JOHN BATES CLARK

The Making of a Neoclassical Economist

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Preface

My interest in the work of John Bates Clark and his place within the economics profession began in the early 1970s, when I wrote my McGill University PhD dissertation. That work was stimulated, not by Clark directly, but by the 'Cambridge Controversy' and my introduction to a critical view of neoclassicism under the tutelage of Tom Asimakopulos. At some point, I had read Geoff Harcourt's 1969 *Journal of Economic Literature* article, 'Some Cambridge Controversies in the Theory of Capital' (published in book form in 1972), and was struck by his periodic comments on the politics or ideological facets of the debate. This work, along with those of Joan Robinson, Piero Sraffa *et al.* (and later, Veblen and Marx) turned out to be extremely influential in my development. During this period, not only were economists treated to a significant debate in fundamental economic theory (though McGill proved to be the exception rather than the rule in promoting the 'trickling down' of ideas to graduate students), but the war in Southeast Asia was raging and, in the United States, the Civil Rights movement promoted ideas that helped demonstrate some of the fundamental myths of a so-called democratic society. So, a connection began to form.

Gradually and somewhat painfully, my faith in neoclassical theory, in propertied democracy, in the sanctity of established institutions withered. One could readily observe the officials who represented the dominant institutions lying openly and readily, and there seemed to be a relationship between developments in the larger political or social sphere and those in economic theory (though at the time this was unclear). So, abandoning my initial dissertation topic, I decided to investigate the process by which one leg of the neoclassical argument had been developed.

As the marginal product and the precepts flowing from this concept was one of the main issues in the Cambridge debate, I seized upon an examination of Clark in order to better understand the relationship between economic theory and the economist's larger political perspective. After all, if economists could use theory to justify extant arrangements and practice, it was conceivable that this theory could have been developed with just that defense in mind. But the only way to test this was through a detailed examination of the development of the theory (or a portion thereof) itself. Hence, why not the work of Clark? At neither that time nor now have I ever been interested in Clark as a person or as an economist. Rather, my interest was piqued by the larger questions raised by economic theory and the relationship between theory and society.

When John Pheby approached me to write a book in this series, I agreed to produce one on Clark, thinking that it would be a relatively easy task: I would simply modify my dissertation and add material based on the reading, talking, writing, and thinking I'd done over the last twenty years. When I actually began the process, I decided to abandon that approach, not even look at my thesis, and force myself to read again just about everything Clark wrote, hopefully gaining insights that I otherwise would not have discovered. And I think this book is a better product because of that decision.

While all of Clark's output was freshly read, portions of this book are partially based on some of my previous research (cited in the bibliography). In particular, Chapters 2 and 3 owe a great deal to a paper written at the invitation of Malcolm Rutherford and delivered at a History of Economics Society session at the annual American Economic Association gathering in January 1992 (which appears as Henry, 1995, in the bibliography). In preparing that paper and in the session itself, comments received from Warren Samuels, William Dugger, Joseph Furey, Nancy Wulwick, A. W. Coats, Jurgen Backhaus, and Anne Mayhew were most instructive. Later, in preparing the paper for publication, I received most generous commentary from Mason Gaffney, A. M. C. Waterman, and Paul Wendt. (In fact, Paul's comments caused me to rethink the relationship between Clark's early papers as they appeared originally and as they were revised for his 1886 *Philosophy of Wealth*, resulting in an article published in the Spring 1994 issue of the *Journal of the History of Economic Thought*. The contact with Professor Waterman resulted in a piece on Clark being included in *Economics and Religion: Are They Distinct?* [A. M. C. Waterman and H. Brennan, eds, Kluwer Academic Publishers, 1994].)

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JOHN F. HENRY

1 John Bates Clark: A Life, 1847–1938

John Bates Clark, the first United States economist to reach a position of prominence within this profession, was raised in an archetypal New England Puritan environment in Providence, Rhode Island. Within its Congregationalist household the family maintained a strict religious regimen that included daily prayer and a scrupulous observance of the sabbath, but there was more to such an environment than this: Equal emphasis was placed on intellectual growth as well as '. . . keenness in the pursuit of individualistic commercial enterprise' (A. Clark, 1938, p. 5).[1]

While Clark's family cannot be said to have been among the most distinguished of those who fertilized the New England political and intellectual landscape, it was, nonetheless, peppered with notable individuals. He could trace his lineage to forebearers who served the early Yankee towns and villages as church deacons, members of the local militias, and officials in local government. Two great-grandfathers fought in the war of independence and both his grandfathers were notable in the ministry; his maternal grandfather, Thomas Huntington, left a successful career as a doctor to devote the remainder of his life to this cause.

John was the oldest of three children, and all indications are that he was a most dutiful and responsible son, a prime example of which was his departure from Amherst College[2] to assist his engineer father in his unsuccessful battle against tuberculosis. Leaving an intellectually active academic life short of graduation to take up a life in Minnesota, at the time a frontier backwater, must have been difficult for Clark, but he seems to have made his choice without reluctance: the family that raised him now needed him desperately and Clark responded as would only seem right.

In Minneapolis, Clark became a partner in a concern selling plows. His work here brought him into contact with small farmers and shopkeepers who were falling upon hard times, the most pressing issue that of meeting credit payments. Clark was sufficiently astute in his sole business venture to 'retire' in the black.

Upon his father's death in 1871, Clark returned, at the ripe age of twenty-four, to Amherst, graduating with the class of 1872. It was in his senior year that he underwent a major change in his life. Clark had planned to enter the ministry. Indeed, he had applied to Yale's Divinity School. But he enrolled in a course in political economy, then a branch of Mental and Moral Philosophy, taught by Julius Seelye, the President of the college.[3] Seelye, clearly impressed by Clark's work, urged him to pursue a career in economics, a suggestion Clark took to heart and, while remaining active in the church, began the process that would eventually take him to international prominence.

An early participant in what was a standard practice for that period, Clark left the United States to study abroad. At this time, there was no formalized graduate training available in the US.[4] In the 1870s (and until the turn of the century), Germany held the greatest attraction for US students bent on a university teaching career. With formalized instruction in economics and a research seminar program in place, Germany, along with German-model schools in Austria and Switzerland, came to represent the standard of excellence within the US academic community. In addition to its institutionalized system of instruction, the German schools housed many of the leading figures in economics – Schmoller, Wagner, Böhm-Bawerk, Menger, Knies, Roscher, among others – and were supported by excellent library systems. Accordingly, US college and university presidents gave preference to students trained there. From 1872 to 1875, Clark trained in France, Zurich and Heidelberg. At Heidelberg he studied under the notable Karl Knies and imbibed the German 'historical' approach, which, though it influenced his early work, never dominated his economic thinking.

Though never earning the PhD, with his German graduate training as his academic credential, Clark returned to the United States in 1875 and accepted a newly created position as Professor of Economics and History at Carleton College, a small liberal arts college in Minnesota.[5] In the same year he married Myra Smith, a graduate of Vassar, with whom he had three children. Unfortunately he fell seriously ill after a few weeks into his first term at Carleton and spent two years recuperating, able to work only as a part-time tutor at the University of Minnesota. In 1877 he returned to Carleton, where he stayed until 1882.

At Carleton, Clark began his long-standing practice of a daily writing schedule. He first found an outlet for his work in *The New Englander*, a leading periodical of the day (and forerunner of *The Yale Review*) in which he published eight articles and three book reviews. Four lesser pieces were published in other periodicals, including one written for the overtly religious publication, *The Christian Union*. The *New*

Englander pieces established Clark as a young economist of note, and it was this collection of articles that formed the centerpiece of his 1886 *The Philosophy of Wealth*, the work that brought Clark his first real fame and established his reputation as one of the more inventive thinkers in the country.

The other notable aspect of his career at Carleton was that here he taught Thorstein Veblen, arguably *the* most innovative theorist the United States ever produced. Clearly, it cannot be claimed that he influenced Veblen (except, perhaps, in a negative fashion), but it is a fact that Veblen first learned his formal economics under Clark's tutelage.

In 1881 (or 1882 according to Alden Clark) Clark left Carleton for Smith College in Northampton, Massachusetts, where he stayed until 1892 as Professor of Political Science and History, eventually assuming the chair of that department. At Smith, Clark began the work that eventually resulted in his 1899 *The Distribution of Wealth*. In particular, 'Capital and Its Earnings' (1888), 'Possibility of a Scientific Law of Wages' (1889), 'The Law of Wages and Interest' (1890), and 'Distribution as Determined by a Law of Rent' (1891) were all written while at Smith.

Clark then moved to Amherst, his alma mater, assuming a professorship in political economy. Concurrently, he held a non-resident lectureship at the Johns Hopkins University in Baltimore, perhaps the most important experimental institution in the United States at the time and the first to offer graduate degrees on a systematic basis. There he gave twenty-five lectures over the 1892–93 academic year, partly serving as a replacement for Richard Ely, who had left for the University of Wisconsin.

In 1895, largely as a result of his already distinguished career but also in response to his running dispute with Henry George, a nemesis of its President Seth Low who was preparing a mayoralty campaign against George, Clark was invited to assume a professorship at Columbia University. In that same year he received an offer from Johns Hopkins but chose Columbia because it already had a fully developed department. At Columbia he stayed, except for a year at Yale in 1898–9 when he replaced Irving Fisher who was recovering from tuberculosis, until retiring in 1923.

There are two items of interest in the background to this appointment. At the time, women of Barnard College (Columbia's 'sister' school) were not allowed to enroll in courses in the School of Political Science. Under an arrangement orchestrated by Low, Clark was paid by Barnard but taught at Columbia. The School of Political Science, in return, provided separate courses for Barnard women (Rozwadowski, 1988, p. 198).

Of more interest, though, is the attraction that Clark held for the senior faculty of the School. According to Edwin Seligman, in a testimonial given for Clark upon his eightieth birthday, Clark (along with Franklin Giddings with whom Clark had collaborated while at Smith) was *not* hired based on his work in distribution theory, but because of his publications on competition and the trusts (in Hollander, 1927, p. 358).

At Columbia, Clark found himself in an extremely fortuitous intellectual environment that was most supportive of his energies and direction of thought. In 1876, John Burgess was brought to Columbia as part of a program to propel this institution from its backward-looking Columbia College past into the front ranks of American universities. Burgess, a graduate of Amherst, where he studied under Julius Seelye and later taught, was appointed Professor of History, Political Science, and International Law. He organized the School of Political Science in 1880 and led the University into the modern world of graduate education and an emphasis on intellectual development rather than mere training in what was thought to be proper for the 'gentlemen' of the period. In 1886, the influential *Political Science Review* was founded (the same year as the *Quarterly Journal of Economics* at Harvard), and in 1890 the School was given statutory recognition as independent of the School of Arts. Burgess even organized a school library (in response to the University librarian's resistance to the purchase of new books) and brought Melvil Dewey, again from Amherst, to oversee the building and cataloguing (using Dewey's newly invented decimal system) of the collection.

In 1877, Burgess brought in Richard Mayo-Smith, best known for his statistical work, who founded the Department of Political Economy and Social Sciences within the School. By the time Clark arrived, Edwin Seligman and Franklin Giddings had been added to the roster, and he found himself in one of the best and most dynamic of economic departments of the day in an institution that was in the middle stages of its rise from mediocrity to the top ranks of the nation's schools of higher education. (On Columbia's transition to excellence and Clark's life there, see Rozwadowski, 1988.)

Columbia's burst of energy was symptomatic of the dynamics of the US university system as a whole and the discipline of economics in particular. Parrish's survey of the 28 leading schools of the period found that in 1880 the total number of course offerings in economics was 35; by 1900, these same schools taught 300 courses. Five institutions offered 20 or more courses, Chicago leading the way with 31 (Parrish, 1967, p. 9). Not coincidentally, this was the same period in which the university was secularized: Businessmen replaced clergy on the boards of trustees. Economics had finally grown out of its moral philosophy shell and was now called upon to address the growing number of economic problems facing the nation – in a practical way.

Within this environment, Clark prospered intellectually and, continuing the work begun at Smith, reached the height of his fame, helping to put the US economic profession on the map of the discipline. Not only did he write his 1899 magnum opus but also *The Control of Trusts* (1901 and revised in 1912 with his son John Maurice as co-author), *The Problem of Monopoly* (1904), and *Essentials of Economic Theory* (1907), a work resulting from his lectures on dynamics at Columbia. In addition, in 1914 his University of California Barbara Weinstock Lectures were published as *Social Justice Without Socialism*, a work that sums up the main principles of his mature intellectual output.

It should be noted that his lectures at Columbia did not focus solely on his theoretical work. His normal class load of four courses, each meeting two hours per week, consisted of a course on Static Laws of Distribution, one on Dynamic Laws of Distribution, Socialist Theories, and Social Reforms. Even in the last period of his academic life, socialism and reform occupied his attention as much as, perhaps more than, pure theory.

In the same year as his appointment to Columbia, Clark was named editor of *Political Science Quarterly*, a position he held until 1911. In 1894 he was chosen third president of the American Economic Association, an organization he helped found in 1885.

Despite his enormous output of scholarly, academic papers, Clark should not be viewed as a monastic intellectual. He was extensively involved in the larger political and social life of the United States during one of its most historically turbulent periods. He was active in Grover Cleveland's second campaign for President, Cleveland representing the anti-populist wing of the Democratic Party. He lectured to a broad public in the context of the Cooper Union Forum and Lake Mohonk, two of the most influential forums of a time given over to public discussion and debate on matters of importance. And he served on a number of public committees, most notably that which examined the New York Stock Exchange and the committee that framed the act leading to the establishment of the Federal Trade Commission in 1914.

The most important of his non-academic activities, though, was his involvement with the Carnegie Endowment for International Peace. In 1911 Clark was named the Director of the Division of Economics and History, a position he held until 1923. It was this activity that provided the momentum for the major work of Clark's last period of his intellectual life.

In the year of his appointment, Clark assembled a group of leading economists and other intellectuals in Bern to assemble data and establish basic principles by which peace might be attained. Among the representatives from the eleven countries sending sixteen delegates were Eugene von Böhm-Bawerk, Charles Gide, Lujo Brentano, George Paish, and Luigi Luzzatti. All told, the Bern convention gathered a most impressive list of recognized authorities.

And, this first step was successful. A series of monographs was produced that established the basis for subsequent work. In 1914, Clark convened a second gathering in order to consolidate the work done to that point and to plan the next step of the venture. By that time, however, World War I had begun and the conference was a failure.

With the outbreak of hostilities, Clark turned his attention to the causes of war and began work on a project that was to result in the *Economic and Social History of the World War.* Following the Treaty of Versailles, Clark continued his activities in this direction, his work culminating in his 1935 *Tender of Peace.*

On March 21, 1938, Clark died at the age of ninety-one. He had accumulated many honors over the course of his life, including six honorary doctorates. His long and distinguished career was duly honored by Columbia in a funeral service conducted in St Paul's chapel there. The President of the University, Nicholas Butler, headed a group of leading economists as honorary pallbearers. His body was interred in the family plot at Lakewood Cemetery, Minneapolis.

2 The 'Christian Socialist' Period, 1877–1886[1]

Clark's theoretical development cannot be understood outside the larger economic, political and ideological context within which it unfolded. Essentially, both the early, 'Christian Socialist' Clark and the mature, neoclassical Clark were a product of and a response to an intense period of conflict in which prevailing institutions were undergoing substantial change and social authority was losing its hold over the underlying population.

The general framework within which these developments occurred was that of the transition from a roughly competitive economic framework to one of large-scale production of a non-competitive nature centered in manufacturing, and of an associated relative decline in agriculture. It was the age of the 'Robber Barons' and the 'trusts'. Three main aspects of this transition prompted an outpouring of discontent, heated debate, and various organizational efforts designed to understand and contend with the causes and effects of this development.

Initially, the tendency toward greater concentration and the reduction or elimination of competitive market structures meant that economists (as well as other social scientists, journalists and political pundits) began to modify their ideologies to accommodate the perceived impact of this process. While many decried the developments around them and lamented the loss of competition, others (a distinct minority) joined the movements of popular discontent and began attacking capitalism itself – a system that had been (and often continues to be) equated with competition. Still others, girding their theoretical loins for the battle in defense of established authority, developed conservatizing positions that attempted to modify existing arguments to accommodate the changes under way, explaining that little of substance had changed and that the 'public' had nothing to fear (or be angered by) the current state of affairs: Given sufficient time – and direction by cooler heads – things would work out in the interests of all (see Commager, 1950; Ross, 1991 for general statements of these arguments).

The second major impact was the effect this transition had on the working class. To be sure, there had been a nascent, ill-organized labor movement in the United States prior to the Civil War. Now, however, we see the appearance of large, militant organizations such as the Knights of Labor and the American Federation of Labor, that began to organize along industrial (rather than craft) lines, and prepared to do battle with capitalists to secure what they considered to be justice. This organizational militancy can be first observed in the 'General Strike' of 1877 in which the railroads – the bellwether of the new form of industrial organization – came under attack, and which heralded a spate of activity leading to the Pullman affair of 1886 (Foner, 1975; 1977).

The underlying reason for this development is readily understood. With the development of large-scale production, organized now in urban industrial centers, workers were increasingly concentrated. This not only allowed greater ease of communication so that grievances could be seen as shared by many rather than simply an aberration visited upon a few, but also much greater ease of organization. And so they organized, not because they were led by foreigners who did not properly understand United States institutions, democracy, etc. (a popular explanation of the day), but because they *did* have grievances and were now in a position to act in order to address them (Fusfeld, 1985). And, a good part of this movement was led by forces, socialist and anarchist, openly hostile to capitalism as an economic system.

Thirdly, we find the emergence of the populist movement (Hicks, 1931; Hofstadter, 1955; Goodwyn, 1976). Again, it is easily understood why the organizations comprising this movement should make their appearance in the post-Civil War era. The populists represented the interests of the small producer against the large; competitor against oligopolist. With Henry George emerging as one theoretical leader (though not all would share his positions) the populists (and progressivists in general) called for the nationalization of the railroads and other trusts, the easing of credit, and the establishment of honest government independent of the 'money lords'.

Coupled to these economic and political forces, one finds established authority coming under attack from another direction – science, in particular Darwin's evolutionary theory (or, technically, his theory of natural selection on which evolution is based).

Religion had been (and continues to be, though with less authority) one of the major institutions through which social and ideological control was exercised in the United States of the period. Through the teaching of the idea that the world was divinely ordered, the view promoted was that there was a purpose to a harmoniously structured world (the 'first' or 'final' cause thesis), and, as this world was divinely organized, nothing could or *should* be attempted to modify it. Essentially, the world should be accepted as a 'natural order' in which people should submit to established authority. Indeed, it was quite common at this time for leading academics to appeal to religious authority in developing ideas comforting to society's dominant members.[2]

Prior to the scientific developments of the second half of the nineteenth century, science and religion had lived a sometimes uneasy coexistence (Hovenkamp, 1978, pp. 10–18 *passim*). Pre-Darwinian science was of a mechanical nature, as illustrated by the Newtonian metaphor of the universe as a clock. Here, a deterministic end was reached as the result of the mechanical interplay among gears and pulleys. The world was knowable (potentially at least) once all the particular parts of which it was comprised were discovered.

Such a view allowed for the introduction of a Deity, for something had to set the clock in motion. Indeed, the mechanical science of the pre-1850 period could readily be accommodated within a religious framework. In geology, for instance, a discipline very close to the controversies unleashed by Darwin, cosmogonies of such noted individuals as Thomas Burnett, James Hutton, and Charles Lyell were all fitted to a religious framework (Gould, 1987). Even Louis Agassiz, the most noted of the nineteenth-century geologists, stated that a species is not but an 'idea in the mind of God' (in Hovenkamp, 1978, p. 49).

Darwin, more so than any other figure of science, unsettled this rather comfortable view.[3] Now the world was one of no necessary design, but rather of a non-teleological nature featuring constant change in both the qualitative as well as the quantitative sense, thus ruling out permanence, and where 'first' or 'final' causes were eliminated as explanatory agents. In other words, Darwin represented an attack on prevailing authority that rested on tradition, permanence, the notion of a divinely structured world in which what existed was the result of the working out of God's plan over which humans had no control and which should be accepted in the spirit of religious accommodation.

Darwin's impact was greater than any other natural scientist of the period because Darwin's argument was closer to the 'human condition' than those coming from chemists and physicists. Just as prevailing authority was organizing its defense against those forces that would see it unseated, Darwin set forth a scientific program that gave aid and comfort to the enemy.[4] And, it was not difficult to see a relationship between the theory of Darwin and the theory of Marx, a theory in which ongoing change was based upon various organic forces within society itself (Gasman, 1971; Meek, 1953, pp. 193–212).[5] And Marx, of course, represented the principal theoretician of the principal enemy of capitalist authority – the working class. So Darwin, as his was the most human of scientific advances, became the centerpiece or foil around which much of the ensuing debate unfolded. While this debate centered on religion and its relation to the new science, it was, in fact, about the nature of society and authority in general:

> The problem of intellectual authority developed during the 1860s and 1870s, as the harmony between science and religion . . . proved increasingly difficult to maintain. By mid-century, the synthesis of physics and chemistry . . . new theories of thermodynamics, and advances in physiology and biology . . . all suggested that natural science had the power to provide a total worldview. At the same time, through technology, science was literally remaking the world. . . . American society was reaching the point of integration . . . when people became aware that human events were caused not by personal intentions and actions close at hand, but by impersonal, distant, and less apparent causes, and hence turned for authority and practical power to the impersonal explanations of natural science. (Ross, 1991, p. 54)

> In the seventeenth century, it was the new science that needed justification against the reigning religious and moral tradition. . . . But by 1860, the scientific faith had been reestablished, and no longer stood in need of philosophic support and defense. It was now, many came to feel, religious and moral values that needed defense against the 'encroachments of science'. (Randall, 1977, p. 4)

While there were many possible avenues that intellectuals could take in response to the Darwinian onslaught, that which is of interest here is where the traditional authority (or ideas supportive of a capitalist society) is maintained while the *appearance* is that of conforming to the demands of science. The essential idea to be promoted, through changes in nomenclature, form of argument, etc., is that the older authority still reigns, but the dress in which it does so is quite modern.

Andrew Dickson White, then President of Cornell University, set forth the problem in bold strokes in his immensely influential *A History of the Warfare of Science with Theology in Christendom*. In this work, one can readily see the perceived relationship between religious doctrine and the preservation of the social order. Comparing the problem of maintaining traditional authority to that of the attempts of Russian peasants in controlling the flow of a river during the spring thaw, White argues that the rising waters represent 'the flood of increased knowledge and new thought', that established religion is the ice dam, and that his (White's) work is equivalent to the channel dug by the peasants through which the new, scientific knowledge may be let in gradually and in a controlled manner. What White hoped to prevent was '. . . a sudden breaking away, distressing and calamitous, sweeping before it not only outworn creeds and noxious dogmas, but cherished principles and ideals, and even wrenching our most precious religious and moral foundations of the whole social and political fabric' (A. White, 1896, p. vi).

> The nineteenth century tried compromise. . . . Instead of accepting the inevitable, and seeking the Good Life in a naturalistic world . . . the nineteenth century searched frantically for a new Cosmic Companion, for an up-to-date and 'scientific' God. . . . [T]hey grasped at any straw: God was the 'Unknowable,' God was Evolution, God was Energy, God was the principle of 'Concretion' – somewhere, in some scientific or pseudoscientific concept, lurked the Father of mankind, exercising his Divine Providence. (Randall, 1977, p. 9)

The attempt to salvage authority under the guise of the new science took many forms. William James substituted a biologically determinist instinct theory of psychology for the now-discredited 'soul' theory. The result was the same: Instinct replaces God but a force outside human volition continues to serve as final arbiter (Wells, [1954] 1971, pp. 63–76). John Draper, Professor of Chemistry and Medicine, argued that no fundamental conflict existed between religion and science; that the problem was institutionalized religious organizations – the church – which distorted true religion. Indeed, modern science demonstrated the truth of religious ideas – the soul, immortality, God's existence. In Draper's view, God becomes a 'rational, law-abiding, and single deity' (E. White, 1952, p. 19). For Francis Johnson, an influential New England clergyman, evolution was the handiwork of God working through the human mind (Noble, 1958, pp. 125–33). Edward Youmans, one of the leading intellectuals of the day, and who used his *Popular Science Monthly* to disseminate the views of Herbert Spencer, argued that 'Science is the revelation to reason of the policy by which God administers to the affairs of the world' (Youmans *et al.*, 1867, p. 48). Speaking in 1882, John Fiske (of the Manifest Destiny 'evolutionary' theory) stated:

> . . . the doctrine of evolution asserts . . . that there exists a power to

which no limit in time or space is conceivable, and that all the phenomena of the universe, whether they be what we call material or what we call spiritual phenomena, are manifestations of the infinite and eternal power. (In Everett, [1946] 1982, pp. 11–12)

Arguably the best representative (certainly the most influential) of those who attempted to maintain the old authority through reconciling the new science with the premises of religion was Herbert Spencer. In his *Social Statics* (1850), *Principles of Psychology* (1855), and *First Principles* (1862), Spencer developed a theory of evolution that, while it contained no deity, generated exactly the same views and conclusions of the Christian cosmogony.[6] For Spencer, what existed was both natural and right; the class society of his time was the product of natural law in which those occupying the superior positions were the product of the 'survival of the fittest' principle, and those at the bottom were simply deserving of their natural place in the social heirarchy. Further, substantive reform of society was ruled out as a solution to the supposed 'evils' of the day because this would run counter to and interfere with the workings of natural law to the detriment of society.

Specifically, Spencer declared that evolution was the result of certain inexorable physical laws, and the individual, to find happiness, must conform to these laws by adjusting to their present expression in the immediate environment. Beyond the fact that it violated the value of individualism, reform was clearly impossible, because man had no power to adjust his social environment, which reflected the material process of inexorable evolution. (Noble, 1958, p. 61)

As William Sumner, Spencer's most notable (though not uncritical) American disciple put it: 'a drunkard in the gutter is just where he ought to be, according to the fitness and tendency of things' (Sumner, [1883] 1952, p. 114).

