. His speeches echoed the teachings of his mentor at The Hopkins: “The program of a government of freedom, must in these days, be positive and not negative merely. Freedom to-day means something more than being let alone” (qtd. in Ekirch 1974, 170). His campaign speeches were published in a volume titled *The New Freedom* (1913). With the non-Democratic vote split between incumbent president William Howard Taft and former president Theodore “Teddy” Roosevelt, Wilson was elected the twenty-eighth president of the United States.

As president, he presided over an unprecedented accumulation of federal power. During his first administration, Congress adopted the graduated income tax, passed the Federal Reserve Act, and enacted new regulations on business.<sup>28</sup> During his second administration, these new powers facilitated the financing of war, and the war justified selective price controls, federal credit agencies, government operation of the railroads, massive tax increases, precursors to the farm program, and so forth. The Wilson administration’s short-lived command economy provided a blueprint for much of the New Deal legislation of the 1930s (Higgs 1987).

## Concluding Observations

Before attending graduate school, Wilson accepted the basic tenets of Manchester classical liberalism with regard to economic policy in the context of an essentially conservative, Burkean political philosophy. His apprenticeship with Richard T. Ely

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28. Contemporary economists consider the efficiency of the regulation of business relative to tort law for the purpose of inducing the optimal level of precaution, thus potentially justifying some regulation of business from a liberal perspective. Indeed, as Edward Glaeser and Andrei Shleifer point out, Adam Smith was not opposed to a tolerable “administration of justice” (2003, 403).

trained him in the historical approach to political economy. To advance his career, Wilson sometimes posed as a conservative while remaining within the historical approach. At times, he seemed to rebel against his mentor, as when he warned the Princeton faculty about the dangers arising from social experimentation. In such cases, he was guided by his “principle” of ad hoc pragmatism in pursuit of the greater good as he understood it, and he was confident that he was one of the elect in the service of God.

If we consider only Wilson’s political speeches, his abrupt change from advocating laissez-faire positions to endorsing progressive reforms in 1908 seems inexplicable except as an opportunistic political maneuver. By adopting historicism, however, he had intellectually renounced the principles of political economy many years earlier, and we might well think of this earlier switch as *his* “New Freedom.”

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