Coupled to this general intellectual climate were various organizational efforts designed to minimize or deflect the impact of the changed economic environment and the new science on authority. That which had the greatest impact on Clark's theoretical views was the Social Gospel.

While not peculiarly an American phenomenon (Jones, 1968) and not limited to Protestant sects (Gibbon and McGlynn in Abell, 1968), it was the Protestant development in the United States that most influenced Clark. As a response to the changes in the economic structure, the growth and militancy of the working class, the perceived corruption and moral laxity of the society, particularly in business and government circles, and the repercussions fostered by the 'new science' on prevailing authority, '. . . a minority of Protestant leaders . . . [attempted] to reorient the historic faith of America to an industrial society . . .' (Hopkins, 1940, p. 12). Ministers such as Washington Gladden, Joseph Cook, and A. J. F. Behrends attempted to force the Church into a leadership position on the larger issues of the day – or face extermination.[7]

Hopkins, the most noted authority of this movement, argues that these officials focused on four main areas: the rationalizations supporting unrestricted competition; the conflict between labor and capital; the business ethics then practiced; and the relation of the church to the working class (Ibid., p. 24). Essentially, the Social Gospel represented a response to and an intervention into the economic, political, social and ideological life of the country in which the institutionalized, traditional Protestant Church, increasingly on the defensive as a result of both the economic and ideological changes then underway, attempted to alter society and religious dogma so as to rescue authority (though in modified form) and to steer workers away from the socialist direction in which they appeared headed. Without effective leadership, so the argument went, workers would embrace socialism and overthrow existing institutions of Christian civilization – in particular, private property. Basically, the Social Gospel was an *anti*-socialist movement that took its main impetus from the perceived socialist threat of the period. Social Christianity was *not* Christian Socialism (Ibid., pp. 67–97).

THE EARLY CLARK

One can date the period of Clark's early theoretical development from 1872, his last year at Amherst where he came under the tutelage of Julius Seelye, through 1886, a traumatic year in US history and representative of the beginning of a period that forced significant changes in both form and content of leading American intellectuals. A standard argument has it that these formative years represented Clark's 'Christian Socialist' period (Dorfman, 1949, p. 189; Tanaka, 1990), a period that saw the development of a markedly different line of argument than that represented by his mature period of the post-1886 years that culminated in his magnum opus, *The Distribution of Wealth* (1899). It will be argued here that the supposed transition from an ostensibly socialist to a more conservative, pro-capitalist position was of greater form than substance; that a line of continuity can be seen in Clark's work from the early to the mature period; and that a certain confusion exists resulting from a misunderstanding of Clark's general ideological thrust in his early period.

Clark's training in economics at Amherst was under the direction of Julius Seelye, President of the College and Professor of Mental and Moral Philosophy. It was under Seelye's direction that Clark's ideas began to take shape (A. Clark, 1938, p. 8) and it was at his urging that Clark decided to abandon his proposed career in the ministry and undertake further training in economics.

Seelye represented those Christian intellectuals who sought to maintain a religious defense of authority by appearing to accommodate the new science. Arguing that science dealt in the generalizations of universal laws and that these laws were established by a rational God, it was the task of scientists to discover these immutable laws of nature and society that would then disclose the divine wisdom that created them (Everett, [1946] 1982, pp. 29–31).

Indeed, Seelye's text for his course in economics well illustrates this central argument. Amasa Walker's *The Science of Wealth*, indicative of any number of similar tracts of the period (Bowen's *American Political Economy* (1870) and Perry's *Elements of Political Economy* (1875) are other examples), combines a defense of capitalism with a theological rationalization based on universal law. To illustrate:

> That Political Economy is a science having nothing to do with morals or religion . . . is a common opinion; but it may be fearlessly asserted, that no other science is so intimately connected with the destiny of the human race, in its highest and most enduring interests. . . .
>
> . . . I have felt desirous, throughout the following work, to show how perfectly the laws of wealth accord with all those moral and social laws which appertain to the higher nature and aspirations of man. (Walker, [1874] 1969, pp. xvi–xvii)
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> [It is] the general belief that hatred and retaliation are the normal relations of capital and labor. . . . Such a belief blasphemes against the harmonies of Providence, – is sightless before the glorious order of man and nature. (Ibid., p. 22)[8]

During this period, the major institutions within which economists (and others, of course) were trained all contained some element of religious indoctrination in their training programs. Certainly, in the post-Civil War era economics could no longer be viewed as simply a 'divinely ordained extension of Christian moral philosophy' (Barber, 1988, p. 7), but it did remain that 'faculty, administrators, trustees, and donors cooperated to establish social science . . . as part of a wider effort to nurture socially responsible ideas. . . .' (Church, 1974, p. 574), an effort that included religious elements along with new ideas that were required to deal with the problems caused by the deterioration of 'traditional' values, values that included those based on religious precepts (Ibid., pp. 571–77; Haskell, 1977).

Along with the imbibing of this general intellectual climate, this early exposure to economics in the form of Seelye's teaching and Walker's text remained embedded in Clark's thinking throughout the remainder of his life.

Upon returning from Germany and assuming his first academic position at Carleton, Clark began publishing his views, mainly in *The New Englander* (forerunner of *The Yale Review*) but also in church periodicals such as the *Christian Union* and *The Independent*, both Social Gospel publications. *The New Englander*, one of the foremost monthly periodicals of the period, was largely given over to religious writers providing commentary on the state of society. Here, Clark published twelve articles and five book reviews between 1877 and 1890: nine of these articles, sometimes in significantly modified form, appeared in his 1886 *Philosophy of Wealth* and comprised the bulk of that work. An examination of these articles demonstrates that Clark's early thinking was largely shaped by the various conflicts that raged around him, and that it was in this early period that he began the process of intellectual development that eventually saw *The Distribution of Wealth* as its outcome.

A summary of Clark's position as found in these early works indicates overriding concern with the social ramifications of the transition from a competitive to a non-competitive capitalism. Competition, according to Clark, generated a relatively just distribution of income. With the gradual erosion of small-scale production and the amassing of capital in fewer hands, inequality and injustice became the rule. Workers, properly outraged by this inequity, responded through organizational efforts designed to redress their injuries – the unions – and society was moving in the direction of a new distributional system based on arbitration. In this transitional period, however, it was necessary to educate workers away from a 'political socialism' as a solution to their grievances and substitute a 'true socialism' that was the end-result of a divinely mandated evolutionary scheme.

A reading of Clark's *New Englander* pieces demonstrates three main points that allow us to form a different opinion of his early period than that usually proffered. First, we find that he put forward economic theory that is essentially the same as that of his mature period, in particular a productivity theory of distribution and a utility theory of value. Second, Clark evidences a keen understanding of the necessity to develop theory consonant with the protection of the property relations of a capitalist society. Third, we find Clark struggling to develop a general evolutionary theory of human progress based on a divinely-ordered universe as a specifically *anti*-socialist theoretical program.

In his first published article, 'The New Philosophy of Wealth' (1877a), Clark set forth the two initial themes that remained basic to his general argument and which would carry over into his mature period of development. The first of these themes concerns the relationship between theory and property rights: '. . . false doctrines' lend themselves to an attack on property (Clark, 1877a, p. 170), and given that a necessary characteristic of wealth is its appropriability, '. . . the rights of property must be recognized . . .'(Ibid., p. 174).

Secondly, following an attack on the labor theory of value and the Smithian distinction of productive and unproductive labor (though his treatment is directed specifically against the work of John Stuart Mill), we find the first statement linking wages to the value of output, the basis of what would eventually become his productivity theory of distribution: 'All labor is indirectly paid for; its compensation is the market value of its product. . . .' (Ibid., p. 179).

The productivity theory of distribution (in its most generalized form) is coupled to a utility theory of value in his 1881 'The Philosophy of Value', the article which, according to Clark himself, represents the point to which the transition to his mature thinking can be traced (Clark, [1899a] 1965, p. v).[9] Thus, quite early in his development, Clark set out some argumentation that is consistent with his later work and that argues against a radical transformation in his thinking.

At the same time, though, it cannot be said that Clark is simply a proto-neoclassical theorist at this stage. In 'Unrecognized Forces in Political Economy' (1877b), Clark sets out an argument that would seem to place him outside the standard neoclassical framework, an argument that *might* be interpreted as a recognition of the need for an evolutionary framework within which to examine economies and economic behavior. Arguing against the standard view of 'economic man', he states that this conception is too 'mechanical' and 'selfish', positing instead a framework that would bring in anthropology and history into the study of economics (Clark, 1877b, pp. 710–13). This social rather than atomistic position on economic activity was, no doubt, influenced by his studies in Germany and Clark does credit the German Historical School with having a more realistic approach to human behavior (Ibid., p. 712). Yet, as we shall see below, Clark never himself incorporated an evolutionary approach into his general theory, except for a ficititious 'stage' theory of development which, nevertheless, did contain a constant in keeping with the preconceptions of standard theory – that of competition.[10]

In the 1878 'How to Deal with Communism', the only article written before 1886 that is omitted from the *Philosophy* collection, we find Clark developing a position that, again, seems to place him outside the standard line of the profession of his time and which appears to lay one foundation for the claim of a 'socialist' Clark. In this article Clark lays out a fairly sophisticated explanation for the rise of the communist threat in his period, and, concurrently, attacks capitalism in a most vitriolic fashion.

The communist movement was the result of the transition from competitive to non-competitive (oligopolistic) capitalism in which the development of large-scale production organizations amassed workers and generated a less equitable distribution of income (Clark, 1878, p. 534). Communism appeals to workers who have been organized by capitalists and who have been disadvantaged by this same class. While a 'large element' or 'indefinitely large proportion' of communists are 'worthless or of criminal character', the real strength of this tendency is based on a 'better class [of workers] infected with communist doctrine' (Ibid.). To resist this development effectively, it is first necessary to understand its underlying causes, which are the 'poverty, ignorance, brutality' resulting from the transition to oligopoly (Ibid.).

Clark then goes on to posit another of his major themes: A 'power of conscience' (later, 'moral force') has gradually transformed society from its original bestial, warlike form into 'competition of a milder sort' through subsequent stages of cannibalism, slavery, and eventually modern capitalism (Ibid., pp. 536–8). Here we see Clark's 'stage' theory of development in which competition remains an historic constant but a constant that is gradually modified through some, yet unspecified, super-societal force. Now, even though the current system is a vast improvement over those past, reform is still necessary because '[a] benevolent employer may starve his employees unwillingly, but he must sometimes starve them . . . as an inevitable law of the system' (Ibid., p. 539). Clark goes on to describe the capitalism of his day:

> We do not enslave men now-a-days. The emancipation proclamation ended all that, did it not? We offer a man a pittance, and tell him to take it and work for us from morning till night or starve; but we do not coerce him. It is at his option to choose whether he will work or not; he is free, you observe! We do not eat men – precisely. We consume the product of their labor . . . but we do it by such indirect and refined methods that it does not generally occur to us that we are cannibals. We kill men, it is true; but . . . we do it slowly, and frequently take the precaution to kill the soul first; and we do it in an orderly and systematic manner. Indeed we have any number of books and learned professors to tell us precisely in accordance with what laws we may kill, and indeed must kill them, if we will not break with the system of which we are a part. (Ibid., p. 540)

The current economic system, then, lies at the bottom of the communist movement, and it is this system that must be reformed if this threat to property is to be eliminated. This means allowing the 'sense of right' to prevail (Ibid., p. 541). At the practical level, Clark recommends the granting of small landed properties to workers, giving them a sense of ownership and 'commit(ting) them to the social order' (Ibid.), the development of cooperatives, the elimination of tariffs which had accelerated the growth of the manufacturing sector where class divisions were most pronounced, and emigration (of, perhaps, those who were promoting 'political socialism') – a reformist program carried out from above but one that in no way challenges the existing property relations.

This 'evolutionary' theme first set forth in 'How to Deal with Communism' is taken up in his 1879 'Business Ethics, Past and Present', and develops his position on 'moral force'. Arguing against the supposedly Ricardian conclusion that poverty is a necessary outcome of capitalist development and that the only hope for workers is a cooperative society leading to socialism, Clark posits that, while *unrestricted* competition may have been the law of early society, a sense of 'right and wrong' gradually developed that was extended from the family through the tribe to, eventually, the nation, and that this moral code gradually transformed competition into one of 'equal exchange' in which all parties benefit from the competitive process (Clark, 1879a, pp.

157–61). However, we also now find 'unequal exchange', the result of the non-competitive or oligopolistic features of the economy that produces injustice and is responsible for '... much of the evil that oppresses the laboring class....' (Ibid., p. 161). Here, Clark uses the metaphor of a boat captain charging a drowning man for the necessary rescue operation to illustrate the results of an exchange relationship in which the respective parties do not have positions of equality (Ibid., p. 165).

At this point in his development, it is reasonably clear that the moral code that guides evolution has something to do with religious ethics, but for Clark religious institutions have separated themselves from workers and, thus, cannot provide the guidance that is necessary to alleviate their condition. Indeed, religious officials tend to be aligned with businessmen who are the practitioners of unequal exchange and cannot teach that '... bargains must be mutually advantageous to be morally justifiable' (Ibid., p. 161). This theme is developed in 'Spiritual Economics' (1880) and reaches its culmination in Chapter 12 of *Philosophy* ('Spiritual Economics' in revised form), where Clark specifically calls upon the Church to change its direction and lead the working class movements away from a communist path toward one of safe harbors. By allying itself with the business community and abandoning its ministrations to the poor, the Church '... surrender[s] to the communists the championship of a great truth; it would place society in the wrong, and revolutionists in the right' (Clark, 1880a, p. 308). Rather than promoting class harmony, the Church now promotes 'class antagonism,' and workers receive their 'moral nutriment' through unions and 'secret orders' (Clark, [1886a] 1967, pp. 233–4).

We learn more about Clark's evolutionary theory and its relationship to a divinity in 'The Nature and Progress of True Socialism' (1879). It is here that we are treated to the fullest account of Clark's meaning of 'socialism', and of the connection between his conception and the rest of his general theory.

Following a brief introduction in which mention is made of socialist organizations of the past, and a statement indicating that the forces of history may well be moving the world toward a socialist future rather than the then-current anti-socialist organizations of capitalist individualism, Clark moves toward a definition of 'true' or 'practical' socialism, distinguishing this term from 'political' socialism.' Political socialism, or communism in the Marxist sense, is a movement directed against property, while true socialism is a '... practical movement, tending not to abolish the right of property, but to vest the ownership of it in social organizations, rather than individuals' (Clark, 1879b, p. 566).[11] By this he means, not public ownership but ownership by large-scale segments of society including, one might argue specifically, large firms of the type then becoming dominant in the economy. Indeed, he specifically includes the German development (Bismarckian 'socialism') as one example of his vision of true socialism (Ibid., pp. 577–8), and informs the reader that the movement toward this end is the result of economic concentration (Ibid., p. 570).

The whole thrust of true socialism is '. . . to secure a distribution of wealth founded on justice, instead of one determined by the actual results of the struggle of competition' (Ibid., p. 566). Clark, it would appear, views the competitive process of the period as one generating injustice given the unequal distribution of economic power between large, collectivized firms and unorganized labor. Indeed, Clark here specifies an underlying class struggle within capitalism and places the source of that struggle squarely in the distributional process (Ibid., p. 568). And, while 'moral force' may constrain competition and allow some semblance of distributional justice to be reached, true socialism would eliminate competition altogether (Ibid., p. 567).

Now, what is the underlying source of Clark's 'socialism'? In this article Clark specifies clearly the foundation of his 'evolutionary' scheme of human progress. True socialism is the end-result of divine law: '. . . the way for true socialism has been preparing for a hundred years . . . as a general development, directed by Providence which presides over all history' (Ibid., p. 572). 'True socialism is economic republicanism, and it can come no sooner, stay no longer, and rise, in quality, no higher than intelligence and virtue among the people' (Ibid., p. 580). (In *Philosophy*, 'true socialism' is replaced by 'Christian socialism' (Clark, [1886a] 1967, p. 199).) We are also told that for true socialism to reach fruition, political or 'false' socialism must be suppressed (Clark, 1879b, pp. 579–80).

What Clark is reaching for, then, is an argument that would seem to account for the changes then underway in the economy, but direct those changes toward pacific ends that are constrained by the bounds of religious authority and contained within the framework of capitalism.[12] Indeed, by the 1886 version of this piece (Chapter 10, 'The Principle of Cooperation'), Clark substitutes the term cooperation for socialism (although there are still references to socialism in the context of the Christian Socialism of thinkers like Maurice and Kingsley, but even here this program is put forth as an example of cooperation), and very pointedly adds a section on the limit to wage increases as set by the minimum level of profits necessary to allow private enterprise to function (Clark, [1886a] 1967, pp. 177–80). We also see the addition of a lengthy section on profit-sharing (Ibid., pp. 186–9) and on arbitration (pp. 189–90), both of which make it clear that Clark is confining his 'socialism' to modifications of capitalism rather than viewing his scheme as a substitute for this economic order. Indeed, his cooperative ventures are specifically limited here to distributional operations such as the Rochdale stores of northern England and religious communities such as the Shakers.

Clark's position on the transition from competitive to non-competitive economic forms of organization is further developed in the 1882 'Non-Competitive Economics'. While the atomistic competition of the Smithian period is dead, competition, as a general force within society, continues because this social form was created by a 'higher force', rests on 'moral law,' and is guided by a 'Spirit of Justice' (Clark, 1882, pp. 839, 838). This transition to a non-competitive economy is the product of 'providential design', and, as such, it is perfectly legitimate to continue to maintain the competitive force:

> The bad effects of the contest he need not suffer; and to the lower depths where the golden calf worship is unhindered and blighting, he does not need descend. It is his privilege to live on the mountainous slope at the summit of which moral law reigns. He may buy, sell, and get gain, as well as give thanks and worship, with his eyes uplifted to the hills whence cometh his help. (Ibid., p. 846)

The problem, though, is this: the older form of competition produced a distribution of income that roughly approximated justice (Ibid., p. 839). What is now needed is a new theory and mechanism of distribution that is in accord with the new forms of industry but is still in keeping with the broader view of competition and which represents the '. . . sovereignty of moral law' (Ibid., p. 845). For Clark this new distributional mechanism is arbitration.

The last point of interest in the examination of Clark's position at this point is his close approximation to the populist appeal of the period. We have already observed that he called for the etablishment of cooperatives and the granting of land to ease the discomfort of the underlying population (as well as take the sting out of the socialist movement and rally the population to support for capitalism) in his 'How to Deal with Communism'. Now he goes one step further, calling for the nationalization of certain industries, in particular the railroads (Ibid.,

p. 845). The basis for this demand was that railroads violated the principle of equal exchange as they could and did engage in discriminatory pricing as well as generate 'inappropriate utilities' in the raising of land values of farmers near the lines (what we would now call 'externalities') (Ibid., pp. 844–5). By 1886, however, this demand for nationalization had been severely modified to one of 'supervision', and Clark is careful to point out that his remarks concerning railroads and other large industries should not be construed so as to overlook '... the good which comes from competition as it still exists in this department', and that the observed discriminatory pricing behavior is limited to 'certain special products' (Clark, [1886a] 1967, pp. 214–17).

In 1883, Clark takes up the issue of distribution directly. 'Recent Theories of Wages' (which forms the bases of Chapters 7 and 8 of *Philosophy*) begins by stridently setting out the basic issue surrounding wage determination and distribution in general:

> It is a long step from a faulty theory of capital to a communistic revolution; but the connection is traceable.... It is not mere inequality that is likely to create tumults. The wild partizans [sic] of labor talk to the wage workers not merely about sufferings, but about wrongs. Something is said to be unjustly withheld from them; there is a question of equity involved....
>
> The baldest questions of material interest become, thus, moral questions.... They involve the validity of the title to every form of property.... There is a question concerning wages which, rightly settled, tends to public order, wrongly settled, tends to communism, and unsettled, tends to agitation and uncertainty. The point at issue is the ... true relation of wages to capital and products. (Clark, 1883, p. 354)

Taking Henry George, the noted heretical theoretician, and William Graham Sumner, who adopted a wages-fund approach, as representative writers on the distribution question, Clark asks: 'Can ... the complete separation of wages and products be maintained' (Ibid., p. 355)? He concludes that 'the direct reward of each productive service is the product created ...' and equates wages with the '... entire market value of the real result of labor' (Ibid., p. 361).

Returning to his moral force theme, Clark calls for the re-introduction of morality into economic theory for: 'Moral forces which created property have had an increasing [role] ... in defending and enforcing it' (Ibid., p. 362). Clark criticizes his colleagues for abandoning morality to the enemy (the 'ultra-progressivists') and for attempting to defend property with no such appeal.

We here find a better statement on Clark's meaning of the term 'competition': 'The system . . . is better than any substitute offered. . . . If socialism were to be introduced for a night, competition would return in the morning' (Ibid., p. 363). Competition is thus equated to capitalism and we find that Clark has been developing an argument positing a universal capitalism that has gradually taken shape under the direction of divine guidance.[13] The monopolistic aspects of the economy surrounding Clark, then, were seen as something of an historic aberration or were merely one organizational form of competition in which the current inequities would be gradually eroded with the ongoing development of 'true socialism'.

Clark concludes this article by reiterating the theme with which he began his argument, a theme that had been developed before and will continue to color his writings on distribution:

> . . . [S]ystems of economic science must submit to be judged, not merely by their correctness or incorrectness, but by their seeming tendency to strengthen or weaken the social fabric.
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> If there be socialism enough in the air to seriously unsettle the rights of property, it is necessary that those rights be made clearly demonstrable. Original production and valid transfer afford the only sound basis of tenure of any form of wealth. . . . If the laborer be not regarded as having produced, owned and freely sold that portion of manufactured goods which directly results from his agency, it is difficult to show how any later title to it can be perfect. . . . If there be a form of teaching not calculated to strengthen the social fabric, it is one that should present the existing order of society with its severe features in the foreground and . . . obscure the application of the principle on which every valid title to property rests, to the point in the system where titles originate. (Ibid., pp. 363–4)

In other words, Clark calls for the creation of a theory of distribution that demonstrates the sanctity of property, one that undermines the communist appeal, that strengthens a social order based on property, a social order that is the result of God's handiwork.

In the chapters of *Philosophy* corresponding to this article, we find Clark maintaining the same general position though adding sections that highlight his argument (specifying, for instance, that the wage-profit issue is one that 'threatens a revolution' (Clark, [1886a] 1967, p. 108). Given the changes in the organization of both capital and labor, the older supply–demand analysis is no longer applicable in addressing issues surrounding distribution. Clark then suggests that the manner in which the 'true law' of distribution may be found is to first posit how it would be determined through the workings of the laws of supply and demand, then ask what modifications would be required to reveal the workings of distribution under non-competitive arrangements (Ibid., pp. 109–10). By 1886, then, Clark seems to have retreated from his oft-stated position on the decline of competition and also his argument that competition no longer should be the standard by which modern economic relations should be judged. Indeed, this view is supported by the observation that Clark wrote an independent chapter on 'The Law of Supply and Demand' for *Philosophy* (Chapter 6), in which he put forward the competitive model as one applicable to the modern world.

In 'Wages as Affected by Combinations' (Chapter 8), we now find Clark taking the position that there is greater justice in the actual distributional mechanism than he had argued in the 1883 account, and this justice is based upon a greater reliance on moral force (Ibid., pp. 132–3). Moral force, in turn, was based on the greater 'solidarity' among both capitalists and workers (Clark devotes three pages to the Knights of Labor and other union organizations) that was replacing competition:

> The system of individualistic competition was a tolerated and regulated reign of force; solidarity, even in its present crude state, represents the beginnings of a reign of law (Ibid., p. 148).

Further, in 'The Elements of Social Service', written as Chapter 4 of *Philosophy* independent of *The New Englander* articles, Clark reiterates basic themes established earlier: Altruistic individuals work within an organic society in which 'true competition' is disappearing and which leads to greater strife based on unequal exchange, and which requires the imposition of arbitration to resolve dispute (Ibid., pp. 65–8). A new economic system, guided by 'moral force' is unfolding and directing the distributional mechanism toward a peaceful resolution (Ibid., p. 69).

Indeed, in the last *New Englander* article published in his 'socialist' period, Clark argues that the elimination of competition and its replacement by large corporations and mass unions engaged in distribution by arbitration will free capitalism from the pressure to produce shoddy goods and drive wages down, allowing '. . . business life [to] level men morally upward' (Clark, 1886b, p. 536). That is, freed from the constraints of the old-style competition, individual businessmen could end the immoral behavior forced upon them by the competitive pressure to lower wages, cut corners in quality, etc., and could now focus on doing good works within the moral guidelines of Christian religion. Within the new forms of organization, businessmen would be free to practice Christian ethics.

CONCLUSION

It is clear that in the early period of his development Clark was responding to the changes in the economic order then taking place. While one finds many inconsistencies in his argument, it is possible to establish a basic theme, part of which was carried over into his mature period.

The basic issue for Clark was the threat of revolution based on a militant working class movement that was imbued (so thought Clark) with an ideology hostile to capitalism (Marxism) that led to 'political socialism'. This development was founded on injustice in the distributional mechanism, which itself was based upon the development of non-competitive forms of production that led to inequality in the determination of wages and profits. While the development of unions was somewhat redressing the imbalance, it was no longer possible to rely on the older competitive forces to determine distribution: A new law of distribution was necessary, one founded on arbitration.

In all this, we see the unfolding of a divine plan. While there is certainly trauma in the social order at various steps in this plan, God's truth is gradually revealing itself. However, society itself must accommodate divine wisdom. If it insists upon holding on to the older forms of distribution and attempting to control the workers' movement by force, 'political socialism' will result. It is now necessary to modify existing arrangements in order to direct this anti-capitalist force into safe channels, channels that lead to 'true' or 'Christian' socialism in which, nevertheless, capitalist property relations would remain, though the forms of these relationships would differ. The Church had a leading role to play in directing workers away from a socialist-based labor movement. At the time, though, the Protestant Church was too closely allied to the propertied class and, thus, had to undertake a reform from within if it were to prove effective in undertaking the task.

At the same time, Clark put forward his first, somewhat feeble, argument that wages were linked to productivity; established his claim as an independent discoverer of the utility theory of value and law of diminishing marginal utility; and, while periodically calling for a fundamentally new vision of economics based not on the individualistic conception of atomistic man but, rather, on altruism, he nonetheless continued to hold to a model based on competitive *forces*, even though he acknowledges that the competitive form has been giving way to oligopolistic structures. And, it is reasonably clear that by competition writ large, Clark means capitalism, regardless of the outward form in which it appears.

What is found in these early articles, then, is *not* a socialist argument, but rather a demand for reform based on a collectivist rather than an individualist foundation. This demand is buttressed by an appeal to 'moral force' which is held to be an integral aspect of economic development. Essentially, Clark was in line with the younger, progressive economists of his day, the sons of New England families with strong religious convictions, trained in Germany and exposed to the ideas of the Historical School there – Henry Adams, Richard Ely, and Simon Patten being the most notable representatives. All approached economic theory and economic reality with a reformist zeal partially founded on their particular religious beliefs, and all advocating greater social activism in addressing the social questions of the day. However, at no point did Clark step outside the bounds of capitalist property relations. Indeed, as has been seen, he was a staunch defender of those relations and advocated the development of theory that would safeguard property against the charges of 'political socialists'.

Clark, then, is a product of his time. He responds to the various changes then underway and adopts a general perspective that is quite similar to that of the Social Gospel – a movement developed to appeal to the working class in order to prevent socialism and maintain the then-current property relations. And, though Clark was not directly connected to the Social Gospel forces – as were Richard Ely and John R. Commons in particular – he was certainly sympathetic enough to this program to share various features, and did publish in the *Independent* and the *Christian Union* (Tanaka, 1990). As well, there is clearly an appeal to evolutionary forces, but these are God-determined and contained within the larger sphere of a competitive order. Essentially, it would appear that God's plan is to gradually refine competition until it reaches a level of development in which a final justice will be effected.

3 Clark after Haymarket

In the period 1887–1890, one observes a marked change in Clark's position in a number of related areas. There is increasingly less argumentation based on divine law, this position eventually disappearing from the discussion altogether;[1] now science, particularly that of Darwin, takes a dominant position. Second, Clark's general theoretical perspective takes on a more conservative slant; it is increasingly less critical of prevailing arrangements and no longer promotes his supposedly 'socialist' solution to the problems then facing the United States economic order.

One should not make too much of this seeming transition. Many of the ideas Clark developed in the pre-1886 period are continued and elaborated. And, as has already been argued, he always held to a fairly conservative position, though this was largely concealed by his 'socialist' mutterings. As shown in the previous chapter, while Clark was no doubt interested in reform, his basic thrust was always to develop theory supportive of existing property relations.

Now, without question, a good deal of Clark's development during this and later periods was the result of intellectual growth coupled to the gradual domination of neoclassical theory in general. But this cannot explain all. *Why* one chooses a particular line of development remains an important question.

No doubt a host of factors were influencing Clark's growth, but two appear to be of overwhelming significance. Initially, as previously argued, religious-based natural order argumentation carried increasingly less authority by this time. Through the first part of the nineteenth century, such rationalizations were common and viewed as reasonable. Given the advance of science, in particular that of Darwin and his followers, such arguments now carried less weight. Now the standard for acceptable theory required the formation of ideas based on modern, up-to-date natural law.

Second, and of at least equal importance, after the 1886 Haymarket affair[2] in Chicago, which represented the peak of the advances made by the militant sections of the working class in the previous twenty years, a period of political reaction was instituted by the authorities. This was designed to control the labor movement but it reached into every corner of American life, including the university.[3] A series of well-publicized dismissals and threats thereof directed against economists and others seen as too friendly toward labor were undertaken. Notables such as Richard Ely, Henry Adams, Albion Small and Edward Bemis, among others, were brought to task for their support of now unpopular (and dangerous) movements of reform. The university, never much of a home for unorthodox intellectuals, now tightened its control over its employees and demanded conformity.[4]

Essentially, rising economists of the period were served notice that, were they to continue their professional ascent, their teachings must conform to the interests of the board of trustees and the presidents who represented that board – interests that, in the larger social sphere, were aligned with capital against labor. The evidence to support this contention is that only social scientists who were sympathetic to labor and the populist cause were adversely affected. Thus, firings, threats of firings, and general intimidation were used to produce conformity, but a conformity couched within the framework of modern, up-to-date scientism.

In other words, the period of reaction that imposed its censure on the university could not require a return to the previous period of religious rationalization. Conservative intellectual authority was now to be of a modern sort, one based seemingly on an appeal to science.

Clark, an economist on the rise and clearly sensitive to the narrower constraints imposed upon social thought, began the process of shedding both his 'socialist' skin and his appeal to religious authority; he began to develop the line of thought already evidenced in his early period that was comforting to existing authority. This is not to say that one finds an immediate rupture with past indiscretions in his post-1886 output. Rather, the older views are rapidly reduced to an insignificant aspect of his world, while the 'new' view, just as rapidly, is brought to serve as a replacement.

Perhaps the most striking single piece of evidence of this process is Clark's response to Henry Adams' appeal designed to enlist his fellow economists' support for Richard Ely, then trying to preserve his position at Johns Hopkins University. The authorities there, irritated by Ely's immoderate (in their eyes) defense of labor unions, etc., had organized hearings to effect Ely's dismissal while maintaining the façade of academic freedom and due process. In his reply to Adams, Clark writes:

> What I wish you might manage to do is to make him [Ely] more cautious as to uncertain meanings . . . that lead the average reader to

> discover a drift or tendency in a socialist direction. The country as a whole, does in my opinion really rate Dr. Ely as a half socialist. . . . On most points he is really sound, and it is a pity to sink himself under the odium of semi-socialist. (Clark, 1888a)[5]

It must be noted that in a previous appraisal of Ely, written just two years before this statement, Clark expressed admiration and sympathy for Ely's work, though observing that perhaps Ely was a bit biased in labor's direction (Clark, 1886c). It should be further noted that much of Clark's pre-1886 output could be interpreted as not markedly different from that of Ely.

Turning to his published work, four articles published in 1887 serve notice of Clark's transitional period. In 'Christianity and Modern Economics', Clark argues in his older context but now with a somewhat different thrust. One still finds (as the title would indicate) an appeal to divine authority, but coupled to this is an equally important appeal to modern science. One also observes – and I think this to be more significant – a modification of his position on competition. We are told that:

> . . . there is a new economic system . . . and it stands in a special relation to Christian ethics. . . .
>
> The surface phenomena are misleading, and seem to be the superficial view, to mean rather the unchaining of demons rather than the ushering in of God's kingdom in the industrial world. (Clark, 1887c, pp. 50, 53)

The transition to oligopoly, then, is the beginning of the millennium, the end-result of the process by which the deity produces harmony out of chaos, a reference to the labor turmoil then raging but which was mere surface phenomena.

The essential argument in support of this view is as follows. With competition and its individualistic ethic, selfishness was raised to a virtue and became legitimized, largely because such behavior seemed to produce good results (Ibid., pp. 50–1). If a businessman were to be successful, he could not, at the same time, be moral because competitive forces demanded that he conform not to a higher law of behavior but rather to the law of markets. Hence, a 'moral distortion' was created (Ibid., p. 52).

This, however, was a period of '*abnormal*' competition (emphasis mine), which is being replaced by a 'solidariness' as evidenced by the growth of large business concerns (Ibid., pp. 52–5). A 'Darwinian struggle'[6] has led to the ending of competition and its replacement by a 'union of capital' requiring a 'union of labor' (Ibid., pp. 55–6). As the law of competitive markets has now been overridden, the businessman finds an escape from 'soulless competition' and can now pay wages, etc., based on moral considerations rather than submitting to the wage structure demanded by survival in the market (Ibid., p. 56). What does remain, however, is the problem of 'leadership' of the unions. Such organizations need to be 'directed' by the right individuals, individuals who appear to be either ministers associated with the Social Gospel movement and/or businessmen themselves (Ibid., pp. 56–9).[7]

We observe two modifications of Clark's previous argument. Divine law continues to be used to support the transition to oligopoly (which is now seen as the *end* of the evolutionary process), but it is buttressed by a reference to a (supposedly) Darwinian struggle that reaches the same end. And this will be the last time Clark has recourse to divine law in his professional publications. Second, competition, which previously had been argued to have been established on a 'moral basis' is now argued to be immoral (as well as abnormal). The new industrial structure (which, presumably, is the normal state of affairs) is founded on moral principle, contrary to the charges levelled against 'big business' by labor organizations and agrarian radicals and the early Clark himself. That is, while Clark was never consistent in his previous work, he generally adopted competition as the standard by which ethical judgements were to be established. Now, oligopoly becomes the standard.

In 'The Labor Problem – Past and Present', Clark joins forces with Columbia University sociologist/economist Franklin Giddings. Giddings, a Spencerian in his general approach, had founded a periodical, *Work and Wages*, in which he '. . . offered workers condescending advice on the proper uses and abuses of labor organization and warnings that the unemployed were "defective" working people' (Ross, 1991, pp. 127–8).

'The Labor Problem' strikes a most optimistic note concerning the future of the US worker. Whereas the past century has been a 'transitional period' in which '. . . the relations of classes were disturbed and unnatural' (Clark, 1887a, p. 1), the future will be radically different. With the introduction of machinery, capitalists received abnormally high profits (until these were competed away as the new technology spread throughout the industry) and wages relative to profits were low. Given diminishing returns to capital, however, workers will enjoy a higher relative wage though output will increase at increasingly smaller rates. Indeed, '. . . the equality of classes . . . appears to be greater than it was a few years ago' (Ibid., p. 2). Further, with the growing concentration of capital, workers are forced to unionize, and this, continuing a theme established in the pre-1886 period, forces the development of a new law of distribution, this based on 'moral law' (Ibid., p. 2). In summary:

> Our predecessors divided the proceeds of industry by a free struggle of man with man; we divide them between classes rather than between individuals and by an appeal to some tribunal of equity. Economic science must take account of these changes. . . . The old wage law explains the past, but gives no intelligent present outlook. . . . We must master a new wage law . . . if we are to predict at all confidently what the future has in store for workingmen. The mere discarding of the old law of wages frees us from an ugly cloud of scientific pessimism, and lets in upon the scene before us a flood of light. (Ibid., p. 2)

Note that Clark still has no new law of distribution with which to understand the new distributional process surrounding him but yet knows that, whatever its specifics, it will show an optimistic outcome and will be ethically just.

In 'The Limits of Competition', Clark continues the line of argument running counter to those who, following Ricardo, continue to assume 'unlimited' competition and a ruthless 'economic Darwinism' in which, while '. . . the process was savage', the result was beneficent (Clark, 1887b, pp. 45–6). In addition to reiterating his by now continual theme of competition having been replaced by '. . . union which gives a promise of indefinite continuance' (Ibid., p. 47), he devotes a section to the alterations in the class alignments that had been fostered by 'combinations'. A levelling process was at work in which workers of various classifications were being merged and homogenized into a 'true working class' and separating themselves from administrators, managers, etc., who, though receiving 'wages of superintendence' (the entrepreneur's return) were really aligned with capital (Ibid., p. 52).

Further, while recognizing that oligopolistic producers attempt to control price through the regulation of output (Ibid., p. 54), these structures are not to be suppressed because they are the 'happy outcomes' of a natural evolutionary process out of a 'competition so abnormal' that, had it continued, the economy would have been left in ruins:

> Combinations are the product of a social evolution, and can have no permanent existence until the Darwinian contest between the weak and the strong has completed its work. The surviving competitors must be few, strong, and nearly equal. Marked inequalities of strength among the members of the group defer the formation of the union, or break it when it is formed prematurely. . . . Natural selection locates industries in the most favorable localities, and brings them to some equality in method; and until this is done there is no chance for an economic truce. (Ibid., p. 59)

We again observe here a quite strong statement that indicates both a continuation of and a departure from Clark's pre-1886 position on competition and oligopoly. Previously, competition was both ethical and just and determined the standard by which distribution was to be judged. Now, competition is pictured as abnormal and leading to catastrophic results. Oligopolistic structures, while certainly seen as increasingly the norm in his earlier writings, are now the new standard. Further, the new economic formations are the result of a Darwinian rather than a divinely guided evolutionary process (though not of a Ricardian Darwinian struggle). In both periods, though, the evolutionary process comes to an end with a 'pax oligopoly'. Lastly, as these industrial groupings are the result of a natural process, it is both impossible and unwise to attempt their suppression, though regulation is possible and '. . . in some directions, desirable' (Ibid., p. 61).

In 'Profits Under Modern Conditions', the last of the four 1887 articles under scrutiny, Clark returns specifically to his main theme of distribution. Here again one can see Clark's collaboration with and affinity to the Spencerian Franklin Giddings. This article, along with a contribution by Giddings, was re-issued as *The Modern Distribution Process* in 1888 and illustrates the cooperation of the efforts of these economists in attempting to lay a new theoretical basis for the American economics profession to follow.

The central theme is established in the opening paragraph:

> We are drifting toward industrial war for lack of mental analysis. Classes in society are at a variance over a ratio of division, and have no clear conception of the thing to be divided. If the profits of business constitute a limitless fund, they furnish a corresponding incentive to strife; and if this sum is virtual plunder, if it consists of wealth wrested by a social arrangement from the men whose labor creates it, the discontented class ought to include every member of

society, and will include most members. It needs to be definitely known what profits are, and who earns them; and again how large they are, and who actually gets them. The nature of the prize of the social contest and the equities of the case need to be made far clearer than they have been. (Clark, 1887d, p. 35)

As it is profit around which the social issue revolves, Clark, rather than developing a complete theory of distribution at this stage, devotes the bulk of the article to an examination of this income category, attempting to demonstrate that this reward had been misunderstood and, thus, the 'industrial war' then looming was misplaced. But, at this point it should be noted that Clark has significantly altered his position from that of his earlier period. Then, there was a real foundation to the class strife he observed and this was found in the unjust distribution of income fostered by the transition to oligopoly. Now, the basis of the conflict is shifted to that of incorrect *ideas* concerning distribution; the economic organization itself is absolved from blame.

Following a brief criticism of Smith's definition of profit,[8] Clark proceeds by dividing the capitalist-employer into his various functions, allocating the gross income this figure receives into its constituent parts. The capitalist function receives an interest payment based on (finance) capital advanced and this cost of production is relatively constant. The 'entrepreneurial' function (or employer as manager) is rewarded with 'profit' and it is this 'intermittent' return that 'constitutes the incentive to social strife' (Ibid., p. 35). However, we are then told that the entrepreneurial function is really equated to labor, and the entrepreneur receives essentially the 'wage of directive labor' (Ibid., p. 36). (The employer as merchant receives a 'mercantile' return based simply on buying and selling [Ibid., p. 36].)

Utilities are created in the production process by the joint efforts of directive labor, 'muscular labor' and machinery. These three factors 'own' their respective contributions to the utility created and it is the ownership of these factors that determines the respective shares of manager, workers, and the 'furnishers of machines', or the capitalist (Ibid., p. 37). The employer buys out his 'partners' (including his own entrepreneurial self) and acquires possession of the utilities created. 'Pure profit' is the return to the ownership of the product and represents the difference between selling price and costs of production and the owner is now identified as the entrepreneur (Ibid., pp. 38–9).

One observes three matters of interest at this point. First, Clark has adopted an anti-classical line of argument, putting himself squarely in the footsteps of the French School based on the work of Jean Baptiste Say, originator of the 'factor theory of distribution' and promoter of the entrepreneurial theory of profits. This is of consequence; as Jevons had already argued by this time: '. . . that able but wrong-headed man, David Ricardo, shunted the car of Economic science on to a wrong line. . . . The true doctrine may be more or less clearly traced through the writings of a succession of French Economists. . . .' (Jevons, [1871] 1965, pp. li, xliv). Hence, Clark takes one more step toward a full-fledged neoclassical position.

Second, Clark presents inconsistent positions on precisely who (or what) the entrepreneur is. We are told that this function receives a return based on 'pure profit', then 'wages of direction', then pure profit based on exchange. Clark does not supply a clear, unequivocal definition of entrepreneur except to separate this nebulous character from that of the classical economists' capitalist.

Third, if it is machinery that contributes to the production of utility, it is not clear why the 'furnisher' of machines should receive the return based on this contribution.

Clark then goes on to extend his definition of capitalist to conform to a corporate world. 'Stockholders, bondholders, and business creditors' are termed capitalists, while '. . . entrepreneurs, in the literal sense, are stockholders' (Ibid., p. 39). Pure profit now becomes the '. . . portion of the dividends that is in excess of current interest on the paid-up capital' (Ibid., p. 39). If stockholdings were widespread, then, this argument could be read as a defense of the position that we're all capitalists (and entrepreneurs), so the dispute over distribution that was based on a seeming class division within society is clearly the result of wrongly held ideas.

As to wages and interest, these are determined by competitive market forces given the standard assumption of factor mobility (Ibid., pp. 39–40). Here, then, Clark abandons his previously enunciated position on the decline of competition and the domination of non-competitive forces that called for him in the past (and will call for him in the future) to plead for arbitration as the newly required distributional mechanism. This competitive assumption is carried into yet another position on pure profit:

> His returns are . . . beyond his control. The price of his product is adjusted in the open market by transactions between the group to which he belongs and the various groups that contain his customers. . . . Pure profit is the difference between this uncontrollable amount and

> the sum of equally uncontrollable amounts dispursed. The reward of the entrepreneur in his capacity as owner of a product comes to him, as rain from the clouds, through the action of forces lying beyond the range of his dominant influence. (Ibid., p. 40)

Finally, '[t]he modern struggle for existence means the survival of the fittest type of industrial establishment' (Ibid., p. 41), and, following a line of argument developed by Ricardo in his rent theory, '. . . pure profit is a vanishing sum' (Ibid., p. 45), competed away in the long run by the workings of the market (entry and exit) and arising only as a result of a 'disturbing influence' (Ibid., p. 46) identified as new technology, etc.

So the conflict then surrounding Clark was founded on an error in the workers' perception of profits (and capitalists). Profit, because it represents a non-equilibrium, short-run income only, cannot be the basis of a supposed class conflict. Indeed, rather than a cause of social distress, profit – or the search for profit – is the principal force that is driving the economy toward a 'true republic':

> We are living in a half-developed system, and in the law of its growth may discern more clearly than was formerly possible an outline of the form that it will ultimately take. That law connects the rewards of business life with services, and gauges them in amount by the value of those services. It gives more to intellect than to muscle, and more to character than to either. . . . It checks undue dicrimination in favor of mere position, and ensures to the men in the industrial ranks rates of pay not too far below those enjoyed by their leaders. . . . By organization and discovery it constantly places humanity upon new vantage ground in the struggle for well-being. . . . The leaders and discoverers whose labor ensures this constant gain find their rewards limited in amount and in time, while the wealth that they diffuse throughout society is . . . limitless. The outline of the coming industrial state has the shape of neither a despotism nor of a democracy; it is the outline of a true republic. (Ibid., pp. 50–1)

Observe that Clark here modifies (or contradicts) his position on the cause of economic growth. Initially, Clark had posited that output, the source of progress, was the result of simply combining the factors of production where each factor was equally significant in production. Now, progress is due mainly to the entrepreneurial search for profit.

SUMMARY

What emerges, then, in Clark's immediate post-1886 position appears to be a distinct modification of (but not a radical departure from) his previous argument. One finds a growing reliance on a supposedly Darwinian 'survival of the fittest' evolutionary scheme rather than one based on divine law. However, this Darwinian struggle is not of a Ricardian type in which the class conflict observed by Ricardo results in potential social disaster. Rather, Clark's view is that, with the natural growth of oligopolistic structures and corresponding labor organization, a mutually advantageous system has unfolded that represents the beneficent ends of evolution. As there is a deterministic end to this process, it is clear that Clark's 'scientific' evolutionary scheme is equivalent to his divinely ordered program of the previous period. As well, Clark now proposes no social organization beyond the capitalism of this form: Evolution ends with oligopoly.

We also find Clark modifying his previous line of argument regarding competition and oligopoly. Although it is difficult to discover a consistent position on competition in his pre-1886 writings, it is generally the case that this form of organization was held to be morally sound and just. With the growth of oligopoly, injustice prevailed – at least until the level of labor organization caught up to that of capital and a new wage law based on arbitration replaced that of competition.

By 1887, apparently, the economy is on the brink of this supposed equality, and the new capitalist order is now that system within which the new ethical standard is to be raised. Competition is now held to be both immoral and abnormal.

Lastly, in his confused discussion of profit, entrepreneur and capitalist, it is fairly apparent that Clark is attempting to develop a vision of the relation between employed and employer and the nature of the distributive shares of each that is in fundamental opposition to that of the classical school which, by this time, was seen as holding too similar a position on such matters to the work of Marx. Clearly, Clark is responding to the charges that profits were the outcome of Marxian exploitation.

In rejecting this view, Clark places himself foursquare in the neoclassical line of descent that originated with Say. But it must be remembered that Clark, in rather undeveloped fashion to be sure, had already adopted much of this general outlook in his early period.

CLARK ON PROPERTY

In the last decades of the nineteenth century, the existing property relations in the United States came under sustained attack. Indeed, one can observe such a movement beginning with the industrial revolution period in England and continuing in Europe throughout the century. In the United States, the initial form of attack was directed against landed property, a seemingly surprising development in that this country was then still home to a large and vocal farming population. Led by small farmers, the populist movement was (generally) not calling for the socialization or even the nationalization of land, but rather a change in the distribution of the land given the growth in large-scale farming and the concomitant amassing of large holdings.

Up to the early 1800s, the principal defense of property was that established by John Locke. Writing during the still early stage of competitive capitalism, Locke had argued the legitimization of private property *if* that property could be worked by the property-holder (Locke, [1690] 1924, pp. 129–41). Clearly, this was a position consistent with and amenable to the interests of small producers (farmers, independent artisans and the like) who did work their own means of production using (largely) their own labor.

With industrialization and the transition to collectivized, large-scale production – the nineteenth-century trend – such a defense was no longer tenable. To be sure, Locke's argument continued to be employed, albeit in modified form. (See Read, [1829] 1976, pp. 104–7 for one illustration.) In the nineteenth century, then, we see various non-Lockean theory developed as a justification of property relations consistent with a non-petty producing capitalism. Foremost among these was that of the principle of scarcity. Interestingly, Auguste Walras, father of the more noted Leon, first stumbled on to this approach in his search for a theory of value useful in undermining the charges against property brought by the proto-socialists of the day: Only that which is scarce had value, and it is to such things only that property rights are applicable (Jaffe in Black *et al.*, 1973, pp. 122–3).

Clark was drawn into this debate for several reasons. More generally, as an economist deeply concerned with developing theory consistent with the maintenance of property rights (as seen in Chapter 3), he would, quite naturally, be expected to offer some considered defense of these rights at some point in his career. More specifically, in the US, property rights were now under attack by socialists to be sure, but more importantly by Henry George, a most prominent figure of the period and one of the principal public representatives of the populists at the theoretical level. (See Barker, 1955.)[9] In fact, it has been argued that George was so pivotal a figure at this time that the whole of Clark's mature theory (and much of neoclassicism in general) was developed in opposition to that of George's (Gaffney, 1994).

But, in addition to the quite particular attack of George, another, more substantial anti-property argument was unfolding. Contemporary researches by early anthropologists (at least as they would now be termed) had unveiled that early society had no private property or even a concept thereof; that people had existed and developed quite nicely without this institution; and that modern property relations were a comparatively recent phenomenon. Indeed, the leader of these studies in the United States, Louis Henry Morgan (himself a former corporate lawyer), concluded his most important work with the following observation:

> Since the advent of civilization, the outgrowth of property has been so immense, its forms so diversified, its uses so expanding and its management so intelligent in the interests of its owners, that it has become, on the part of the people, an unmanageable power. The human mind stands bewildered in the presence of its own creation. The time will come, nevertheless, when human intelligence will rise to the mastery over property. . . . The interests of society are paramount to individual interests, and the two must be brought into just and harmonious relations. A mere property career is not the final destiny of mankind. . . . Democracy in government, brotherhood in society, equality in rights and privileges . . . foreshadow the next higher plane of society to which [we] are steadily tending. It will be a revival, in a higher form, of the liberty, equality and fraternity of the ancient gentes. (Morgan, 1877, p. 552)

While Clark's arguments are scattered throughout his later writings, they are best expressed in two 1890 articles, 'The Ethics of Land Tenure' and 'The Moral Basis of Property in Land'. While there is a good deal of similarity between the two articles, each contains elements that aid in developing a fuller understanding of Clark's views on the issues surrounding property. Further, 'Moral Basis' contains a particular argument that is important in understanding Clark's later distribution theory.[10]

Clark clearly is intent upon developing a defense of property against the charges of George and his kind and begins his argument on a note that, while contradictory, establishes the basis from which the remainder of his case follows:

> It is expected that the assailants of private property in land should outnumber the defenders. This is usually true of an institution having great moral strength. . . . In free countries the people's sense of right expresses itself in laws; and in modern states it has actually pronounced in favor of the private ownership of land. In our own country forty-four States . . . have successively established the system, and the Federal government, reflecting the will of the whole people, has confirmed it. (Clark, 1890c, p. 62)

While the reader may be in something of a quandry in understanding *why* a moral institution should find its supporters in the minority, and how a government reflects the 'will of the whole people' when the majority appears hostile to the institution, it is nonetheless clear that Clark continues to argue from his pre-1886 moralistic foundation. Clark also makes it clear that while he specifically addresses here only the issue of landed property, he is developing a general defense of property, for: 'Whatever logic there is in the case against landed property merges it in a case against all property, or in radical socialism' (Ibid., p. 77).

It is worthwhile pursuing Clark's position on the relationship of the state to the community in the context of property. At times, Clark seems to equate the state with the government and these two entities are claimed to represent the whole community:

> Of the wealth that resides in land the State is certainly the creator and the original lawful owner. As a sovereign it has a certain ultimate ownership of all property. (Clark, 1890d, p. 21)

In this context, Clark is stating that the state is the government is the people. Charitably, one can interpret the above as follows: Values are created through production; to protect these values the people created the state (government). Clearly, the state as such creates nothing, but one can (again in a charitable fashion) understand the relationship Clark is trying to establish.

But Clark holds another position on the state:

> Modern legislators, judges and police officers do their work chiefly in order that claims to material wealth may be traced to their

> refinements and enforced. . . . The mechanism of the modern state has been largely evolved in and through the operation of defining and enforcing the rights of property. (Clark, 1890c, p. 64)

This definition is quite similar to that advanced by economists and social theorists who represent Clark's opposition in this matter, specifically those of a Marxist persuasion, though Veblen can be cited as a non-Marxist who treated the state in approximately the same fashion.[11] Indeed, one can find the germ of such a view as far back as Adam Smith:

> Wherever there is great property there is great inequality. For one very rich man, there must be at least five hundred poor. . . . It is only under the shelter of the Civil Magistrate that the owner of that valuable property . . . can sleep a single night in security. He is at all times surrounded by unknown enemies . . . from whose injustice he can be protected only by the powerful arm of the civil magistrate continually held up to chastise it. The acquisition of valuable and extensive property, therefore, requires the establishment of civil government.
>
> Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all. (Smith, [1776] 1937, pp. 670, 674)

But, by acknowledging that various state institutions are established to protect private property, Clark undermines his defense of property as representing the 'will' of the people. If property is a moral institution and has the support of 'the people', why does it become necessary to establish courts, police, etc., to protect property? Why is it necessary to erect various coercive mechanisms (presumably under the control of or at least in the interests of property owners since it is their property being defended) to mandate respect for the institution?

Moving on, Clark limits his case to property 'bought and sold' in markets, thus eliminating from consideration that obtained by 'force and fraud' (Ibid., p. 63). This, ostensibly, frees the analysis of property under consideration from any need to contend with a Proudhon-type charge of 'property is theft', but, more importantly in the US context, to eliminate the issues surrounding the process by which the original occupiers of that property – the aboriginal population of this country – were divested of their communally held lands.[12] Thus, Clark's moral foundation is erected at a point in historical time and is limited to property relations consistent with an exchange economy – specifically that of capitalism: Property exists and it is moral.

The main argument set forth is this: Property is the link between an individual's output and the satisfaction gained in the consumption of the equivalent output received in exchange (Ibid., p. 64), a relationship that leads to Clark's modern distribution theory. It is not land itself that is at issue, but the values created on that land that the state is organized to protect (Ibid., pp. 64–5), a position that begs the question as to why the land must be privately held. Now, as land is alienable, anyone can purchase it who has the means to do so, and, quite naturally, anyone can sell it who currently holds possession of it. This prevents a monopolization of land in the narrow sense and actually broadens land ownership to all those who have an effective demand for it (Ibid., pp. 67–9). And what mechanism or process dictates who will eventually hold land? While there is a land-owning 'instinct' that pervades the population (Ibid., p. 69), it is through 'natural selection' that land comes under the control of some while others remain propertyless (Ibid., p. 73).

It is worthwhile to point out here that one observes a fundamental change in Clark's underlying rationalization. It is likely that had he developed a considered defense of property in his pre-1886 period, he would have employed a divinely grounded rationale. Now, one finds an 'up-to-date' scientific basis, one seemingly based on the work of Darwin.[13]

Furthermore, this supposed relationship between private property and the distribution of output is a universal constant:

> In very primitive times the easiest way to secure to a man the amount of wealth that he has created is to tie him, as it were, to the very thing that his hands have fashioned. Let him . . . own the hut that he has built. If he goes away, however, and the hut is not portable, he will lose his property, unless he can give to someone else a good title to it, and get for himself what it is worth in some portable shape. By giving up the form of his property he keeps the content of it. Exchanges are the basis of modern economy. (Clark, 1890d, pp. 21–2)

In addition to arguing a false position on history (a position known to be false given the researches of Morgan *et al.*), Clark here abrogates his earlier injunction that economics should incorporate anthropology and history into its fold ('Unrecognized Forces in Political Economy'), and that modern economics is too mechanical and places too much emphasis on arrangements and ideas that are consistent with only capitalist arrangements. Now, all history is circumscribed by private property, exchange, and a distribution scheme in which individuals receive an income based upon their contribution to output.

What of those without land? According to Clark, their interests are also served by private ownership because they realize an increase in economic welfare resulting from the increased output ostensibly resulting from ownership (Ibid., p. 70). Here, Clark is something less than disingenuous: His real argument is based upon the increased efficiency arising from the social division of labor in which specialization in agriculture frees labor to perform other tasks. What this has to do with private property is not demonstrated, but Clark intimates that ownership and efficiency are inexorably connected.

Indeed, Clark goes further. The wage level is determined by the availability of 'free' land (Ibid., p. 74). An urban worker has the right to claim (own) landed property, establish a farm, and produce on own account. If wages were to fall below a level equivalent to the income gained by farming, the worker would transfer his resources to farming. Thus, the wage level must be at least equivalent to the gains generated through petty land ownership.

Interestingly, Clark does not claim that it is the value of agricultural output that determines this limit, but rather the gain accruing to the farmer arising from the increased value of land itself over time (Ibid., p. 74). Discounting the value of this asset's future price, then, sets the limit to wages. We note, here, that Clark does not base his argument on production but on economic rent (though in a form different from that of his nemesis, Henry George).

Indeed, Clark is very specific that the most that the landlord can gain (in equilibrium) is an amount equivalent to the wage:

> Hire land and a little capital; contract to pay interest and a sum that, year by year, is found to be all that remains above current wages, and does it need much arithmetic to show that what you keep for yourself will be current wages, neither more nor less? In the nature of the case, current wages are what the landlord's claim will be. (Ibid., pp. 75–6)

There is one more point of interest in Clark's account. Clark developed a rationalization of private *productive* property based on the right to buy and sell. As all have this right, it then is a moral (just) institution rather than one generating injustice. However, he extends this limited defense of property to include *all* property (houses, gardens and the like) which he recognizes as a conservatizing force in the maintenance of a capitalist economic order:

> With his own land under his feet and his own roof over his head, the worker develops an energy and frugality not otherwise to be hoped for, in earning and saving the promised payments. It is this that has filled most of our cities with a population having a vital interest in the preserving of civil order and of economic activity and progress. Against powerful adverse influences it has made Chicago safe against anarchism. (Ibid., p. 74)

In 'The Moral Basis of Property in Land', the companion piece to 'Ethics', Clark introduces a theoretical construct that will later appear fully blown as an integral part of his mature distribution theory – what has been termed 'plastic capital'. At this stage, I shall merely specify Clark's point, leaving the analysis of the argument until the distribution theory itself is discussed.

> An endless procession of capital goods passes into and out of a man's possession; but his essential capital, the principal sum or value that he has invested in his business, stays with him. If he has invested a hundred thousand dollars in an enterprise, unless a calamity intervenes, he will keep it. For clearness I will call this principal sum or value his pure capital, and the things that at any particular moment embody the sum his concrete capital, or capital goods. . . . It is the nature of the fund in the possession of a particular user to perpetually change its outward forms. It may be said to live by transmigration. (Clark, 1890d, pp. 24–5)

What Clark is developing here is a relationship between the physical *quantity* of capital in the form of capital goods and a *monetary* expression that is claimed to be the equivalent of that quantity. As we shall see, this claimed equivalence is most instrumental in understanding Clark's mature distribution theory. What is important here is to note that Clark's first attempt at this formulation is developed within the context of his defense of property relations.

CONCLUSION

By 1887, then, Clark had sufficiently modified his views so that various commentators have been able to ascribe a 'transformation' in his line of development. (See Dorfman, 1949; Jalladeau, 1975.) Granted, one cannot but observe a shift in his argument by this time, but too much has been made of this. Baldly, there was no radical break with his previous position, but rather a strengthening of some aspects of his perspective and a weakening of others.

The most striking element in his post-1886 output is the substitution of a Darwinian evolutionary scheme (vulgarized and truncated though it was) for that of a divinely ordered program. Yet Clark, while clearly abandoning providence in his professional writings, continued to hold to such a position in articles written for church publications (see below, Chapter 4). It should be noted as well, that his 'Darwinian' program looks suspiciously similar to that of a providentially directed line of argument in that both lead, inexorably, to a just conclusion. That is, Clark has a clear notion of precisely where society is heading regardless of whether 'instincts' and 'natural selection' or a deity is directing the course of events.

Secondly, Clark continues to argue from a standard based on some concept of morality. In the early period, this was ostensibly God-given, a standard seemingly outside the economic system under scrutiny. Now, it is based clearly on private property (or exchange established by property relations), a standard established by the system itself.[14] One must remember that Clark had *always* taken the position that theory, in particular distribution theory, must safeguard the interests of property. With his 1890 papers directed specifically to this theme, Clark has simply developed an ethical foundation consistent (for him) with this contention.

Another aspect of Clark's work during this period, and, again, one linked to his previous position is that exchange generates equality. To be sure, the specific argument is couched in the buying and selling of property, but the larger issue is based on a view of the economy in which exchange itself dominates the observed relationships. If one takes exchange as the starting point for analysis, then the exchanging parties appear as equals. Neither is forced to buy or sell, no coercion is driving the particular exchange undertaken. Each party, then, is free to buy or sell based upon individual preferences. Each approaches the other from the same basis: They are equal. As we shall see, this argument is most important in understanding Clark's mature position on the distribution process (Chapter 5 below).

While it is true that in the early mature period, Clark abrogates his previous call for an 'anthropological' approach to economic theory, it is also true that Clark never followed up this demand with any considered study. (And, it is worthwhile to point out that during this period the discipline of anthropology was making enormous strides.) It might be argued that his 'economic man' of the early period was less neoclassically economic than in the post-1886 period – indeed, in his 'Ethics', he has early peoples behaving just like moderns, holding private property, engaging in exchange, etc. – but one can see nothing in his pre-1886 writing that remotely smacks of an investigation along the lines Clark himself claimed were necessary.

Lastly, Clark continues his rather ambiguous defense of competition. It is difficult to uncover any consistent position on the merits of competition in his pre-1886 writings. At times, competition is a barbarous force, at others it represents ethical justice. The same ambiguity runs through his immediate post-1886 publication. Though at one point, competition is viewed as 'abnormal' and 'immoral', in his articles on property, competition remains as an equalizing, ethical mechanism. Regardless of Clark's specific position in any particular period, we are told that a true 'economic republicanism' is emerging based upon the forces of competition. And, though this term remains undefined, by economic republicanism Clark seems to mean a capitalism regulated by 'moral force' and generating harmony rather than discord.

It would appear that Clark's position in both periods is this: Competition is the basic driving force, regulator and equalizer of society. The competitive forces themselves, however, need to be checked and kept within reasonable bounds lest they tear society apart. In the early period, the modifying force was Christianity as implemented through a 'true' church. Now, it appears that the agent is oligopolistic structures on both sides of the capital-labor equation, but where 'moral force' continues its silent but pervasive work, and where, given the disappearance of atomistic forms of organization, it is given great freedom to do so (Everett, [1946] 1982, especially pp. 68–74).

4 The March to *Distribution*

In the decade prior to the publication of his magnum opus, *The Distribution of Wealth* (1899), Clark developed and consolidated the various strands of the argument for which he is most famous – the marginal productivity theory of distribution. While one can trace the germ of this concept to his 1877 'The New Philosophy of Wealth', it is not until the 1890 'The Law of Wages and Interest' that we see a complete statement of the principle lying behind the theory.

In tracing the development of this theory, emphasis has usually been placed on the technical features of the argument that are most fully developed in *Distribution*. However, it is quite important to observe that the technical appurtenances were never, for Clark at least, separable from his larger political concerns surrounding the heated strife between capital and labor (as well as the ongoing populist debate) that dominated this period of history.[1] In short, the unfolding of Clark's theory of distribution was inextricably bound up with his view of capitalism and class conflict.

And this should not surprise: From its inception, the productivity theory of distribution was developed with a political end in mind. The originator of this theory (in its generalized form) was Jean Baptiste Say. Claiming to be a mere systematizer of Adam Smith, '. . . Say put Smith's theory in order in the same way that a cautious spouse puts her husband's trousers in order when she turns them upside down and empties them of all their valuables. . . . So Say "purged" Smith of "dangerous thoughts"' (Rogin, 1956, p. 209).

One of Smith's 'dangerous thoughts' concerned distribution. From his labor theory of value perspective, Smith had argued that profits and rent were an extraction of output produced by (productive) labor and were simply the result of private ownership (Smith, [1776] 1937, Book 1, Chapters 6, 9, 11). While Smith was not hostile to property (private ownership was an aspect of natural liberty and was accepted as normal and right), others found in Smith the basis of an exploitation theory of distribution and the theoretical basis for an attack on private property. And with the political theories unleashed by the French Revolution and the horrors of the Industrial Revolution in England, such an attack on property developed. Condorcet, Godwin, Sismondi, Buchanan (the list goes on) all unleashed 'dangerous thoughts' that, however inconsistent or idealistic, began the fundamental assault on the very foundations of private property – and people were listening. (See Hobsbawm, 1962, chs. 12, 13; E. P. Thompson, 1968; Waterman, 1991, for accounts of this period and the role of the anti-property theorists.)

Within this milieu Say (along with Malthus and others) developed his particular view of the distribution mechanism under capitalism. Say begins his general offensive against Smith (and Ricardo in later editions of his *Treatise*) by attacking the foundation of Smith's general theory – the labor theory of value:

> To the labour of man alone he [Smith] ascribes the power of producing values. This is an error. (Say, [1803] 1971, p. xl)

Substituting a utility theory of value, Say is also forced to substitute a theory of distribution for that offered by Smith. For Smith, from his labor theory perspective, profits and rent represented a transfer or expropriation of income produced by labor alone. If one takes a position against this theory of value, one must also take a position against the distributional consequences. If profits and rents are not the result of expropriation, they must represent income that, in some sense, is produced by *all* the 'factors' with which these incomes are associated. Hence, in some sense, land must be shown to *produce* rent and capital to *produce* profits (or interest). No transfer or expropriation is then involved, but only if the income share can be traced to the contributions of inputs other than labor. That is, if there is to be equality and the maximization of utility in a free, non-coercive exchange relationship, it must be demonstrated that the distribution process – which determines the original endowments that are the basis of exchange – must also be non-coercive.

Say places land, labor and capital on the same economic footing, claiming that each is equally responsible for the production of output (or utility). Further, landlord, capitalist and worker all lend their respective factors in the production process, receiving rent, interest and wages (Say, [1803] (1971), pp. 6–81). These incomes are paid based on the contribution each makes in the production process, and Say attempts to equate these shares, stating that said incomes are nothing but the *profit* of land, the *profit* of capital, and the *profit* of labor (Ibid., pp. 316–17), all paid for the 'labor' or 'productive' service of each agent (Ibid., p. 86).

The argument is succinctly set forward by James Maitland (Lauderdale), the 'English Say': As land is productive of income, given that food could not be grown without it (Maitland, [1804] 1966, pp. 122–30), and capital is productive through replacing labor or by performing a function that unaided humans could not (Ibid., pp. 154–206), then rents and profits cannot be a 'transfer from the pocket of the labourer into that of the proprietor of stock' (Ibid., p. 158).

For Say, such an approach to distribution allowed the questions revolving around property rights and distribution to be shelved. Since incomes are the result of factor contributions, and these factors contribute regardless of the forms of property, then:

> The origin or the justice of the right of property, it is unnecessary to investigate, in the study of the nature, and progress of human wealth. Whether the actual owners of the soil . . . have obtained it by prior occupance, by violence, or by fraud, can make no difference whatever in the business of production and distribution of its product or revenue. (Say, [1803] 1971, p. 293)

In the post-Ricardian period, the contests waged over property and distribution heated up. In the two decades after Ricardo's death we see extreme agitation, a growing and militant labor movement leading, in England, to the Grand National Consolidated Trades Union and the Chartists, various socialist and anarchist schemes – Owenism and the like – and the linking of some elements of classical political economy to the growing opposition to the capitalist economic relationships then current.

With the third edition of *Principles*, in the famed Chapter 31, Ricardo had seen reason to believe that capitalist accumulation *may* cause the precarious position of the working class to deteriorate over time (Ricardo, [1821] 1970, pp. 386–97). Further, he had modified his stance toward the program of Owen, suggesting that some of Owen's program may well be worthy of consideration. Essentially, 'Ricardo now dissociated himself from the popular middle-class (capitalist) dogma on machinery' (Berg, 1980, p. 72). Ricardo's transformation here was one, very important, ingredient in the debate on 'the machinery question' that was prompted by the changes wrought by the Industrial Revolution and which laid the empirical basis for much of the controversies in political economy over the next two decades. (See Berg, 1980, for a thorough and illuminating discussion of the issues and contestants.)

Matters were pushed considerably along with the appearance of works by Hodgskin, Thompson, Bray and Gray, who claimed Ricardo (or Smith) as their theoretical authority and propounded an overt exploitation theory of profits and rent. (See Berg, 1980; N. Thompson, 1984, particularly chs. 4–6; and, especially, Claeys, 1987.)

Classical theory, in particular that of Ricardo, now came under sustained attack. In addition to an extensive popular literature that attempted to demonstrate the harmonious, efficacious, and salubrious nature of capitalism (that of Marcet, Martineau, Whately, and Bastiat), a serious literature, focusing on a refutation of the classical theory of value and distribution, was readied and dominated the literature.

In this context, the productivity theory of distribution was widely argued. George Scrope illustrates the general run of things nicely:

> In whatever proportions the several classes of labourers, capitalists, and landowners contribute their quota to the production of wealth, in that proportion have they clearly an equitable title to share in the wealth produced. (Scrope, [1833] 1969, p. 227)

Bailey ([1825] 1967, pp. 46–61), Longfield ([1834] 1971, pp. 64–106), Read ([1829] 1976, pp. 177–91), even Senior ([1836] 1965, pp. 89–92) put forward productivity theories of distribution. And it is clear that these particular versions of the generalized productivity-based theory of distribution were both an attack on Ricardo (and Smith) and a defense of property. Combatting the class-conflict position of Ricardo (stemming from his theory of value and distribution resting on labor expended in production), these theorists advanced a harmony of interests doctrine in which '. . . the connexion between [the labourer] and his master has the kindliness of a voluntary association, in which each party is conscious of benefit, and each feels that his own welfare depends . . . on the welfare of the other. . . .' (Senior, [1831] 1966, pp. ix–x). Indeed, many economists of the period were explicit in their announcement that the productivity theory of distribution was the needed remedy to offset the noxious Ricardian doctrine of conflict based on the inverse ratio between wages and profits, a doctrine that appeared to be fueling the anti-property attitudes of the day. (See Bailey, [1825] 1967, pp. 62–70; Longfield, [1834] 1971, pp. 158–79; Read, [1829] 1976, pp. xxxii–xxxiii.)

Contemporaneous with Clark, Walras, Marshall, Wicksteed and Barone all set forward a form of the productivity theory. In the United States, Stuart Wood presented a marginal productivity theory within a general equilibrium framework (Stigler, 1947). Francis (General) Walker, then

President of the Massachusetts Institute of Technology was working along the same lines as well, though with considerably less success (arguing a residual theory of wages) (Walker, 1888, pp. 232–71).

Even Hobson, the noted British heterodox economist, participated. Interestingly, in the same issue of *The Quarterly Journal of Economics* in which Clark published his 'Distribution as Determined by a Law of Rent', Hobson set forth his 'The Law of Three Rents' in which he argued a marginal productivity theory as applied to all income shares (Hobson, 1891). In this article, Hobson demonstrates a rather sophisticated approach to the question, including a statement on quasi-rents based on less than perfectly elastic factor supplies (Ibid., p. 268); an attack on those holding to the 'residualist' explanation of income shares (Marx, George, and Walker) (Ibid., pp. 279–80); and the provision of a somewhat crude 'product exhaustion' argument (Ibid., p. 280).

At the same time, lest one be led to think that Hobson here demonstrates a sympathy for the neoclassical line of reasoning, it should be pointed out that he goes on to develop arguments based on various evolutionary forces contained within an accumulating capitalist economy that show the extreme difficulty (if not impossibility) of separating the contributions of the various inputs and, thus, determining the income shares based on these contributions (Ibid., pp. 284–8). Essentially, according to Hobson, various forces (technology, education, social reform, war, etc.) all affect the contributions and supplies of the various factors in such amounts and in such contradictory directions that it is well-nigh impossible to trace the impact on any single factor of production, thus, measure its 'marginal product'.

All this is to say that Clark's theoretical formulation was neither a novelty nor developed in isolation. Its foundation had a long history and the perspective itself was becoming increasingly pronounced (and distinguished) in Clark's day.

THE DEVELOPMENT OF CLARK'S MARGINAL PRODUCTIVITY THEORY

In his foundation piece, 'Capital and Its Earnings' (1888), in which Clark first comes to serious grips with his particular conception of capital, he tells us the political significance of arriving at a 'correct' definition of this economic category:

Socialism draws its intellectual supplies from a vitiated pool the disturbing element of which is this shifting conception of capital. (Clark, 1888b, p. 9)

Even recent and acute discussions shift continually from one conception to the other, with results that baffle honest inquiry and make heresy plausible. This practice has given a decided impulse to agrarianism and state socialism. Economic theory, whether recognized or not, is a main-spring of political action, and a faulty theory widely taught is sure to produce fruit in bad action. (Ibid., p. 12)

And in 'The Law of Wages and Interest' (1890), Clark lays out the basic political question that his theory of distribution is designed to solve:

So great are the issues that depend on a solution of the wage problem, and so baffling has the problem proved, that the presenting of anything that claims to actually solve it involves no little boldness. Is present society rooted in iniquity, and does it give to a few men the earnings of many? Is a robbery in which three quarters of the human family are victims perpetuated and legalized by the 'capitalistic' system? These things we shall know if we can find the forces that govern the rate of pay for labor. We shall do more, for we shall discover in what direction the system is tending, and whether its very progress is baneful. This is little less than knowing whether in the long run human life is worth living. Yet we need, for the moment, to forget this issue in order to settle it; we must aim to study the Wage-and-Interest Law in as unbiased a way as if no practical contests were to be decided by it. (Clark, 1890b, p. 43)

The reader is reminded that in the previous period, when Clark had no developed theory of distribution, we were told that the new theory, whatever its specifics, *had* to demonstrate the basic equity and justice of a competitive capitalist system (Chapter 2). Armed with his new theory, he now believes himself to be in a position to prove his case. *But*, the new theory was developed with such a proof in mind. How consistent a proof it is remains to be seen.

As one extremely significant aspect of his defense of property Clark cultivates his conception of natural law as applied to economic relations. Again, in so doing, Clark is not striking out in new directions but rather developing a line of argument already established, one expression of his substitution of supposedly modern science for now outmoded divine guidance. In 'The Possibility of a Scientific Law of Wages', Clark specifies that the new law of wages (distribution in general) must satisfy two basic conditions: 'It must, first, be a natural law . . . based on native impulses in men and society.' And, it must be ' . . . universal in its application' (Clark, 1889b, pp. 39–40).[2] Clark, then, returns to the standard of his mentor, Julius Seelye, who argued exactly the same propositions in his attempt to rescue Christian dogma in the new age of science.

Asserting that the new theory of distribution is one version of natural law allows three lines of argument to be developed. First, one can separate the fundamental laws of economics, which are as constant as the law of gravity (Clark, 1891a, p. 312), from the 'Social Laws of Economics', which, dealing with the 'relations between man and man' rather than those of 'man and nature', are of secondary significance (Clark, 1898b, p. 8). That is, while society may attempt to modify the fundamental laws of economics, it cannot violate them – they impose themselves on society.

Second, as the basic laws of economics are non-social, they operate universally, both in time and in place. Primitive (and other) organizations, regardless of superficial (social) appearances, display the same underlying principles as a competitive capitalist economy based on private property and exchange:

> In many ways economists are discovering that, with all its intricacy, society in its advanced stages acts in a way that is akin to its earlier and simpler action. In a neighborhood of isolated men the natural wage of any one would be the game that he could capture or the crop that he could raise. . . . Introduce now the class distinction of capitalist and laborer . . . does each still get what he is worth to society. . . .[S]ocial progress usually conforms to laws that are universal. . . . A complex society is, in its mode of distribution, fundamentally like a simple one. (Clark, 1890b, p. 45. See, as well, Clark, 1888b, p. 60.)[3]

Third, by arguing that social laws are of secondary importance and natural law is universally applicable, Clark is able to reduce almost all economic theory to the relationship between an individual and a thing (a factor of production or a commodity). As the act of production or consumption is the same in all societies (the consumption of a bowl of soup by a tribal member, feudal peasant, or nineteenth-century mill-owner takes on the same characteristics; all acts of production require natural resources and tools), then the specific social features that distinguish, say feudalism and capitalism, are irrelevant:

> When . . . the deeper laws of society are understood it appears that the great organism is much like an individual man. (Clark, 1889b, p. 40)

Thus, Clark sets forth a Robinson Crusoe model of the economy, in keeping to be sure with a good deal of modern neoclassical argument,[4] but representing a fundamental break with his earlier position on the need for an anthropological approach to economics.

In all of this, Clark is a bit disingenuous. What he is arguing, in its fundamentals, is this: In all economic arrangements, humans must produce by interacting with nature; all societies apply labor and tools to natural resources and generate output. For Clark, a natural law fixes the proportion of output that accrues to the labor portion, the tool (capital) portion, and the natural resource portion of output given the relative productivity of the respective inputs. (One can go further: In all societies consumption must occur and all consuming members must display some subjective relationship between the act of consumption and the pleasure or benefits received as a result. Thus, a utility function exists as a natural aspect of all societies and all consumption can be said to be determined by a law of diminishing marginal utility. See Clark, 1894a.)

With the above as a foundation, Clark proceeds. An 'isolated man' who satisfies all the necessary conditions of natural economic law – he produces and consumes – soon discovers that his output is limited by his particular skills and consumption is limited by the narrow range of output he can produce. He enters into relationships with other isolated men, specialization occurs and – presto – exchange develops and markets appear (Clark, 1896b, pp. 6–7).

Further:

> This part of the science has nothing to say about hired labor or loaned capital; for these things depend on social organization, and the distinctive fact about this part of the science is that it contains no facts or principles that depend on social organization. . . . [Y]et it presents a law by which wages and interest are determined. (Clark, 1899c, p. 187)

Wages and interest, which are features of a capitalist society, are determined by exactly the same forces present in primitive (indeed, Robinson Crusoe) society. Even though we cannot 'see' such properties at such a level of organization, they are there and would be apparent if such society had different social conventions. Therefore, as the basis of such incomes is natural and universal, one cannot promote a different basis of distribution through political change. Indeed, any challenge to the outcome of the natural workings of distribution would create distortions threatening society itself:

> A particular field in which there is an agitation to supplant natural law by voluntary action by society, or by governmental action, is the field of the distribution of wealth. Socialism here antagonizes natural law in a practical way. (Clark, 1891d, p. 791)

The whole point of this exercise is made clear by Clark:

> . . . socialism would lose its case and retire from court . . . if it could be shown that society is free from the plunder of those who create the major portion of the world's wealth. (Ibid., p. 792)

And natural law *does* generate a distribution that is in conformity with existing income shares, which is fundamentally ethical and just, and which is in opposition to the charges of socialists:

> When natural economic law has its way a working man gets the amount of wealth that he creates. . . . Working man, working instrument, productive agent of any sort, would get under natural law what he or it is worth to society. . . . 'To every man his product, his whole product, and nothing but his product', is not merely the ethical standard of wages; it is the standard that society tends to realize . . . if there were nothing to vitiate the action of a true competitive law. (Clark, 1890b, p. 44)

This natural order economy, in which all real history, complex social change and real economic organization is eliminated, and where all modern capitalist relations exist in perpetuity but remain concealed under superficial social structures until modern forms of property rights allow them to reveal themselves as natural and normal, led Veblen to develop one of his most famous critical commentaries on Clark – indeed, on neoclassicism in general:

> Economics of the line represented at its best by Mr. Clark has never entered this field of cumulative change . . . but confines its interest to the definition and classification of a mechanically limited range of phenomena. Like other taxonomic sciences, hedonistic economics does not, and cannot, deal with phenomena of growth, except so far as growth is taken in the quantitative sense of a variation in magnitude, bulk, mass, number, frequency. . . . Concretely, it is confined . . . to the determination of and refinements upon the concepts of land, labor, and capital . . . and the correlate concepts of rent, wages, interest and profits. . . . The facts of use and wont are not of the essence of this mechanical refinement. These several categories are . . . hedonistically 'natural' categories of such taxonomic force that their elemental lines of cleavage run through the facts of any given economic situation . . . even where the situation does not permit these lines of cleavage to be seen . . . so that, e.g., a gang of Aleutian Islanders slushing about in the wrack and surf with rakes and magical incantations for the capture of shell-fish are held . . . to be engaged on a feat of hedonistic equilibration in rent, wages, and interest. And that is all there is to it. Indeed, for economic theory of this kind, that is all there is to any economic situation. . . . [A]ll situations are, in point of economic theory, substantially alike. (Veblen, [1908] 1961, pp. 192–3)

But, the positing of a natural order leads Clark to a further position regarding capitalism. For Clark, a capitalist society (left to its own internal workings) is based on a harmony of underlying interests rather than conflict:

> It is an old and cant saying that the interests of labor and of capital are identical, if men were only wise enough to see it. In some relations they are not identical . . . [but] the point of permanent identity of interest is in the increase of capital, and in its dynamic action. . . . This fact draws a new line of economic conflict for those who see it in its full significance. The battle of the future, as intelligently ordered, will be between honest wealth and dishonest wealth, with labor on the side of that which is honest. This means . . . that if a trust be acting in a predatory way . . . labor is the natural ally of the honest wealth that opposes the combination. It means also that workmen are natural allies of stockholders against swindling directors. They are equally the allies of massed capital . . . as long as it acts according to the spirit of the law and in the interests of progress. . . . [Labor] will

> see, when its eye shall be clear, the undetected harmony of interest between itself and honestly increasing capital. (Clark, 1896b, pp. 21–2)

And this is a necessary corollary to the position taken on society in general by a natural, universal law or social order. If all economies are essentially the same and have been historically constant (outside of superfical changes in social structures), then there must be an underlying harmony to existing relations. Were this not the case, conflict would ensue and fundamental change would occur within the social order in an attempt to resolve the conflicts (as, for instance, in the Marxist doctrine). But, as no such basic conflict can exist (for Clark), then observed strife can only be the result of misguided policies, ignorance, fraud, self-serving demagogues who try to violate natural law.[5] (On this point, see Henry, 1990, pp. 226–34 *passim.*)

And in this regard Clark does not stand alone. One finds precisely the same line of argument expressed by other notables of the period, in particular the members of the 'triad' who 'revolutionized' economics in the 1870s, who continued the line of argument put forward by the harmonizers of the Ricardian period – Malthus, Whately, Say, and others. (See, for example, Jevons, [1878] n.d.; Menger, [1883] 1963, pp. 90–194; Walras, [1874] 1954, pp. 51–82. As well, see Henry, 1990, ch. 6.) As one illustration of an equivalent position taken by a more senior economist of the period, one can turn to Jevons' introductory remarks to his primer, *Political Economy* (1878), in which he argues that social ills are not the product of the capitalist economy extant, but arise out of ignorance, dishonesty and, more important, unnatural organizations such as trade unions:

> There can be no doubt that it is most desirable to disseminate knowledge of the truths of political economy through all classes of the population. . . . From ignorance of these truths arise many of the worst social evils – disastrous strikes and lockouts, opposition to improvements, improvidence, destitution, misguided charity, and discouraging failure in many well intended measures . . . (Jevons, [1878] n.d., pp. 5–6)

THE LAW OF DISTRIBUTION

Clark's theory of aggregate distribution unfolded in four main articles: 'Capital and Its Earnings' (1888), 'The Possibility of a Scientific Law of Wages' (1889), 'The Law of Wages and Interest' (1890), and 'Distribution as Determined by a Law of Rent' (1891). As the argument is well known and continues to be incorporated into the standard economics curriculum, there is no necessity here to develop an elaborate account of the model. Rather, attention will be focused on Clark's general point of view and on various issues he faced in developing his particular theory.

Essentially, Clark divided the economy into two sectors (or factors of production or economic classes) – labor and capital. All capital goods, including land, are subsumed under the economic category of capital,[6] a monetary sum that equals the value of the physical amount of the capital goods. Capital, a 'permanent fund' that 'lives by transmigration' (Clark, 1888b, p. 14), flows toward the most profitable ventures, in the process competing away profits. Given the law of diminishing returns, interest, the measure of capital's contribution to output, falls until it reaches the minimum level required to sustain capital as a fund: '*General interest is gauged by the earnings of the instrument that the employer or initiator procures with the final increment of borrowed capital*' (Clark, 1890b, p. 53; emphasis in original). As capital equals the sum of the capital goods, interest equals the sum of rents – the market incomes of that equipment: 'Pure capital interpenetrates and dominates the concrete instruments of production, and the law of interest, rather than the law of rent, is permanent and supreme' (Clark, 1888b, p. 45).

Labor, subjected to the same 'Universal Law of Economic Variation' (Clark, 1894a, p. 261), or diminishing returns, and again directed by the forces of competition, ' . . . migrates from one set of concrete forms to another' (Clark, 1890b, p. 57) until, working with no-rent equipment, ' . . . *wages . . . equal the actual product created by the last labor that is added to the social working force*' (Clark, 1889b, p. 49; emphasis in original).

As profits, the entrepreneurial return, are competed away in the long run, and rents are subsumed by interest, the whole of social income is then divided between wages and interest and the determinant of each is based upon the marginal product of labor and capital at that level of output where it is just marginally worthwhile to employ capital goods.

At this stage in the argument, I am not concerned with developing a sustained criticism of the model as such. Rather, attention is directed toward several issues that were of significance to Clark himself in the formative stage of his theory.

RICARDIAN AND CLARKIAN RETURNS

The whole of Clark's argument rests upon an expansion of the Ricardian rent model to a general case which, ostensibly, explains all income shares:

> The principle that has been made to govern the income derived from land actually governs those derived from capital and labor. Interest as a whole is rent; and even wages as a whole are so. Both of these incomes are 'differential gains' and are gauged in amount by the Ricardian formula. (Clark, 1891a, p. 289)

In fact, Clark posits a 'bastard' Ricardian model, specifying different assumptions and a different approach to the issue of distribution.

While it is true that one can find in Ricardo something akin to a marginal product, the basic reason for this is declining fertility (broadly defined). As population grows, equal additions of labor and machinery (variable and constant capital) are added to increasingly less fertile (or more distant) land, requiring more labor hours to be expended per unit of output. The profit rate falls (and rent increases as a differential payment) until it is just sufficient to allow fixed capital to be replaced (as investment comes out of profit). The stationary state is then reached at a profit rate above zero but where no further accumulation is possible. (See Ricardo, [1821] 1970, Chapters 2 and 21 for this and below.)

In Ricardo, the reason for declining marginal output is *not* the 'law of variable proportions': Ricardo assumed equal quantity additions of all inputs, but one input, land, was assumed to be unequal in quality. The variation in output, then, cannot be attributed to changing efficiency caused by varying the amount of one homogeneous input working with a fixed amount of another – as in Clark.

Lastly, Ricardo argued diminishing (Ricardian) returns only for agriculture. In manufacturing, he expected that accumulation would allow increasing returns.

However, by linking his model to a 'corrected' and generalized Ricardian model, Clark was able to link his theory to that of one of the past giants of the discipline, perhaps providing it with a stature it otherwise would not attain on its own merits.

STATICS AND DYNAMICS

Another contentious issue is Clark's specification of a static state (sometimes labelled 'stationary') within which the theory unfolds. He first specifies the conditions that must be satisfied in 'Distribution as Determined by a Law of Rent':

> Five changes of social structure need to be excluded, if society is to be reduced to a static condition. . . . [F]irst, changes in the character of social wants; secondly, changes in the mechanical processes of production; thirdly, alterations in the mode of organizing industry; fourthly, shiftings of labor and capital from place to place within the system; and, fifthly, increase or diminution of the amounts of capital and labor in existence. (Clark, 1891a, p. 290)

Now Clark is aware that this situation is 'imaginary', yet he claims that '. . . we make in this way a study that is completely realistic, since the static forces are dominant in the world of actual business' (Ibid.).

Throughout this period (and into the next), Clark wrestled with the conflict between a dynamic and static analysis of distribution, continually promising a dynamic account that was never written. (See, for example, Clark, 1891c; 1892a; 1898b; 1899d.)[7] Indeed, in the 1898 'The Future of Economic Theory', he observed that ' . . . [economic] science will soon be fairly complete' except for ' . . . the statement and the solution of the dynamic problem' (Clark 1898b, pp. 1–2).

Clark offered as a tentative solution to this issue the argument that the static equilibrium situation dominated and dynamics consisted of disequilibrium movements toward equilibrium. The search for profit drives the system out of equilibrium, but the competitive forces that eliminate profit as a long run income share restore the equilibrium position. Hence, a zero-profit, non-accumulating static world is the standard, and the world of dynamic change represents a temporary aberration (Clark, 1899d. See, as well, 1892b).[8]

All of this raises a fundamental issue that remains at the center of modern equilibrium economics – time.

In developing his imaginary economy in which capital is 'plastic' (see below), and in which the economy is either in or tending toward equilibrium, Clark has dispensed with real, historic time where decisions are made that cannot be unmade, where errors, faulty information, imperfect foresight all exist. Indeed, if the world is always in equilibrium (or tending toward some posited hypothetical state) there is no need to study the actual workings of a capitalist (or any other) form of economic organization. Thus, his 'natural', 'universal', 'Robinson Crusoe' economy is sufficient for his demonstration, and a necessary aspect of his static equilibrium approach.

Joan Robinson, who spent the last part of her illustrious career trying to sort out the problems for economic theory caused by this mode of analysis, neatly summed up the general issue:

> There has been a lot of tiresome controversy over this putty. The Bastard Keynesians try to make out that it is all about the problem of 'measuring capital'. But it has nothing to do with either measurement or with capital; it has to do with abolishing time. For a world that is always in equilibrium there is no difference between the future and the past, there is no history. (Robinson, [1973] 1980, p. 173)

THE PROBLEM OF CAPITAL

In the series of articles that comprises his consolidation of the theory of distribution, Clark continually wrestles with the fundamental problem induced by his particular version of distribution theory – the specification and measurement of capital. For his argument to hold, one must be able the state the contribution of an additional unit of labor or capital to output when all other inputs are held constant. That is, when labor is added to a production process, the equipment with which it works must remain, in some sense, exactly the same as that worked by fewer units of labor, but yet must accommodate itself to the changed amount of labor. At the same time, the equipment must be fully employed because, if there were unused capacity initially, the contribution of the labor input could not be separated from the contribution of the capital goods now brought into operation.

Clark has difficulty in arriving at a position on capital that is consistent with the above necessary strictures. In 'The Possibility of a Scientific Law of Wages', he carries out the argument in terms of adding labor to land, then, generalizing, equates capital goods to land (Clark, 1889b, pp. 42–9). This is clearly illegitimate as, at least in terms of measuring the physical contribution of added labor to a homogeneous 'acre', one can reasonably argue that a production process using only labor and land can generate different levels of output that can be held to be the contributions of differing amounts of labor. But capital goods are not homogeneous and simply adding labor to the same concrete machinery will not affect output (again, assuming full employment of those machines). Machines contain a technological constraint and are designed to be operated efficiently with a specified amount of labor.

Clark recognizes this and attempts a reconciliation by modifying his argument. Unfortunately, he does so in such a fashion as to undermine his whole position. Observing that capital goods must adjust, in some fashion, to the added social labor force, Clark alters both the *amount* of capital goods in existence and their *composition* by allowing technology to change (Ibid., pp. 54–6). In other words, the stock of capital goods at the end of the period is different in size and kind than that at the beginning. Hence, it is impossible to specify the contribution of just labor – a marginal product of labor has no meaning here.

In 'The Law of Wages and Interest', we are treated to the first clear statement of what is sometimes termed 'plastic capital'. Initially, Clark equates capital with labor in that, as labor can and does change its collective skill level in moving from one line of production to another,[9] capital goods change their form (Clark, 1890b, pp. 51–2). More important, however, is the argument that specific capital goods (a loom) are 'transmuted' into different goods (a forge), but the capital (as a monetary unit) remains constant. That is, capital represents an amount of physical capital goods – $1000 worth of so many machines. As capital is homogeneous it can represent, in value terms, any amount or types of capital goods – two $500 looms are equal to one $1000 forge.

Greater specificity is given to Clark's view in 'Distribution as Determined by a Law of Rent'. Here, a constant amount of capital constantly changes its physical form to accommodate changes in the labor force (Clark, 1891a, pp. 301–2). As additional units of labor are added to the production process, the machinery in use is modified to allow full employment of those machines and to allow the increased labor force equipment with which to work as efficiently as possible. Essentially, Clark compares two static equilibrium states in which the quantity of capital is the same but where each has a different form of capital goods: The difference in output is then said to measure the marginal product of labor.

However, indicative of Clark's continuing struggle to clarify his own concept, in the same article he makes an error: At one point he has a 'hoe replacing a hoe, and a ship replac[ing] a ship' (Clark, Ibid., p. 304). Clearly, in this illustration both the amount *and* the form of capital goods would remain constant and additional units of labor would not be able to be accommodated given the technological constraints specified by the particular equipment. He then rectifies this error with a correct illustration in which the quantity of capital remains constant but its form changes (Ibid., p. 306).

In 'The Statics and Dynamics of Distribution' and 'A Universal Law of Economic Variation', Clark finally presents an unequivocally clear and correct (from his perspective) illustration of plastic capital and its relation to capital goods and capital. In the former article, Clark introduces the 'spade' example in which '[i]f the first man had one good spade, the two men who followed would have two cheaper and less efficient implements, representing a like amount of invested wealth. The per capita returns would then be reduced' (Clark, 1891c, p. 118). In 'A Universal Law', he addresses the issue of changing quantities of capital added to a fixed amount of labor. Clearly, if the additional capital is of the same form as the original, labor would find the added machinery useless. However, '[g]ive to the worker a pick or a crowbar, instead of a second shovel, and you add much more to his output. . . . [Y]ou find that he accomplishes much more with the two unlike tools than he does with one' (Clark, 1894a, p. 276).

Now there is much to say about Clark's argument, but I shall reserve this discussion for the next chapter. Let me point out, though, that even in the early stages of its development, Clark had to fight off charges of obscurantism directed against his concept. In contesting Böhm-Bawerk's theory of interest, for example, Clark notes that the great Austrian had labelled the whole conception 'mystical' (Clark, 1895, p. 264). For good reason, such charges remain current (see Harcourt, 1972).

ON THE SOURCE OF CAPITAL

As has already been argued, Clark attempted to tie his theory of distribution to that of Ricardo. In addition to the distinction between these two theories as specified above, an even more significant difference pertains to the general thrust of the arguments. Ricardo was attempting to explain the distribution of rents and profits as shares of economic surplus payable to the owners of property of different types, shares that resulted from the extraction of output produced by labor and which were payable solely by virtue of ownership. Clark treats a two-factor world in which capital receives an income (interest) based on its contribution to output. Thus, while claiming to rest his argument on the shoulders of one of the true giants of the discipline (and one who still commanded attention though having fallen into some disrepute by this time), he really established a quite different foundation from which to develop a quite different theory.

And this raises a most important issue for Clark (indeed, for the whole of neoclassicism): As capital is a 'thing', whether in monetary or real form, but is responsible for creating an income, why should interest be paid to the owner of capital? No such problem exists on the labor side of the question, for those who provide the labor effort are rewarded with a wage based upon their marginal product. Clark, then, must develop an argument that in some fashion equates capitalists' effort (or cost) with that of labor.

Reluctantly, it would appear, Clark settles on abstinence as the basis for receipt of interest income. Capital is the result of '... the diversion of an abstract fund of wealth ...' from expenditures on consumption to expenditures on capital goods (Clark, 1888b, p. 17). The capitalist, by saving, incurs a '... personal sacrifice ... in the service of society', a sacrifice that represents '... the fruit of ... [capitalist] labor' (Ibid., p. 55). In 'Distribution as Determined by a Law of Rent', we are told explicitly that:

> Labor is not the only sacrifice incurred in the creating of wealth: abstinence entails sacrifices, and it increases the fruits of industry. The part of the social product that is insured by capital is traceable to a personal process that is costly. (Clark, 1891a, p. 297)

Further, in his argument that attempts to reduce all economic theory to an underlying utility principle, he puts abstinence into purely Benthamite hedonistic terms, arguing that abstinence is painful and that interest payments represent the pleasure necessary to bring forth the capital necessary to allow capital goods to be produced (Clark, 1892c, pp. 262–3).

Clark is careful to distinguish abstinence from waiting (and thus distinguishes himself from Marshall in this regard). In his debate with Böhm-Bawerk, he argues against such a concept in that capital has no time period – it is a fund that exists in perpetuity – so that in creating capital one never receives a personal good at the end of the period (*à la* Senior) (Clark, 1893b, pp. 308–10).[10]

ON THE WRANGLE WITH BÖHM-BAWERK

Between 1893 and 1907, largely in the public forum of the *Quarterly Journal of Economics*, but also in private correspondence, Clark and

Eugene von Böhm-Bawerk engaged in a sometimes acerbic debate over the meaning and theory of capital and interest.[11] While Böhm-Bawerk shared many of Clark's views (not the least of which was a mutual hatred of socialism), Böhm's criticisms strike directly at the core of Clark's timeless equilibrium approach. And while this debate ended without resolution (as does much debate in economic theory), it would appear that the Austrian effectively demonstrated the inadequacies of Clark's approach.

Böhm-Bawerk's criticisms can be divided into three categories (though each converges on the single main problem of timeless, static equilibrium). Initially, while agreeing with Clark's distinction between the terms capital and capital goods (where capital consists of a 'fund'), Böhm takes issue with Clark's minimizing of the place and role of concrete capital goods. Where Clark emphasizes the permanent fund of 'true capital', Böhm-Bawerk argues that the capital goods that make up this fund are the real determinants of capital and it is through the actions by which capital goods are created and destroyed that capital lives. In contrast to Clark's waterfall metaphor in which the droplets of water that make up the fall appear and disappear while the fall remains constant (Clark, 1893b, p. 308), Böhm asks what happens if a stone temporarily diverts the droplets ('concrete water') so that the waterfall, changing neither in its form or content, is shifted away from the millwheel causing the mill – the actions of capital – to stop (Böhm-Bawerk, 1895, p. 128). So, even though there appears no alteration in the amount of capital (the waterfall contains the same number of droplets), an economic change has taken place due to the actions of the capital goods.

Secondly, for Clark, given that the concrete goods were of no or of trivial significance, permanent capital could automatically flow from industry to industry generating (and guaranteeing) static equilibrium. Even though it takes time to produce capital goods (the 'periods of production'), once equilibrium was established through the synchronizing efforts of the permanent fund of capital, the period of production – or the difference between the present and the future – becomes irrelevant: One simply analyzes the variables from the perspective of equilibrium (Clark, 1895, p. 261).

But, Böhm-Bawerk observes, Clark is simply avoiding the issue of the time required to produce capital goods by substituting the static equilibrium *conclusions* for the actual examination of the historically determined stages of production in which synchronization disappears (or, at least may not produce said equilibrium) (Böhm-Bawerk, 1895; 1907).

Lastly, Böhm takes up Clark's concept of plastic capital as not only representing a confusion between statics and dynamics, but as an attempt to eliminate a 'material existence' (capital goods) from consideration altogether and to reduce everything to 'value jelly' (Böhm-Bawerk, 1907, p. 280) which permits the perfect mobility of capital from industry to industry. Further, Böhm has no objection to Clark's abstracting thusly, '... so long as it is clearly borne in mind that [mobility is] nothing more than a figure of speech. But it is not to be supposed that the understanding of the actual situation is thereby promoted, still less that anything is understood which before was not understood' (Böhm-Bawerk, 1906, p. 18).

Regardless of what one thinks of Böhm-Bawerk's own theory of capital and interest, it is clear that the Austrian critic understood the essential failings of Clark's theory. It is also the case that Clark never adequately defended his theory in light of these criticisms.

ON TRUSTS AND UNIONS

In this same period, as Clark was developing, refining and consolidating this theory of distribution, he also developed his modern approach to questions revolving around two of the most important social issues of the day – oligopolies and unions. And, what one observes is a considerable modification of his previous position.

Clark's work on these questions should not be viewed as separable from his more important contributions to general economic theory. One necessary assumption of his model is that of a competitive framework within which the distribution process works itself out. Yet, in the 1890s, the economy appeared to be anything but competitive – a feature that Clark had addressed at length in his 'Christian Socialist' period. How, then, to square the seeming economic reality with the theoretical model designed to explain that reality?

The essence of Clark's new position on non-competitive industrial structures is best expressed in his 1890 'The "Trust": A New Agent for Doing an Old Work: Or Freedom Doing the Work of Monopoly'. Clark continues to recognize that the obvious characterization of most modern industries is one of an oligopolistic form – the trust (Clark, 1890a, p. 223). And this development has played into the hands of socialists and anarchists in that the natural evolution of capitalism has created a level of organization where the State merely has to take over an already concentrated industry and run it on a nationalized basis (Ibid., pp. 223–4).

However: '"Trusts" are not what they appear to be, and the suppression of competition that they entail is only partial' (Ibid., p. 225). Should trusts exist, 'latent' but 'effective' competition continues as members are constantly violating agreements and keeping prices within reasonable limits (Ibid., p. 226).

More important, though, Clark suggests a theoretical reason why competitive forces continue to operate. If the members of a trust, holding to their agreements, succeed in increasing price above the competitive standard, monopoly profits (rent) arise. The realization of positive profits stimulate entry into the particular industry, causing price to fall. Thus, oligopolists, fearing 'potential competition', maintain prices at roughly the competitive level (Ibid., pp. 226–7). (Of course, this raises the question as to what the function of the trust then is.)

Lastly, the 'will of the people', effected through labor unions, can influence courts and legislatures, forcing regulation when this collective will senses a violation of competitive pricing. For Clark, '[s]ound thinking substitutes regulation for ownership' (Ibid., pp. 227–8).

So, trusts retain the spirit of competition, not only in that they are forced to obey the law of competitive pricing (and thus accede to a competitive distribution scheme), but because, if they can somehow escape the tyranny of potential competition, governmental actions can (and will) force them to behave as if they were competitors.

In addition, Clark argues that not only are trusts not to be feared but they actually perform a positive function in allowing more efficient and effective coordination, etc., eliminating the anarchy of the small shopkeeper system (Ibid., pp. 228–30).

This optimistic outlook, both in theory and practice, is maintained throughout this period and into the next (see below). In fact, by 1896 Clark went so far as to argue that, even in a world completely dominated by pure monopolies (with no competition of any sort), the public would be advantaged. The huge profits generated through the monopoly control of output must be invested somewhere. As a particular trust cannot invest in its own industry (thus increasing output and causing prices and profits to fall), it invests in some other industrial field, thus increasing output and causing prices and profits to fall for that trust. Trusts in these other fields, acting on the same principle, generate the same result in our initial trust's industry. Thus, throughout a trustified economy, output and prices would be roughly what a competitive economy would generate. And the public is not only served in such a fashion but also by the enormous expansion of markets, employment, etc., that the investment of these profits would allow (Clark, 1896b, pp. 12–15).

All of this, of course, ignores the possibility of the trusts 'investing' in purely financial activities rather than in productive plant and activity, leading to the era of 'finance capital' (see Hilferding, [1910] 1985). But our prime concern here is to note that Clark was able to 'rescue' competition through a rather ingenuous argument that strikes one as an antecedent of the modern theory of 'contestable markets' which attempts to rescue competitive theory (and conclusions) within the framework of non-competitive economic structures (see Baumol, Panzer and Willig, 1982).

Coupled to the issue of the trust was that of unions. Previously, Clark, generally, was favorably disposed toward this type of economic organization in that it provided something of a 'countervailing power' to the large oligopolies. And while he does not openly develop an anti-union position in this period, he so alters his argument that one observes a considerably less friendly attitude.

Armed with his new theory of distribution, Clark is able to establish a theoretical standard to which wages would tend if competition obtained. This 'natural' wage is abrogated by unions as long as they have the power to prevent non-union labor from flowing freely into those fields to which the application of the marginal productivity principle would have it migrate (Clark, 1889b, p. 62). In the short-run, then, wages of unionized workers would be at a non-equilibrium level. However, the competitive static equilibrium price for labor dominates. The non-unionized labor would flow into those areas not controlled by unions, and, given this non-equilibrium 'surplus' of labor, would cause the general wage level to fall with 'abnormal rapidity'. This eventually affects union wages (given that unions cannot wholely abrogate the social wage level) and workers in such organizations '... suffer a more than normal depression of wages' (Ibid., p. 63).

Essentially, the competitive wage standard asserts itself in the end. Unions (and trusts) may temporarily abridge this law, but natural economic forces eventually assert themselves and force an economy-wide wage level close to that which would have been set under competitive conditions.

Further, while Clark continues to uphold the principle of arbitration (through which arbitrators would seek to settle strikes by establishing the wage payment called for by the principle of marginal productivity), he now calls for compulsory arbitration in which unions would be subjected to severe sanctions should they attempt to prevent a ruling. In particular, he argues that '... men ought not to leave their work while arbitration is pending, nor after a decision has been rendered', and must not be allowed to prevent non-union labor from securing their jobs should they strike or to replace such scab labor after the strike is over (Clark, 1889a, p. 231). Indeed, by 1894 Clark was calling for the state to invoke 'right to work' laws (Clark, 1894b, p. 494). In other words, unions are to be relatively powerless in attempting to affect the outcome of a wage settlement process: a tribunal of arbitrators, presumably of a neutral nature, are to set wages based upon a competitive standard.

CONCLUSION

By the late 1880s, the conservative, 'neoclassical' tendencies Clark had demonstrated during his 'Christian Socialist' period had fully emerged. And, while one can certainly speak of a transformation in his outlook, both at the theoretical level and in the arena of public policy, such a transformation was certainly not of a radical nature. Rather, the modern perspective represents an outgrowth and maturing of an ideological perspective first evidenced in the pre-1886 period.

The theoretical key to Clark's new posture is clearly his discovery of the marginal productivity theory of distribution (though the reader is reminded that this theory in its general form had been unfolding since the work of Say, and in its more specific marginal form was being developed by not only the economists comprising the 'marginal revolution,' but by critics such as Hobson and George). Armed with this argument, Clark could now develop a new conception of justice, one based on a competitive standard of pricing and wage determination. This, of course, replaced the older 'divine law' justice of his earlier writings. Not only did his theory of distribution allow him to establish a theoretical posture on ethical judgements, but it served as his guide through the murky waters of public policy. But, as practice does follow theory, his new distribution theory also meant a new approach to questions of policy.

Previously, Clark (though not without severe reservations) appeared to stand four-square in support of unions in that they formed a force that could counter the power of large business organizations and could establish a (non-competitive) wage standard that he formerly equated with justice. Now, unions appear as a threat and must be harnessed through the power of the state – if they are sufficiently powerful to actually drive wages above the competitive limit, thus securing for their members wages greater than those that would be called for by the marginal product of labor. Unions remain a beneficent force for

Clark, but only if they do not behave like unions. Trusts, on the other hand, are a paper tiger: 'Potential competition' mitigates the oligopolist's ability to control output and pricing.

The economy revolves around naturally determined prices, wages and interest. Left to its own workings, it produces salubrious equilibrium outcomes that represent the modern standard of justice and equity.

Clark's modified position in its totality is perhaps best expressed in his 1894 'The Modern Appeal to Legal Forces in Economic Life'. Putting the argument in the context that drove much, if not all, of his own theoretical development, Clark argues that the then-popular argument calling for vigorous state action to allay the power of large corporations is misplaced and dangerous. Reiterating his constant theme concerning the dangers of socialism and anarchism (with the former more dangerous given its greater appeal that followed from its stronger theoretical foundation) (Clark, 1894b, p. 481), Clark answers the socialist charge of exploitation by invoking his theory of distribution:

> The study that assures us of this (that factors are rewarded according to their contribution to output) incidentally shows us how the work (of reform) is to be done. It reveals a line of public policy that is safe and efficient, and that offers an outlet for the revolutionary energy that, with a zeal that is not according to knowledge, is now trying to undermine society. (Ibid., p. 483)

As natural law ensures that income is distributed according to the productivity of the respective factors, there can be no exploitation under competitive capitalist conditions. Public policy, then, must be limited to that which facilitates competition (including the regulation but not the ownership of industry). The limit to government involvement in the economy is to be determined by whether such activity would affect wages, pushing them above the level that would obtain under competitive equilibrium conditions (Ibid., p. 484).

Thus, given his theory of distribution, Clark reaches a modified *laissez-faire* conclusion in which a natural economy generates the most desirable results. The socialist charge has been answered and public energy is to be channelled through the state toward a safe and conservative end.

By the 1890s, then, Clark has solved the issues first addressed in the 1870s. His former 'socialist' posturing has now been left behind and he emerges as one of the United States' leading apostles of conservatism. Extra-economic actions violate the principles of natural law; let the economy take its natural course of development.

5 *The Distribution of Wealth*

If one were to have read all Clark's articles prior to 1899, one would find *Distribution* somewhat anti-climactic. The 'big book' which most economists associate with Clark's entry into the top rank of economists of the time is largely a restatement of his argument as developed over the previous decade. Chapters 7 through 10 (the heart of the work) are drawn directly from his 'Capital and Its Earnings' (1888) and 'Possibility of a Scientific Law of Wages' (1889), while 'Distribution as Determined by a Law of Rent' (1891) and 'A Universal Law of Economic Variation' (1894) comprise the essence of Chapters 12 through 14. Indeed, some of the content is traceable to *The Philosophy of Wealth* period: Chapter 20 is a re-worked version of Chapters 7 and 8 of that work, and these were derived from articles written in 1883.

Thus, two points are established: *Distribution* is a restatement of previous argumentation, and there is a line of argument that dates to his early 'Christian Socialist' period. Rather than undergoing a radical transformation in this general theoretical approach, Clark's development can be seen as a continuum in which, while modifications occurred and emphases change, ideas first formulated in the early period are developed and carried over into the modern, neoclassical culmination of his work.

A CRITICAL READER'S GUIDE TO *DISTRIBUTION*

As would be expected, Clark begins his magnum opus by informing the reader of the political stakes contained in the distribution question:

> It is the purpose of this work to show that the distribution of the income of society is controlled by a natural law, and that this law, if it worked without friction, would give to every agent of production the amount of wealth which that agent creates . . . . At the point in the economic system where titles to property originate, – where labor and capital come into possession of the amounts that the state afterwards treats as their own, – the social procedure is true to the principle on which the right of property rests.

> The welfare of the laboring classes depends on whether they get much or little; but their attitude toward other classes – and, therefore, the stability of the social state – depends chiefly on the question, whether the amount they get . . . is what they produce. . . . [I]f it were to appear that they produce an ample amount and get only a part of it, many of them would become revolutionists, and all would have the right to do so. The indictment that hangs over society is that of 'exploiting labor'. 'Workmen' it is said, 'are regularly robbed of what they produce. This is done within the forms of law, and by the natural working of competition.' If this charge were proved, every right-minded man should become a socialist; and his zeal in transforming the industrial system would then measure and express his sense of justice. If we are to test the charge, however, we must enter the realm of production. We must resolve the product of social industry into its component elements, in order to see whether the natural effect of competition is or is not to give to each producer the amount of wealth that he specifically brings into existence. (Clark, [1899a] 1965, pp. v, 4)

As in his earliest published work, Clark specifically addresses the relationship between competing views on distribution and competing political and economic systems and movements – socialism and capitalism. (Interestingly, the populist movement has now been dropped from contention, probably reflecting the aftermath of the 1896 election which saw the last gasp of the People's Party and the agrarian crusade.) It is not enough, however, to demonstrate that a 'natural law' governing distribution exists that conforms to capitalist property arrangements. One must also address the beneficence of that law:

> The *right* of the present social system to exist at all depends on its honesty; but the *expediency* of letting it develop in its own way depends entirely on its beneficence. We therefore need first to know whether we have the right to let natural economic forces work as they are doing; and we need next to know whether, on grounds of utility, it is wise to let them work thus. (Ibid., p. 5)

Presumably, society not only has the right, but the *power* to violate universal natural law if said law works to the detriment of its members. How this could be accomplished (if necessary) is left unaddressed, but, in any case, one would not expect such a set of rules to exist *if* they were injurious to social well-being given that it would be difficult to imagine society advancing were not natural laws promoting this advance.

In his 'Christian Socialist' period, Clark did not shy from arguing that economic theory does and should contain an ethical perspective and standard. As he continually moved toward the development of an ostensibly natural law theory, however, this aspect of his general perspective changed substantially. By 1899 he had seemingly recanted:

> We might, indeed, go into a further and purely ethical inquiry. We might raise the question, whether a rule that gives to each man his product is, in the highest sense, just. Certain socialists have, indeed, contended that such a rule cannot attain justice. Work according to ability and pay according to need, is a familiar formula, which expresses a certain ideal of equity in distribution. This rule . . . would violate what is ordinarily regarded as a property right. The entire question whether this is just or not lies outside of our inquiry, for it is a matter of pure ethics. (Ibid., p. 8)

Yet, immediately upon issuing this statement, he then proceeds to defend property rights as just *if* factors are rewarded according to their respective productivities (Ibid., p. 9). That is, Clark's distribution theory does contain an ethical standard that is determined by the theory itself. Alternative theories of distribution, then, generate an injustice if they violate capitalist property rights.

Here Clark betrays a misconception (or misperception) common to most neoclassical theorists. Neoclassical theory is supposedly value-free and merely pronounces on an ostensibly objectively defined state of affairs rather than supplying an ethical foundation to those states. Whether such states are 'good' or 'bad' is outside the purview of the economist. In reality, the theory itself is grounded in a particular view of justice and the results of the investigation, not suprisingly, support that view. Indeed, it is impossible to even pose theory purportedly explanatory of social activity that contains no such standard.[1] At times, however, we are treated to a statement in which the ethical standard to which neoclassical economics adheres is given a frank and uncompromising treatment. (See Acton, 1971; Friedman, 1962; Knight, [1939] 1982.)

More important than this, though, is that Clark himself, when in the process of developing his mature theory, *did* argue in an ethical context and never separated his theoretical position from that of ethics (see above Chapters 2–4). Having now the complete argument in hand, the ethical issues and standards that initially prompted the inquiry and laid the basis for the theory are ostensibly pushed aside and the theory stands as an objective scientific account that does not speak to the larger issues of justice and the like.

Moreover, as we shall see in the conclusion of this work, Clark never, in point of fact, viewed his theory of distribution as independent of such an inquiry. His position was that it provided *the* defense of capitalism as a just economic system. Schumpeter's claim that Clark's economics can be separated from his moralizing notwithstanding (Schumpeter, [1954] 1961, pp. 868–70), Clark's theory rested on and supported a specific ethical standard regarding the nature of capitalist society (see Henry, 1983).[2]

In this larger political context, Clark is mindful to distinguish his theory of distribution from that of Adam Smith (and classical economics in general), Henry George, and, in his critique of Von Thünen's productivity theory, very carefully (in a three-page footnote) points out that, unlike that of the German economist, his theory has no trace of an exploitation argument contained within it. Indeed, it is this issue of exploitation, explicit or implicit, that sets the basis for these discussions.

Clark contrasts Smith's remarks concerning distribution in the 'original state of things' with distribution in a modern setting when private property exists (Clark [1899a] 1965, pp. 82–3). Initially, the whole product of labor was returned to labor as there was 'neither landlord nor master to share with him'. With private property wages are paid out of capital and cannot be determined by the productivity of labor. This position thus contains an implicit theory of exploitation.

But, Clark argues, this is incorrect. Wages are still determined by workers' productivity, but as workers do not produce all of output, wages are then naturally less than the value of that output. Capital's share is not the result of a transfer of output from worker to capitalist, but merely the measure of capital's contribution to output.

In distinguishing himself from Henry George, Clark proceeds carefully (Ibid., pp. 84–9). Given that his own theory of distribution owes something to George's argument that wages are determined by farmers' income working on no-rent land (thus, the entire output is the product of labor), and that this is the key to the solution of the distribution riddle, Clark cannot totally dissociate himself from his populist antagonist.

The principal way in which Clark separates his position from that of George is to note that, as a portion of farmers' income is derived from ownership and the growing incremental value of land that accompanies population growth, it cannot be mere agricultural labor working on 'free' land that sets the wage standard. Part of the opportunity cost calculation which dictates whether a worker shall continue laboring in a mill or seek to homestead in the western prairies is based upon a calculation of expected returns from the ownership of land itself.

Secondly, Clark presents a more general theory than that of George. As Clark views land and capital goods as equivalent constituent parts of social capital, he argues that the wage is determined by that labor working with no-rent 'machinery' of any type, not just with land (Ibid., p. 92).

More important than the above, however, is Clark's omission of George's main point: Unearned incomes (rents) accruing from the mere ownership of property represent a surplus that can be taxed (the nationalization of rent) without interfering with production (as long as land itself remained private property). And, as rent was the cause of poverty, given the redistribution effects caused by rental incomes, the state's collection of rents could then flow to the poor and economic justice could then be attained. This, the central thrust of George's theory, is omitted from Clark's discussion: Clark simply focuses on an analytical element of *Progress and Poverty* and demonstrates a limited similarity to his own ideas. The semi- (or pseudo-) exploitation element of George's argument disappears.

Clark's concern with Von Thünen's model (Ibid., pp. 321–4, fn) is not with the analytical character of the German's distribution theory (which offered a '. . . brilliant beginning of a true theory . . .' [Ibid., p. 322]), but with what was '. . . apparently a theory of the exploitation of labor' (Ibid.). For Von Thünen, as labor is added to the production process, each additional unit of labor *individually* produces less output. Previous units of labor, representing greater levels of productivity, as they receive a wage determined by the last unit of labor employed, are thus paid less than their contribution to output. In Von Thünen's model, the marginal product of the last unit of labor does not measure the productivity of *all* homogeneous labor, but each unit of labor adds its own, individually determined marginal product. Thus, for Von Thünen, wages should equal the whole of output. As they obviously do not, workers are exploited (though this is not explicitly argued by Von Thünen). Clark is very clear in correcting his colleague and in demonstrating that his own theory, which nonetheless bears a similarity to Von Thünen's, produces a result that is '. . . desirable and morally justifiable' (p. 324) rather than implicitly leading to a theory of unjust exploitation.

One advance that is found in *Distribution* is the development of the relationship between distribution and equilibrium exchange relationships (Chapter 2). Here Clark reverses the usual line of argument which runs from equilibrium price to distribution, arguing that:

> Prices are at their natural value when labor and capital in one industry produce as much and get as much as they do in any other. Normal prices mean equalized wages and equalized interest. . . . Cost prices, then, are those that give equalized earnings. (Ibid., pp. 16, 17)

Essentially, it is the movement toward equilibrium in the sphere of distribution, in which the factors of production are jockeyed across firm and industry lines seeking returns that reward their respective contribution that alters the flow of output, eventually producing the competitive cost-based equilibrium prices when the prices of inputs equal their marginal products.

Within a general equilibrium context, it makes no difference which market is viewed as 'primary'. As no causal relationship exists in such an approach, the determination of the set of prices that generates the equilibrium result is the only question, and the solution will be one of mutual determination.

Given Clark's emphasis on distribution, however, he observes, and is the first to show, that one can just as readily argue from the 'end to the beginning' as from the 'beginning to the end' of the process. Indeed, he argues that the distributional 'result' of the process is really the mechanism that drives the rest of the economic system toward equilibrium.

The argument surrounding the relationship between statics and dynamics is considerably advanced in Chapters 3, 5, 6, 19 and 25. In fact, Clark devotes so much space to this discussion that one senses a somewhat defensive posture on the issue.

Initially, Clark lays out the necessary assumptions for his static model to hold: Population, capital, technology, consumers' wants, and the forms of industrial organization are all constant (Ibid., p. 56). Then, again mindful of the need to demonstrate the scientific nature of his model, and arguing the primacy of statics over dynamics, he compares his static state to the laws of mechanics, arguing that '. . . the forces of rest must be known before those of movement can be understood' (Ibid., p. 35).

Clark continues to put forward the hydraulic model as a metaphor to advance his argument (Ibid., pp. 279, 401–2). Likening the relationship of the dynamic world to that of ripples in a pond or wave action in an ocean, he attempts to demonstrate that, although there is constant motion in each situation, the dynamic forces are always seeking a static equilibrium end, and, furthermore, it is this equilibrium that serves as the determining force in driving the dynamic motion toward this deterministic end. Thus:

> A static ocean is imaginary, for there never was such a thing; but there has never been a moment in the history of the stormiest seas, when the dominant forces that controlled them were not those which, if left entirely alone, would reduce their waters to a static condition. . . . If we take only a bird's eye view of the ocean, we are tempted to say that a static philosophy of it is sufficient and that we may treat waves and currents as minor aberrations due to 'disturbing influences'. (Ibid., pp. 401–2)

Clark is quite aware that he has concocted an imaginary situation in which to demonstrate the truth of his theoretical position:

> Having life, but not growth, it would be what we identify as a static society. . . . This is an imaginary state, but it reveals facts of real life. There is . . . no society that is thus static. . . . Why, then, do we wish to know the laws of an imaginary static state? Because the forces that act in such a state coninue to act in a dynamic one. They are even the more powerful of the two sets of forces. (Ibid., p. 60)

And this demonstrates the fundamental difference between his methodological approach and that of the scientific metaphor used to buttress his argument. The mechanical laws of physics are clearly not 'imaginary'. They exist as one body of laws which pertain to one body of fact. More important, though, is Clark's admission that his static model is a violation of the evolutionary laws of change:

> A social science that should not deal with evolution would likewise be entirely unsatisfying, since change and movement are in the highest degree important. (Ibid., p. 402)

Then:

> The forces of change, however, can never be understood without first having a knowledge of the forces of rest. (Ibid.)

It must be remembered that Clark abandoned his overt 'Christian Socialism' in part because the older religious rationalizations were no longer effective in support of authority. His new, modern, up-to-date 'scientific' 'natural law' account was likened to the work of Darwin, the most socially influential of the advances in science in the nineteenth century (Clark, 1891d, p. 791). Yet, as Clark admits, his method is incapable of explaining change. Indeed, given his static equilibrium approach, Clark cannot explain why the phenomena he examines exist at all. The categories – exchange, markets, wages, interest, etc. – are merely posited as 'natural', then an imaginary state is developed within which an assumed interplay of forces work their inevitable way toward an equilibrium conclusion. Essentially, Clark lifts the analysis out of the realm of society (the 'Robinson Crusoe' dictum), eliminates historical time from consideration, and develops a set of universal 'laws' that a mathematician might appreciate but whose significance in explaining social relations are most doubtful. In fact, Clark is very clear in *Distribution* that economic theory proceeds from universal phenomena ('. . . which act whether humanity is organized or not . . .') to static social phenomena (in which progress or change is excluded) to the forces of progress (which are simply departures from static conditions) (Clark, [1899a] 1965, p. 30).[3]

However, in his analysis of the relationship between statics and dynamics, Clark allows us a very clear understanding of his conception of and position on the entrepreneur. This rather shadowy character is given greater specificity in *Distribution* and its role is now clearly defined.

The entrepreneur, responding to competitive forces, is the entity that transfers capital and labor from one line of production to another until the static equilibrium relationships are established (Ibid., pp. 289–90). In this fashion, the entrepreneur serves as the connecting link between the dynamic and static worlds of Clark's model. The dynamic world is one of disequilibirium (in the sense of departures from equilibrium). As non-equilibrium obtains, economic profits exist and profits are the lure that incites entrepreneurial activity into hiring inputs to increase output until the marginal products of these inputs equal their hire prices and, correspondingly, the prices and outputs are at their 'natural' equilibrium levels which afford zero profit (Ibid., p. 411).

Thus, it is the entrepreneur that serves as the instrument through which the real world of dynamic change is kept constantly moving toward the imaginary world of static equilibrium. The entrepreneur, not to be confused with the capitalist who receives interest on loaned capital (though these functions may be satisfied by the same individual [Ibid., p. 111]), receives profits only as a non-equilibrium income and then activates the motion that ensures the elimination of this income. The entrepreneur is simply a mechanism that equilibrates the system of equations.

Clark's entrepreneur appears as a quite strange individual. Seizing upon a disequilibrium situation in which profits are positive, he acts to bring about an outcome in which profit – and presumably the entrepreneur itself – disappears. In other words, the entrepreneur is simply a self-liquidating device that bridges the dynamic and static worlds of Clark's model and serves only to guarantee the equilibrium results necessitated by the theory.[4] Clearly, Clark's entrepreneur is not a 'prime mover' that drives the system forward as in the Schumpeterian or Austrian versions of the argument (see Parker and Stead, 1991 for a recent account), but rather a necessary device that prevents the non-equilibrium dynamic forces from getting out of hand and which allows the dominant static forces to continuously move the system toward equilibrium – itself defined by the static relationships.

Clark's entrepreneur is an aspect of his individualist methodology. Rather than economic forces determined by the larger social character of capitalism driving the system toward some non-determinist end, Clark posits the actions of a mythical individual as a deterministic equilibrating mechanism which guarantees the outcome Clark requires for his argument to hold.

This individualist, Robinson Crusoe method is further developed in his argument that the universal laws of diminishing marginal utility and diminishing returns determine consumption, production and distribution in not just modern propertied societies, but in the fictitious world of the isolated individual (Clark, [1899a] 1965, pp. 44–6; 48–9). Succinctly:

> It is not because the life of a Crusoe is of much importance that it has been introduced into economic discussion: it is because the principles by which the economy of the isolated man are directed still guide the economy of a modern state.
>
> If, then, we individualize society – if we make it to be in its entirety one isolated being, and if we give rein to that philosophy which treats a body of independent beings as one organism – we find it doing what a solitary man would do, under the influence of the law of diminishing marginal utility. (Ibid., pp. 52; 45–6)

One theoretical implication of this Benthamite line of argumentation is that economic relationships, income categories, other economic phenomena that would seem to be specific to one (or another) type of economic organization only are given a universal character that both denies any particular social characteristic and that conceals the underlying societal relations that give rise to categories and phenomena altogether. Thus, for example, capital becomes a 'thing' (Ibid., p. 83) rather than a specific category that is generated only where specific social requirements have been satisfied. All societies use tools; tools become 'capital', however, only in the context of a capitalist society:

> Interest-bearing capital is the consummate *automatic fetish*, the self-expanding value, the money-making money, and in this form it no longer bears any trace of its origin. The social relation is consummated as a relation of things (money, commodities) to themselves. (Marx, [1905–10] 1971, p. 455)

The same approach is used to justify wages as a natural rather than a social category in which the class relationship between seller and buyer of labor power is eliminated from consideration and wages appear simply as a portion of output representing the contribution of the laborer.

CAPITAL AND CAPITAL GOODS

Clark's theory of distribution hinges, in large measure, on his definition and measurement of 'capital' and the distinction between capital and capital goods. In *Distribution*, while understandably arguing with greater consistency than in the previous period, Clark, nevertheless, runs up against the same problems he found in that earlier stage of development.

Clark proceeds by initially defining capital and distinguishing this *monetary* form from capital goods:

> Capital consists of instruments of production, and these are always concrete and material.... The most distinctive single fact about what we have termed capital is the fact of permanence. It lasts; and it must last, if industry is to be successful.... Yet, you must destroy *capital-goods* in order not to fail. Try to preserve capital-goods from destruction, and you bring on yourself the same disaster that

> you suffer when you allow a bit of capital to be destroyed. Stop the machines in your mill that they may not wear out . . . and the productive action of your capital stops. . . . Capital-goods, then, not only *may* go to destruction, but *must* be destroyed, if industry is to be successful; and they must do so, in order that capital may last. (Clark, [1899a] 1965, pp. 116–17)

While it may initially appear that Clark is confused in his own terminology, upon a second reading this seeming confusion disappears: Capital is the fund that represents capital goods; their monetary value. Capital goods are the physical instruments of production.[5]

In so delineating the two concepts (which in valuation terms are identical – $10 worth of capital is equal to two $5 shovels), Clark initially poses himself a problem. As he tells us, the two concepts of capital are really the businessman's way of looking at things (Ibid., pp. 118–19). Yet, in his opening statements to *Distribution*, we are told that to understand the nature of the economic system and the theory of distribution, one must examine the economy from '. . . a social point of view', not from that of the 'entrepreneur' (Ibid., p. 17).

The resolution of this issue, at least to the satisfaction of Clark, would seem to be as follows: Given that the economy is ruled by universal natural laws, capital, then, is a constant regardless of the form of the property arrangements (including those societies with no property). In a modern capitalist society, that '. . . where titles to property originate', the capitalist simply represents the social form within which this universal capital resides. Thus, given that, with modern property arrangements '. . . the social procedure is true to the principles on which the right of property rests', there is no discrepancy between examining the economy from the social or the businessman's point of view as these methods represent the same intellectual procedure.

Here, then, one can observe a telling result of Clark's adamant defense of universal natural laws. The capitalist form of property simply represents the universal truths which are concealed by pre-capitalist social orders. Capital (though not the capitalist) is universal; the capitalist is merely the natural outcome of social progress which clears away the economic fog enshrouding the economic process in other social forms of organization.

In this regard, Clark represents a line of argument no different from that of the southern US slaveholders (and their ideologists) who saw Africans as natural slaves. Or, to use Marx's analogy when he criticized this conception of capital, a slave cannot simply be defined as a 'man of the black race' (Marx, [1849] 1933, p. 29). Obviously there were Africans before there were enslaved Africans. To ignore this (as did the slaveholders) is to eliminate all the analysis of historic and economic forces that differentiate an African from an African slave – or a machine from capital. In keeping with this universalist approach, Clark equates capital and labor:

> Just as a capitalist determines what kinds of goods shall constitute his productive wealth, so the laborer decides into what kind of productive action he shall put his bodily and mental powers. He decides, that is, whether he will make of himself a farmer, a miner, a weaver, or a printer. . . . He will put his productive powers into the particular kind of activity that, in his view, gives a promise of yielding the largest product. (Clark, [1899a] 1965, p. 158)

Both capital and labor are simply factors of production, both are individually free to determine the productive areas into which they will flow.

But again, this approach befuddles the distinction between the labor effort and labor under capitalist social relations. Initially, while it may be true that workers are free to choose their particular employments, this choice is constrained by the available options open to workers. Assuming full employment (a necessary assumption for Clark's general theory to hold), workers must choose from the menu of jobs available to them – and this is determined by the aggregate considerations of the economy which, in turn, are determined by the sequence of historical processes that dictate the types of employment an economy will offer. And, under capitalist conditions, these are determined largely by the investment decisions of capitalists. Simply put, all individuals cannot choose to become airline mechanics as the economy requires a mix of productive activities in order to function. Some must be trash collectors, teachers, miners. And this is true for all economies and depends on the level of technology, the decision-making process, the social characteristics of those economics.[6] Within a capitalist society, however, these constraints are (largely) determined by private investment decisions. Thus, capital and labor are not on a similar footing once the social conditions of production are examined.

Secondly, while the labor effort must exist in all societies, labor under capitalist property relations is not the same as labor under slave, feudal or tribal communist relations. Workers are identifiable under capitalism in that they must sell their skills to capitalists for a price –

the wage. While the actual physical work effort may be the same under any social organization – a carpenter is a carpenter is a carpenter – a worker selling carpentry skills is not the same individual as a craftsman-carpenter or a slave-carpenter. Marx's African slave analogy holds here as well.

And, to qualify as a worker under capitalist conditions, the individual must not be allowed access to the means of production. If the carpenter did have control over her own machinery, that individual would not have to sell her skills to another but could simply sell the finished product produced by those skills. That is, the nature of capitalism *requires* a class of propertyless individuals who are *forced* to seek employers to whom to sell their skills. All this, though, is eliminated from consideration once labor is taken out of its particular social context and viewed simply as a universal factor of production.

In his treatment of capital and capital goods, Clark, while always mindful that the stock of capital goods doesn't change within his static framework, imparts a 'magical' quality to the representative monetary equivalent of those goods:

> As we take away laborers, we leave the capital everywhere unchanged in amount; but we change the forms of it in every one of the industries, so as to make it accurately fit the needs of the slightly reduced working force. There must be, if our test is perfect, no disarrangements caused by the withdrawal of the unit of social capital. . . . The abandoned pick and shovel become, by a miracle of transmutation, an improvement in the quality of a horse and cart. (Ibid., p. 170)

Essentially, the argument is as follows: The amount of capital in existence remains constant. This capital represents a given number of capital goods, but these concrete goods can be of any form while the sum of their equivalent monetary values remains the same – two $10 shovels represents the same capital as four $5 picks. As entrepreneurs, seeking profit, activate the economic system, capital (or the productive qualities of capital goods) flows from industry to industry until the marginal product of the last unit of capital employed equals the interest rate – the productivity of capital goods (or rents) equals the net return to capital (the interest rate) (Ibid., p. 124).[7]

Clark is clearly aware that machines do not change form to accommodate the varying amounts of labor. Given his productivity argument, he treats capital goods as abstractions which yield different levels of productivity. It is these incremental levels of productivity which are being shifted from one line of production to another through the flow of capital:

> If tools of trade are not very mobile, what is to be said about productive elements in the tools? Can we take out of the smelter's blast-furnace the last of the qualities that give it efficiency, and impart this quality to the spinner's mules? Can we speak that magical word that will reduce the quality of the furnace and improve that of the mules? This is exactly what would need to be done if the smelter were to surrender the final increment of his capital and the spinner were to get it. (Ibid., p. 257)

In this fashion, then, capital goods become plastic, are disseminated through the economy by the actions of profit-seeking entrepreneurs in the hiring of capital, and the interest rate measures the contribution to output of capital when the economy is in a state of static (zero profit) equilibrium.

Summing up his argument, Clark lists the essential characteristics of this theory that must be true if the argument is to be valid:

> (1) Interest generally conforms to the earnings of the final increment of social capital.
> (2) This increment consists mainly of qualities in instruments of production rather than of instruments in their entirety.
> (3) Instruments are limited in the range of their productive action . . .
> (4) Qualities in instruments are, of course, not literally transferable to other instruments.
> (5) The final increment of the capital of each kind of business consists of an element that is literally tied to that business.
> (6) Capital is absolutely mobile. . . . Any single unit of capital is desirable for use in any productive process that is going on; and it is by the general competition for it that the rate of interest is fixed. (Ibid., pp. 257–8)

Now, if Clark's model were dynamic, his position would be much more tenable. In a changing economy, capital flows across industry lines, new industries and products appear, others disappear. In a sense, then, the capital goods in declining industries appear in the form of new investment in growing industries. But this is not Clark's argument. His static world does not admit of such change (though he often uses metaphors to illustrate his position that would be appropriate only to an accumulating economy). His model, then, is one of pure abstraction that requires that 'magical word' if the *formal* results of the argument are to be demonstrated.

THE CHOICE OF UNITS

Toward the end of *Distribution*, Clark finally addresses the issue of measurement (Chapter 24). Thus far, capital was measured in monetary units, '. . . but it is necessary to know exactly what the money ultimately represents' (Ibid., p. 374). As capital consists of 'heterogeneous things', there must be '. . . some one element present in all of them . . .' that allows a counting or summation representative of a homogeneous absolute amount (Ibid., p. 375). Moreover, this problem is taken up in the context of the larger issue of determining a theory of value in general.

Clark is quite aware that capital cannot be measured by reference to the interest rate itself (Ibid., pp. 374–5). Initially, as the productivity of a physical amount of concrete capital goods is said to determine the interest rate, one cannot, then, use this interest rate to determine (in part) the value of the capital goods themselves: The solution to the problem cannot be used to establish the conditions necessary to arrive at that solution.

Secondly, if the rate of interest were different, the same physical stock of capital goods would have to be revalued, yielding a different quantity of capital – as Wicksell so strenuously argued (Wicksell, [1901] 1977, pp. 144–66. See, as well, Robinson, [1953] 1960).

For most of this chapter, Clark develops a subjectivist, utility-based, pleasure–pain approach to measurement (at one point bordering on a psychological opportunity cost concept) (Clark, [1899a] 1965, p. 377). As an individual works, the marginal utility of the additional income received diminishes (and this is consistent with a diminishing marginal product), while the marginal disutility (or additional pain) of effort increases. The hours of labor worked are thus determined by the equating of the marginal utility of income relative to the marginal disutility of effort (Ibid., pp. 382–5). At the aggregate (what Clark terms the social) level, the same argument holds as the aggregate is nothing more than the sum of the individual units. Assuming homogeneous labor, the last hour or work, determined by the subjective calculations of the aggregate labor, determines the social cost of production. When goods are exchanged, '[t]he pain that he undergoes in making his own product is a payment for other men's products, for it is the personal cost of what he gets' (Ibid., p. 390), and the price is then a measure of the social cost of acquiring (or producing) the various commodities (Ibid., p. 391).

So it would appear that Clark settles on a labor cost (subjectively determined) theory of value and that this unit of labor '. . . *is the ultimate standard of value*' (Ibid., p. 392, emphasis in original).

But, Clark continues. After discussing the problems associated with comparing different types of labor and those connected with monopolized products (Ibid., pp. 393–4), he then argues that the above standard is equivalent to saying that '. . . the price of goods corresponds with the amount and *efficiency* of the labor that creates them . . . .' (Ibid., p. 394) – a labor embodied theory of value, a standard which Clark initially dismissed (Ibid., p. 374). This position is then immediately modified by arguing that efficiency represents the '. . . power to draw out labor on the part of society' (Ibid., p. 394), apparently a labor command theory of value. But, nonetheless, '. . . goods must sell at rates that are in accordance with the quantity and the efficiency of the work which creates them' (Ibid.).

However one interprets these positions – labor pain, labor embodied, labor command, labor cost – it is clear that Clark is driven, however reluctantly, to a unit of measurement based on a labor standard. Indeed, '. . . capital . . . can be measured by means of this social labor which, through its product, it induces' (Ibid., p. 395). Lastly:

> *The individual labor which made the commodity is the economic equivalent of the social labor that is induced by it and that measures its value, and in this way individual labor performed in making an article corresponds with and expresses the value of it*; but the value of a commodity is not derived from the labor that is back of it in the making. It is derived from the social service that is before us in the using. The value of the labor of making the article is derivative. It comes through the product of labor, from the social effect that the product will produce. (Ibid., p. 397, emphasis in original)

Regardless of the twists and turns, then, Clark is driven to a labor theory of value, through which all commodities – including capital goods – are measured. Interest, then, as a measure of the productivity of capital is really a measure of the contribution of the social labor which produced those capital goods or measures the amount of social labor commanded by the productive contribution of machines. But then, if capital is produced by labor and/or the price of capital (interest) is the measure of the social labor that it calls forth, why doesn't labor receive the income share that is claimed by the owners of capital – the very issue that prompted Clark's concern with distributional to begin with? And on this, Clark is silent.

CONCLUSION

Clark's theory of distribution can be succinctly stated: Within a static equilibrium framework, as more homogeneous (Clark's term is 'average') units of labor are added to the (aggregate) production process, capital transforms itself (or is transformed by the actions of entrepreneurs) so that each additional unit of labor has less or poorer equipment on which to work. The marginal product of labor falls.[8] If the capital good is land, then a 'crowding' of the fixed input is the cause of declining marginal product (Ibid., p. 164). As the marginal product of labor falls, then the higher marginal product of fewer labor inputs must be attributable to the productivity of capital (Ibid., pp. 195, 202). In equilibrium, these respective incremental products determine and are equated with the payment of the respective income shares (with profits dropping out of the picture as there is no longer any tendency toward change or movement as the whole of output is consumed by the two categories of social labor and social capital).

It has been recognized that Clark's attempt to demonstrate that the functional distribution of income depends upon the respective marginal productivities of the inputs is flawed on its own terms. Given that the marginal product determines only the demand side of the input market, Clark must implicitly assume that the supply of inputs is perfectly inelastic (Bronfenbrenner, 1985, p. 368). Indeed, Clark carries out his entire analysis by assuming the wage and interest rate are given and inputs are hired up to the point where the marginal product equals the input price. Moreover, Clark supplied no proof of the necessary 'product exhaustion' theorem, nor specified that linear homogeneous production functions were necessary for his argument to hold. (Though, with his assumption of plastic capital, perfect substitutability of inputs was implicitly argued.) Not until Wicksell do we have an '. . . acceptable formal mathematical statement of a general marginal productivity theory' (Braff, 1988, p. 82), based upon Euler's theorem.

While it is true that Clark's theory is incomplete, this seems largely irrelevant. Initially, we find very few instances in the history of science where a single individual was capable of supplying a complete theory in a seminal work. More importantly though, this issue of formalism was hardly relevant to Clark's general intellectual program. As has been evidenced, Clark specified what the new theory would have to look like prior to the development of its particulars. His emphasis was always on the noun in marginal productivity rather than the adjective. To this end, then, it was necessary to establish a relationship between factor payments and productivity *in general*, the specifics could be left to others to work out. That Clark's general theory, regardless of errors, inconsistencies, and failings captured the essence of the necessary argument can be witnessed by its continued, albeit modified utilization in modern neoclassical distribution theory.

6 Clark, the Professionalization Process and the War Essays

From the late 1880s through the 1890s, economics became increasingly institutionalized as a discipline – a discipline established as a system of intellectual authority. We are here concerned only with the course of this development in the United States, Clark's role in this development, and the ideological thrust represented by economists of Clark's persuasion. While it is impossible (and improper) to tell the complete story of this unfolding drama in the context of this work, a cursory examination must be undertaken to allow the reader a sufficient basis from which to understand Clark's actions and the relationship between them and his general theoretical outlook.[1]

In 1865 the American Social Science Association was founded. With the growing nationalization (indeed, internationalization) of the United States through the growth of markets and other forces, the 'self-contained' 'island' communities of the country were fast disappearing, and, with them, the authority that had previously exercised control over these communities (Haskell, 1977, pp. 24–47). Individual members of these communities saw a reduction in their ability to direct, even understand events as the impersonal forces of the market increasingly dominated their lives. Essentially, a new, non-localized authority was necessary, and the authority of professionals who, better equipped than the average citizenry to understand events and changes then underway, could serve as the focal point of wisdom.

> Professionalization in the nineteenth century was not merely a pragmatic and narrowly self-seeking tactic for enhancing occupational status . . .; instead it then seemed a major cultural *reform*, a means of establishing authority so securely that the truth and its proponents might win the deference even of a mass public, one that threatened to withhold deference from all men, all traditions, and even the highest values. (Haskell, 1977, p. 65)

The founding of the ASSA heralded a period of growth in professional organizations that saw the formation of some two hundred such societies over the course of the next two decades. The American Economic Association was one such organization.

At its inception, the ASSA was comprised of a motley array of individuals united, not by a narrow academic point of view, but by a common interest in reform given a shared alarm at the social conditions of the country and the potential these social conditions posed for political upheaval. Ministers, businessmen, social activists, etc., joined with academics to build the organization. Gradually, this amateur body of social reformers gave way to an increasingly narrow professionalization, dominated by academics working within the constraints imposed by the university. By the mid-1870s, the ASSA had largely evolved (perhaps regressed) into the type of organization more familiar to modern academics.

One reason for this was in response to the increasingly dominant position of the Spencerians, in particular Edward Youmans, who in his *Popular Science Monthly* undertook a sustained attack on the ASSA and its amateur social scientists who advocated reform. The anti-reform agenda of the Spencerians was ostensibly developed on a scientific, Darwinian foundation. Those who promoted reform, while perhaps well-intentioned, had no such basis from which to argue and, therefore, had no considered rejoinder to the *laissez-faire* conclusions of the Spencerians (Furner, 1975, pp. 29–34).

The ASSA, sensing its vulnerability to this charge, began moving to shed its amateurish, non-scientific image and increasingly directed itself toward establishing the organization as a professional body with academics in the forefront. In the process, the entire thrust of the organization shifted – from that of humanitarian reform (albeit in opposition to the more radical suggestions of the period) to more practical issues such as tariffs and taxation (Ibid.).

Concurrently, the cumbersome nature of the ASSA soon demonstrated itself. This organization had attempted to unite *all* social scientists into one mass gathering. But with increasing emphasis on professionalization came increasing emphasis on specialization; and the various specialists soon realized the need for separate bodies in which those sharing distinct theory and knowledge would be better served. The ASSA began its long process of decay, officially dying in 1909.

The ASSA had set the stage for the burgeoning of specialized bodies of professionals, including the AEA, which was formally launched September 9, 1885, at Saratoga Springs, New York. However, the impetus for the founding of this organization began at least two years earlier.[2]

In 1883–84, Edmund James and Simon Patten of the University of Pennsylvania established the Society for the Study of National Economy (modeled on the German *Verein für Sozialpolitik*). Nothing of significance developed on this foundation, largely because it did not accommodate the growing demand for a free-trade, *laissez-faire* approach to theory and policy but rather tended toward support for a state interventionist program (Coats, 1960, p. 556).

By this time, *laissez-faire* had almost reached a level of acceptance by which belief in such a basis had become the test of theoretical respectability. As the contrarian Francis Amasa Walker of Yale had (somewhat caustically) argued: 'It [*laissez-faire*] was used to decide whether a man was an economist at all' (cited in Furner, 1975, p. 40).

While it is certainly true that an anti-interventionist, anti-reformist ideology was on the ascendancy, it is also true that by the mid-1880s this position had not reached a near-monopoly status within the discipline. Plenty of protectionist and reform-minded interventionist economists and institutions remained to offer battle to the prevailing sentiment. We also see an ongoing struggle between those favoring the gold standard (linked to *laissez-faire*) and the bimettalist (or silver standard) proponents. And the specific position taken by any economist or academic institution on these (and other) questions was largely determined by the economic interests of the governing boards of the institutions. This was particularly true if one compares the bulk of the midwestern state universities (though not Michigan, the leading such institution) to those of the East, given the strong populist flavor of the former and the close ties to manufacturing interests of the latter. But, certainly by this period, the *laissez-faire* economists were dominant in the 'better' (eastern) universities (Furner, 1975, pp. 38–40).

Regardless of the specific issues involved, the basic dispute was that of reformers versus non-interventionists. And, by the mid-1880s, this contest was seen in distinctly political terms.

William Graham Sumner, the leading Spencerian social scientist in the United States, continuing the line pushed by Youmans (above), had argued that the reformers, regardless of intention, were inciting class war by giving encouragement, however illusory, to workers in advancing their class interests against capital. The reformers, led by Richard Ely of Johns Hopkins, countered that only through reform could workers be contained and controlled. If the conservative, anti-reformist, *laissez-faire* program were adopted, workers would have no hope of improving their conditions under capitalism. They would then, out of abject necessity, turn to more radical, revolutionary politics in order to try to achieve justice. Thus, a program of reform was necessary to *prevent* class strife (Ibid., pp. 64–5, 83–6).

That is, for most of the reformers (and there were notable exceptions), an interventionist policy was seen as an anti-socialist, conservatizing program. From the extreme conservative position, however, reformers tended to be equated with socialists.

A prime mover in the formation of the AEA was Richard T. Ely. Ely, a Social Gospel, German-trained economist of an historical-institutionalist bent, had established a significant reputation as a leader of the interventionist school. In 1884, he launched an attack on the *laissez-faire* economists that quickly drew Simon Newcomb, a senior professor of astronomy and mathematics at Johns Hopkins, into battle. The ensuing debate attracted a nationwide audience, particularly through the pages of the (then) conservative weekly *The Nation*, which vigorously pushed the Newcomb side. Eventually, *Science*, the journal of the American Association for the Advancement of Science, carried the debate in several issues in 1886. Ely's principal supporters were the historian Herbert Baxter Adams and Francis Walker. (For a rather complete account of this debate and its aftermath, see Furner, 1975, Chapters 3 and 4.)

One consequence of the Ely–Newcomb dispute was that increasing pressure was put on Johns Hopkins President, Daniel Gilman, to fire Ely. Partly in response to this, Ely began to rally the anti-*laissez-faire* forces by calling for an organization of reform-minded economists. When his draft program for the proposed American Economic Association was distributed, it found a keen reception among young academics who had been influenced by the German school's brand of economics, some leading economists of the 'old' school such as Francis Walker, various university presidents, and ministers of the Social Gospel such as Lyman Abbott and Washington Gladden.

Certainly, Ely wanted to organize a professional body with specified entrance requirements, etc., but his primary goal was considerably more weighty than this: He wanted an association that would exclude the conservative, *laissez-faire* theorists of 'the Sumner type' and, in his list of particulars, he was careful to draw up proposals that would be highly distasteful to this crowd. That is, Ely wanted an organization that would stand for the advocacy of intervention and reform – professionalism was not the prime objective.

Ely consulted with a select number of associates, seeking their advice on his program and their counsel on needed modifications that would accomplish Ely's goals but still attract a sufficient number of economists to make the organization viable. Among these were Seligman, Patten, Henry Carter Adams, Washington Gladden, and John Bates Clark. Ely's opportunism can be seen in his relationships with these figures, for he would continually modify his position on specific issues when it was necessary to convince individuals of the need to support the program in general. Thus, to assuage the Jewish Seligman's doubts, Ely played down his own evangelical Protestantism; yet he promoted exactly this fervent religious ideology in appealing to the Christian Henry Carter Adams (Furner, 1975, pp. 71–3).

By September 1885, Ely's plan was sufficiently developed to call for the organizational meeting of the AEA in conjunction with the annual meeting of the ASSA. And it was here that Ely began to lose control of his organization. The assembly simply found Ely's program too exclusionary in denying membership to those holding the *laissez-faire* position and, again, confusing Ely's brand of reformism with socialism, feared being labelled socialists should the association be established on Ely's foundation. A new draft program was called for and Herbert Baxter Adams, Alexander Johnston, the minister Gladden, and Clark drafted a new statement of principles. The most important changes were the elimination of references to *laissez-faire* as an immoral doctrine, a reduced emphasis on state intervention, and the addition of a statement to the effect that the platform was not binding on its members. This revised program was adopted on September 9 and the American Economic Association breathed life. Francis Walker was elected president and Ely, secretary. Clark, H. C. Adams, and James served as vice presidents.

While the revised statement of principles was not what Ely had desired, it was still sufficiently Ely-saturated to appeal to his type of ideologist. Of the fifty original members, more than twenty were former or practicing ministers, including leading Social Gospel figures Abbott and Gladden. Conversely, not a single *laissez-faire* economist or spokesperson joined the organization at this point.

It soon became clear, however, that the principles adopted at Saratoga Springs were a liability if the AEA were to truly become what its name connoted. With the principles in force and Ely prominent, many of the country's finest economists would be self-excluded. While Taussig had joined in 1886 (largely as a gesture of opposition to *The Nation*'s attack on Ely [Furner, 1975, pp. 86–7]), the rest of the old guard remained outside the organization. In April 1887, members of the AEA Council, including Clark, met to discuss how to open the door to the Harvard–Yale economists. They determined that the only way this could be done would be by abandoning the statement of principles, a decision approved by a full session of the Council in December 1887 and ratified at the meeting of the Association in December of the next year.

But, bringing in the conservatives required more than abandonment of the original platform: Ely had to be removed from the secretaryship. At the May 1887 meeting, where Council members first formally discussed dropping the original statement of principles, a group led by Seligman, Clark, and H. B. Adams met with representatives of Harvard and Yale to discuss compromise and union. According to Richmond Mayo-Smith, a participant in these talks, it was then that plans were first laid to rid the AEA of the influence of Ely (Ibid., pp. 117–18).

Over the next four years, the discordance between Ely and his former supporters grew greater, and this was not simply the fault of the latter. Increasingly in a minority position, Ely became estranged from more and more of his former allies, who themselves were taking on a more conservative position after 1886, the year of Haymarket, and he fought back in often silly and irritating ways. The last straw was his unilateral announcement that the annual meeting for 1892 was to be held at Chautauqua in western New York, site of William Harper's Methodist summer school, where Ely taught. The ethico-religious overtones of this site, which so inflamed the Harvard–Yale group, proved too much. President Walker, while not personally hostile to the decision, urged a reconsideration and Ely threatened to resign. A compromise was struck: The meeting was to be held as scheduled, but Ely would then resign 'peacefully'. And so he did (along with Walker, who was replaced by Dunbar of Harvard, signifying the accord reached at the end of the five-year conflict).[3]

The whole of the debates and conflicts surrounding the early years of the AEA developed in a much larger context – that of the position of the economist in establishing the limits to advocacy in the post-1886 period. In essence, after the Haymarket affair, political authority at all levels, including academic authority, unleashed a wave of repression designed to stifle opposition to prevailing institutions and arrangements. While the thrust of this repression was directed against socialists, anarchists, and trade unions, the restraining blanket of authority covered all shades of opposition, including populists and reformers in general. Until 1896 and the defeat of the Democratic Party's candidate, the (right-wing) populist William Jennings Bryan, this repression continued, waxing and waning as the various oppositional forces waxed and waned (see Ross, 1991, pp. 98–142).

The problem for economists (and academicians in general) was this: As 'professionals', it was they who should have the authority to speak on matters economic. Yet, some were using their position to advocate changes that were inimical to the interests of propertied authority. How, then, to tread the very fine line between the freedom to advocate from a professional's position, yet conform to the larger insitutional demand for conformity? In other words, the problem became that of 'permissable' advocacy or dissent. With regard to our immediate subject, it is clear that a good deal of John Bates Clark's pre-1886 writings would have placed him in the ranks of the radicals of the post-1886 period (given the way those writings could be interpreted in the political climate of the day). Yet, Clark emerged from this period unscathed and, indeed, pre-eminent. We are here interested in the process by which this end was reached, and Clark's role in that process itself.

While we cannot here examine the particulars of the various 'academic freedom' cases leading to dismissal or public recantation (see Furner, 1975), a general statement can be offered that captures the essence of what transpired. Beginning in 1886 with the removal of Henry Carter Adams from Cornell through the 1898 Edward Ross case at Stanford, a series of well-publicized academic freedom cases involving Ely, Edward Bemis, Elisha Andrews, and J. Allen Smith took place that both established the limits to dissenting advocacy (reformism) and tested the moral mettle of the emerging economics profession in defending its own from the arbitrary actions of university presidents acting in the interests of or directly on the orders of members of their boards of trustees.

The relatively small number of such cases may be misleading. Academic authority was establishing the limits beyond which dissent could not reach and demonstrating its willingness to deal with reformers in a direct and often abrupt fashion. Academics are generally a rather timid lot with little moral fiber: It would take only a handful of examples involving well known figures to demonstrate to the larger body (who, for the most part, were of little influence and who occupied very insecure posts) the perils associated with improper behavior. It is also a telling point that only a few economists were deemed worthy of tarring with the 'radical' brush.

In all these cases save one (and this only under special circumstances), the profession behaved badly. Rather than confronting authority in the form of university officials, the economists of the AEA shied from battle and, apart from token opposition, did little to defend the interests of academic freedom. Most, including those who served as the principal targets of authority, readily yielded and withdrew from theoretical and/or empirical investigations into 'unpopular' areas: Job security was more important that intellectual freedom.

In all of this, the conservative (neoclassical) trend was fortified. Indeed, a symbiotic relationship developed between the demands of authority and neoclassicism. Authority required compliance with standards established by the propertied citizenry who controlled boards of trustees. To comply, economic theory had to uphold the interests of the same citizens. Increasingly, then, the standard of the profession became arguments defending property and property rights (either actively or passively by not criticizing) resulting in the view that those holding ideas that appeared to criticize or undermine property were increasingly suspect by professional standards. As previously argued (Chapter 3), Clark's increasingly conservative progress was promoted, at least in part, by the repressive forces unleashed in this period. And the standard established by economists such as Clark served increasingly as the standard of the profession.

On the surface, it is clearly unfair to single out Clark in all this. Yet, it is Clark who is the subject of this work and Clark, who as one of the country's most eminent economists, can certainly stand as a model of the professional standard adopted by the neoclassical economists of this time.

As has already been seen, Clark was one of the activists who promoted the modifications in the original draft of the Ely set of proposals upon which the AEA was founded, and he was on the select group that organized agreements through which Ely was eventually forced out of his leading position within the organization and the principles abandoned altogether. As one of the original vice presidents, the third president (1894–5), and a member of the Council throughout the early period, Clark was one of the inner circle that helped steer the organization along its professional path. And the relationship between Clark's changing position on social questions, the increasing pressure for conformity as demanded by authority, and the shifting ground upon which the AEA developed was not one of mere accident. One can reach a better understanding of this relationship by reference to two of the most celebrated academic freedom cases of the period, those of Ely at Wisconsin in 1894, and, more significantly, Edward Bemis at Chicago in 1895.

Clark was initially an 'Ely man'. In the pre-1886 period, he shared many of the same views as Ely and was considered a confidant by him; Ely approached Clark as one of the select few to be sounded out in the early rounds of the formation of the AEA. By 1887, however, Clark began to distance himself from Ely and Ely's brand of economics, cautioning him (through Adams) to clearly separate his views from those of the socialists (Clark, 1888a; Chapter 3), and helping to organize the compromise that eventually saw Ely's resignation from the secretaryship.

When Ely was brought up on charges by the Regents of the University of Wisconsin in the summer of 1894 for his seeming pro-labor, anti-property positions, one would have thought that the AEA would have rallied to defend the interests of so prominent an economist and one who did so much to bring the AEA into existence. And there was a larger issue involved: the right of professional economists to put forward arguments within their professional competence regardless of the objections made by some members of the board of trustees. The AEA did not. In fact, no evidence exists to suggest that it even took the issue under consideration (Furner, 1975, p. 154).

One clear reason for this non-action was that the economists who had risen to the forefront of the profession by this time had witnessed the dangers of associating themselves with partisan programs that lay in the 'dangerous' end of the political spectrum. Although some, like Adams, Albion Small, and Clark himself had once been associated with quite vocal support for labor unions, public ownership of railroads and the like, it was now a different climate. To be linked with individuals who continued such advocacy was a threat to one's career, and careerism was now flourishing (Ibid., p. 160).

The Bemis case at Chicago provides direct testimony to changed circumstances. Edward Bemis had been a colleague of Clark at Amherst, had established impeccable credentials as a professional economist, had published in the AEA's own *Publications*, and had helped organize the association. When he was appointed to the newly opened University of Chicago in 1892, it was a testament to the mark that the young Bemis had already made.

Unfortunately, Bemis' speciality was public regulation and he had developed sound economic principles upon which to base an argument for municipal ownership of utilities. This did not appeal to the conservative head of the Economics Department, J. Laurence Laughlin. Probably more important than Laughlin's displeasure was the response of the owners of Chicago's gas utility when Bemis joined the Chicago Civic Federation, which was trying to reform Chicago politics and agitating for public ownership of the city's gas supply (Furner, 1975, p. 170). President Harper, responding to complaints filed with the trustees, tried to have Bemis resign quietly, but Bemis refused. The final straw was laid when Bemis came out in support of striking Pullman workers (Eugene Debs and the American Railway Union) and the President of the Chicago and Northwestern Railroad brought direct pressure to bear on Harper to get rid of Bemis (Ibid., p. 171).

In fighting Chicago's officials, Bemis had to depend upon the support of academics of both within and outside the University. Although a well-known economist, Bemis found no public and very little private support from his professional colleagues. The problem was not just Bemis' 'radical' ideological program; his activities surrounding issues that were now off limits (public ownership of utilities, support for labor unions) offended the sense of propriety that had by this time dominated the profession and had increasingly made Bemis an outlyer. By the 1890s, the profession had moved from positions and arguments that attempted to find solutions to existing problems – which tended to lead them into dangerous areas – and had begun focusing their collective attention on the development of 'grand theories' that demonstrated the essential justice of existing institutions and relations and that directed them away from immediate practical issues.

Bemis had expected the support of Clark, who by this time was, if not the doyen of American economists, at least one of their leading citizens. Bemis had been a colleague of Clark at Amherst and at that time their views were similar. In 1887, Clark continued to hold Bemis in high regard, suggesting that he deserved 'a pretty good position as a teacher of Political Economy' (in Furner, 1975, p. 192). While Clark did not totally abandon his old friend, he did nothing to help Bemis in his fight in Chicago, did not promote him for the vacancy at Amherst left by Clark's move to Columbia, and ended up advising him to 'take a place in a secondary school' (in Furner, p. 193).

> The cooling between them – the sense of expectation followed by disappointment on Bemis' part, the half-embarrassed desire to avoid involvement without directly saying why on Clark's – was unmistakable. At the darkest moment of a troubled decade . . . Clark must had decided that Bemis really was dangerously radical on monopoly and labor. . . . The two men moved in opposite directions on the currents of the times. (Furner, 1975, p. 193)

Essentially, by the mid-1890s Clark had finalized his transition away from his views of the pre-1886 period. Now, the same notions held in the past were dangerous, and to associate too closely with those still holding those ideas was equally dangerous. To preserve one's career, it was necessary to adopt a conservative position on all matters pertaining to social issues, authority, and the like, and Clark's neoclassical theory of distribution (and related matters) fit this requirement nicely. Hence, in the story of the formation of the AEA, its early years of organization, and the academic freedom cases of this period, one can discover a relationship between Clark's increasing disavowal of his previous positions, the development of and increasing dominance of neoclassicism, and the requirements imposed by authority in its demand for conformity.[4]

THE LAKE MOHONK CONFERENCES

Beginning in the 1880s and running through 1916, annual conferences dedicated to various themes were held at the Mohonk Mountain House in the Shawangunk Mountains of northern New York state. Organized by the owner of the hotel, Albert Smiley (a Quaker who, along with his brother Alfred, purchased the retreat in 1869), these conferences attracted a most distinguished array of academics, ministers, politicians, military officials and others who debated issues surrounding 'The Negro Question', 'Indians and other Dependent People', and, most significantly, 'International Arbitration'. In addition to participating in ten of the conferences (the 1891 Second Lake Mohonk Conference on the Negro Question, and nine conferences on International Arbitration from 1896 to 1915), Clark served on various committees, including the Executive Committee from 1914 to 1916, which he chaired in 1914.

Here, we shall deal mainly with his early views on war and peace which lead directly to his involvement with the Carnegie Endowment for International Peace (see below), though attention must be paid to his address on 'The Negro Question' as it further illustrates his position on the relation between property and political conservatism.

The conferences on the Negro Question were undertaken in a most volatile period in the history of race relations in the United States. While the Civil War had destroyed slavery, it had not solved the fundamental problems faced by the now-freed Black population of the South. While 'Radical Reconstruction' (1867–77) had allowed a measured (and controlled) improvement in the political and economic life of the ex-slave (and small white farmer), it was not intended to utterly destroy the class relations of the South and, in the process, break the economic back of the plantation owners. (On this and what follows, see Allen, [1937] 1970; DuBois, [1935] 1969; Mandle, 1992; Woodward, 1966.)

To solve the fundamental problems facing the South, a radical land reform would have had to occur in which the plantations would have simply been divided among the ex-slave and white peasants, creating an agrarian democracy. This was not done (though the vigorous populist movement that grew out of Radical Reconstruction attempted such a program) and the result, evidenced by the late 1880s, was a new form of peonage in the shape of tenant farming, share cropping and the like where Blacks were forced to work on lands still controlled by their former masters, who supported this development through a fearful unleashing of terror (the Ku Klux Klan and similar organizations), changes in the legal and social structure (the segregation system), and other means.

With this as a (most truncated and unsatisfactory) background, we can now turn to Clark's address.

Clark, while noting some of the storms then raging in the South, places the failure of the freed Black to secure sufficient amounts of property upon the ex-slave him/herself. And this is in keeping with his growing reliance on natural rather than social explanations of social phenomena. While benevolence is important and necessary in providing assistance to the ex-slave, the future of this population would depend mainly on '... some natural force ... commonly known as the land hunger, – the impulse to own and cultivate land ...' (Clark, 1891b, p. 93). Unfortunately, up to this time Blacks generally '... contented themselves ... by becoming tenant farmers' (Ibid.). So, rather than offering a more reasoned approach to the vital questions facing the region based on an examination of the various forces then at work, Clark, consistent with the natural law theory of distribution he was then working out, offers a solution predicated upon some supposed natural force that generates the process through which the desired (equilibrium) solution unfolds.

Although the situation looked bleak, there was reason for optimism. And here Clark, not out of keeping with arguments of the day (see Cherry, 1976), offers arguments that can only be considered racist. First, Blacks are '... best adapted of all the elements of our population to become an owner of a small piece of land, under hard conditions'; 'It is the form of property that gravitates to him naturally' (Ibid., p. 94). Secondly: 'The Negro is very imitative. ... Emulation will give him land hunger where he does not have it' (Ibid., p. 95). Lastly, Clark does supply an argument not based on racial characteristics.

Exchange relations in the South that had been based on monopoly privilege associated with the plantation system were giving way to a more competitive relationship, and this greater equality in exchange would stimulate land ownership (as now one could receive fair value for what was grown on one's property).

There is no question that Clark believed ownership important for the new South (along with the rest of the country). As seen above (Chapter 3), Clark placed great emphasis on private property as a safeguard against socialism. Here, he reiterates the same theme:

> ... [L]and-holding ... in the absence of the full education that we hope in the end he will get ... will go a long way toward making him a competent voter.... The vote of the Negro who owns his own farm will be a terror to nobody. It will be a source of safety to the republic as a whole.... It will go toward making a good Christian of him.... It will stop his stealing, because he will be the object of theft rather than the agent of it. (Ibid., pp. 95–6)

While Clark's optimism was clearly misplaced, one can readily understand its basis. Given his understanding of the role private property and competitive markets play in promoting well-being, and the 'natural' forces that promote such developments, his view was clearly consistent with his post-1886 position that the situation of the ex-slave would tend toward the expected outcome. The world, however, was not configured to conform to Clark's underlying thesis.

The more important conferences in which Clark participated were those given over to issues surrounding war and the attempt to uncover the foundation for peace. It was in these conferences that Clark established the interest in the problems that culminated in his work with the Carnegie Endowment for International Peace, the activity that filled the last part of his professional life.[5]

Over the course of the twenty years in which he participated in nine conferences, Clark's positions changed somewhat, though most of his general argument was established quite early. The major change in his thinking surrounded the formation of an international tribunal for the resolution of conflict. Initially, Clark argued that an international court would fail because: it was impossible to coerce sovereign states into accepting international rulings; courts must reserve the right to appeal and the final appeal of nation-states is war – the end that an international tribunal seeks to avoid; and, finally, the provision of a tribunal *with* coercive powers would require establishing a principle based on contracts, which the usual courts do not have (Clark, 1896a, p. 37).

Rather, Clark argued that a natural process was at work that promoted peace, a process based upon economic law. According to Clark, both labor and capital were united against war. Labor in all countries saw war as inimical to their interests in securing material gains, as was true for capitalists of all countries. Thus, since peace advanced the material interests of both classes, an international force was operating that militated against war (Ibid., p. 38). True, 'moral force' may override these interests, promoting war, but aggressive, belligerent moral force is countered by pacific moral force and these oppositional motivations would cancel each other out (Ibid., p. 38).

Clark then proposed an international court with no coercive authority (as such a court would have no real power anyway), one in which judges would out of necessity have to be wise and thoughtful and use the 'ultimate principle of justice' (left undefined) to guide their actions (Ibid., p. 39).[6]

In the 1897 Conference, Clark advances his argument. International flows of capital and labor are in the process of creating a world economy in which the '... less-advanced regions ... *annex themselves* to the more advanced' (Clark, 1897a, p. 74; my emphasis). Out of this evolutionary process, a world government will eventually arise (Ibid., p. 75). Then, continuing the line put forward the year before, Clark argues that such a government or international body would be effective in settling disputes only on the basis of moral, rather than plenary, power, this moral power adopted on the basis of the principle of justice and in line with the growing international solidarity of both labor and capital (Ibid., pp. 76–7).

Clark strengthens the underlying theoretical foundations for his position in the 1898 and 1899 gatherings. Here he says that labor views political war as injurious to its interests as it would disrupt the economic war that international labor was fighting against international capital, and that capitalists (bankers) and entrepreneurs view war as disastrous given the interruption to capital and trade flows (Clark, 1898a, p. 92). He concludes his 1898 presentation by observing that the growth of world trade and the developing international division of labor would promote economic ties that make war increasingly disruptive and, thus, increasingly less likely (Ibid., p. 93).

By 1899, these themes have developed into a full-blown ode to peace. After first confessing that '... I am ... a professor of pure theory, and have not to concern myself in the same intimate way with facts that other more responsible persons have to do' (Clark, 1899b, p. 72), he notes that, with the increase in world trade, more and more of the world is being brought within the same economic orbit, resulting in '. . . the extension to the great inert, outlying sections of the world, of the benefits of civilization. . . . It is the extension to Asia, to Africa, to South America and elsewhere, of the mode of living which prevails where civilization has done its best' (Ibid., p. 73).[7] And, in a half-millennium or so, this trend will result in economic equality of all nations.

This tendency toward economic equality will make international arbitration more effective, for nations will be increasingly less willing to fight over the fewer dollars that differentiate them and, although a world court would currently not be effective, should a tribunal then be established, nations would become increasingly accustomed to settling differences amicably without recourse to the final appeal of justice – war (Ibid., pp. 74–5).

Clark's 1901 address is of great interest. Here he develops his previously stated position on economic interests and war, claiming that war is not profitable in the aggregate, though appearance would promote the contrary view. In fact, war is wasteful of resources, taxes future generations through bond issues to finance current wasteful expenditures, and creates a scarcity of labor. However, Clark does note that '. . . a few classes of capitalists and employers . . . make a salvage from this profuse expenditure' (Clark, 1901b, p. 46). But, for most of this class, war so interferes with the established trade relations, etc., that their profit level falls (Ibid., p. 47).

Clark goes on to develop a rather fascinating argument demonstrating why the then-current forces of colonization would promote peace (through the internationalization of capital and its attendant effects on trade), even though the immediate results seemed to be increased militarism. His argument deserves a long quotation.

> I want to say just a word about the marked distinction between the relations which highly-civilized countries, the great powers of the world, occupy to each other, and the relation which this circle of nations occupies to the inferior and less civilized portion of the world. I am as far as possible from feeling the slightest discouragement . . . by . . . the fact that a number of minor wars have been going on, and that since the creation of the Hague Tribunal the world has not lapsed instantly into a state of peace. These minor wars . . . are the unhappy attendant incidents of the economic annexation of uncivilized portions of the world to the civilized portion; they are causing

the great circle of nations within which war is soon to be prevented by economic causes to grow larger and larger. A zone that was outside of the influence of high civilization is included within it: the process involves a war, unfortunately. Do you think that in the end it makes for war? On the contrary, it continually extends the area within which forces that we did not originate, but forces that we can gladly and confidently appeal to, are in the process of establishing perpetual peace. (Ibid., p. 48)

By 1908, Clark has advanced upon his previously enunciated position concerning organized labor's opposition to war. Now, the most vehement opponent to war is the socialist movement which, because it is organized internationally and is associated with trade unions worldwide, is able to concentrate labor's natural antipathy to war into a loud and effective single voice for peace (Clark, 1908b, pp. 60–1). Unfortunately, it is difficult to bring this voice into the peace societies as these organizations 'have . . . formed a close affiliation with commercial bodies . . .' and socialists and organized labor view such business groups with animosity (Ibid., p. 60).

Clark's 1910 address takes up the issues of the supposed benefits of war and of the relationship between the socialist movement and war within the larger context of capitalism in general. Interestingly, Clark initially points to the effects of war on not only calculable phenomena such as increased poverty (the effect of rising taxes used to pay war costs) and the opportunity costs of lost health programs, development of infrastructure and the like, but also the 'moral' effects of war on the populations (Clark, 1910b, pp. 40–1). And these are examined within the context of the socialist–capitalist conflict then surrounding the whole issue of war and peace.

Basically, Clark's argument is that the socialist claim is founded on the 'fundamental law of society' that requires that labor be 'robbed' of a portion of the output it produces:

Great is the relief from discovering that such robbery as exists comes by a perversion of the social order and is not a natural feature of its operation; and even greater is the relief that comes from knowing that the perversion can be largely removed. A belief in the practicability of social reforms makes the difference between a friend and an opponent of the social order. (Ibid., p. 41)

In the absence of war, resources would be directed toward reducing the hardships faced by the working class and, as it is these hardships that provide the 'evidence' used by socialists in supporting their claim, the diversion of resources away from military ends toward domestic uses would weaken, if not eliminate, the socialist threat (Ibid., p. 41). Hence, war provides a moral advantage to the socialist movement, which, as Clark has already argued, does support peace. The elimination of war, a 'perversion' of the modern order, then shifts the moral advantage to capitalism, allowing the reforms needed to bolster support for the prevailing economic system.[8]

By 1914, with Europe on the brink of the world war, Clark has arrived at a modified position on the nature and role of international tribunals. In a joint address with Sir George Paish, editor of the British periodical *The Statist* and who later served with Clark on the Carnegie Endowment's Division of Economics and History (see below), Clark, while holding to his position that the international forces of trade, division of labor and foreign investment mitigate against war, now pushes for the formation of a world court with some (unspecified) powers to effect settlements, thus preventing '... differences of interests from ripening into quarrels' (Clark and Paish, 1914, p. 122). The need for a 'Standing Committee of the Powers', while still holding no final coercive authority, was demonstrated by the ability of The Hague Conference to settle the disputes in the Balkans and, thus, prevent war (Ibid., pp. 118–19). (Of interest here is that Clark and Paish's speech was in May and war broke out in June, in the Balkans!)

In his last address to the Mohonk gatherings in 1915, with world war a reality and the major alliances solidified, Clark elaborates his call for a standing tribunal, now proposing a strong 'League of Nations', as the term had evolved by this time. And the basis for peace within this league would be the existing national alliances then waging war.

Clark's reasoning is of interest. The Entente and the Alliance were organized to prevent war against their respective member states. Each alliance, therefore, has an interest in preventing war if each is relatively equal in strength – a balance-of-power argument. And, as a single country would be powerless in defending itself against the combined might of one or another alliance, its would behoove each individual country to join an alliance. Thus, the world (or at least Europe) should be divided into two great alliances that would subsume all individual countries.

But, while '(a) union of all Europe would be entirely immune against foreign attack (it), *for that very reason*, would be far more easily disrupted and plunged into something like civil war' (Clark, 1915, p. 58; emphasis in original). While Clark offers no reason for this development, it does lead him to the function of the League of Nations. As the great alliances are organized for defensive purposes only, and the ability of an alliance to function depends upon the settling of internal disputes among member nations, a League of Nations (or Peace) will be called upon to resolve internal issues. Although no hope is given for the immediate collapse of the current alliances – indeed, these will serve as the nuclei for the coming period of peace – gradually, as the League demonstrates its power to preserve the protective integrity of the alliances by resolving internal disputes (in which each alliance has an objective interest), the great powers will see the advantage of a single, defensive union, which defers all national disputes to an international body that operates in the interests of all (Ibid., pp. 58–61).

It is most instructive to examine Clark's arguments within the context of this period of great international flux. Clark is both prescient and, at the same time, constrained by his theoretical vision and by the larger social forces surrounding this vision; and the latter forces, ideological and political, conflict with and mitigate against his ability to understand the changes occurring.

By the turn of the century, the world, Europe in particular, was emerging from its 'century of peace'. No major conflagration was on the immediate horizon, but the more far-seeing representatives of society were becoming concerned about just such a possibility. True, Europe had not had a war involving all the powers since 1815, and the last war fought between rival states was that of the 1871 Franco-Prussian contest. But discord was growing. In addition to well-publicized conflicts such as the English and the Dutch in South Africa of 1899–1902, the 1904–5 war between Russia and Japan, and the Spanish–American War of 1898, a series of smaller conflicts occurred, some associated with the decline of the old empires, such as that of Turkey in which emerging movements struggled for independence, some (and these much less publicized) in which the great economic powers jostled for advantage in the colonial world and, in the process, periodically ran afoul of each other's 'vital interests' (see Hobsbawm, 1987, pp. 302–27). While 'peace' still reigned, expenditures on armaments grew, in some cases such as Germany's, extraordinarily (Ibid., p. 307).

So, by the end of the century, thoughts began turning to war and how to prevent the next great cataclysm.

By the mid-1890s, Clark's theoretical position was solidly based on natural law, within which a harmony of interests dominated (barring 'frictions' and ignorance), steering the economy toward a justice-driven equilibrium. Economic law, he concludes, promotes peace, both in the arena of exchange and distribution relations and in the larger setting of international relations.

On two grounds, he appears to have good reason to argue the case for peace as a natural outcome of the period. Labor, particularly in the context of the international socialist movement, would have no objective interest in the powers going to war. In addition to the reasons set forward by Clark, workers would be called upon to actually fight the war, and unless this class were convinced it would benefit sufficiently through such activity, it would not – if knowledgeable – agree to pay the costs in terms of lost income, limbs, and lives.

Indeed, the First and Second Internationals had taken up the threat of militarism and war at each of their conferences. At the Fifth Congress in Paris (1900), the Second International passed its first formal resolution against the coming war, urging: an educational program to convince workers not to fight each other in the interests of capital; the socialist parties in parliament to vote against war credits; and anti-war demonstrations. In Stuttgart (1907), Copenhagen (1910), and Basle (1912), the International reaffirmed and strengthened its opposition, warning the capitalist powers of the threat of revolution should war break out (Foster, 1955, pp. 165–239).[9] And socialism represented Clark's greatest fear.

The second basis for Clark's pacific argument surrounded the interests of businessmen and the threat of ruptured international markets posed by war. It is certainly true that some members of this class were opposed to war for this reason (among others).[10] But, the behavior of business organizations is more complicated than this.

In a world of oligopolies, which *was* the world of 1900, contrary to Clark's assumed standard of competition where 'monopoly' was a 'friction', control of output that would allow some control over pricing would, in those industries where relevant, demand control over raw materials and markets. The twin characteristics of oligopolistic behavior in securing colonial possessions (through the actions of their respective governments) and in dividing markets among themselves had certainly demonstrated themselves by this time. And, as the relative strengths of these organizations ebb and flow, economic antagonisms develop that may require force (war) to resolve.

This is not to argue that such capitalists desire war – far from it. At a minimum, they might lose and, with a military loss would come a loss of colonies and markets. But, if economic discord cannot be settled in any other fashion, war may well result as a consequence of the 'natural' economic forces unleashed by a *non*-competitive economic arrangement.[11]

Interestingly, Clark's position on modern colonization (which accommodated his harmonious, equilibrium model), in which the 'less-advanced', 'inferior', nations 'annex themselves' to seize upon the 'benefits of civilization' fits very nicely into the imperialist phrase-mongering (steeped in great-nation chauvinism and racism) of the period. Noted social theorists developed various ideological justifications for (mainly) US seizure of colonies. John Burgess of Columbia, who had organized the School of Political Science within which Clark taught, argued that the world was divided among 'Aryan' (sic) and 'non-Aryan' (sic) nations where only the former were capable of forming 'political nations' and who had the duty and the right '. . . to carry the political civilization of the modern world into those parts inhabited by unpolitical and barbaric races' (cited in Dementyev, 1979, pp. 52–3). John Fiske of Harvard coined the term 'Manifest Destiny' in his apologetics for US domination that rested on the superiority of the 'Anglo-Saxon race' (sic).

For Clark, then, colonization, rather than a product of the pronounced change in the structure of capitalist economies and a contributing factor in promoting the forthcoming world war, was a 'natural' process through which the inferior populations of the world would be able to advance their interests by agreeing to subject themselves to colonial domination – a harmonious process by which all would benefit. And, since economic forces promote peace, colonization could not be responsible for war. Indeed, the belligerent alliances themselves could not be responsible for war as they must be a 'natural' force for peace – even as they fought.

Lastly, given his lively, and at times sophisticated, arguments in support of peace, one is somewhat surprised to discover that, when the US began the process that would eventually lead to its entry in World War I, Clark joined the jingoist effort to stir enthusiasm for war. In a *New York Times* article of March 1917 (one month prior to the April 6 US declaration of war on Germany), Clark urged entry on the side of Britain. While this plea was couched in the usual high-sounding terms of 'justice', 'liberty' and the like, the underlying rationale was that a successful effort on the part of the Central Powers would result in Germany seizing a portion of the colonial empire of Britain, creating '. . . a Euroasiatic empire that no power on either side of the Atlantic could resist' (Clark, 1917a). In other words, Clark came down against imperialism and colonialism, but only in the context of *German* imperialism: The British Empire was to be defended.

There are several issues raised by Clark's seeming about-face. By this time, Woodrow Wilson, who had been re-elected President on a 'He Kept Us out of War' campaign, was maneuvering for US entry on the side of the Alliance. While various intrigues cropped up in this process,[12] for whatever reason, Wilson required help in changing the anti-war sentiment of the population to support for the allies and opposition to Germany. Clark was an intimate of Wilson's, their friendship going back to their early academic days.[13] Whether Clark was a conscious propagandist for Wilson in promoting an anti-German attitude I cannot say, though the timing and content of the article itself supports such a position. Regardless, it is obvious that the thrust of the article runs counter to Clark's previous position as evidenced by the Lake Mohonk speeches and does conform to the developing US policy regarding the war and the hoped-for division of the spoils.[14]

Clark's anti-German position was set forth in somewhat more elevated form in a 1917 article (Clark, 1917c). Here, in contrast to his previously articulated position on trade flows as providing a 'natural' tendency toward peace, he points out that trade wars (which may be seen as one form of commercial policy) promote political wars, and that the plans of the Allied Powers at the Paris Conference to destroy Germany economically through blockades, commercial restrictions, etc., should not be continued after the war (Ibid., pp. 790–2). However, should Germany win the war, it is the 'spirit' of that country's policy to crush the Allies economically (rather than serving as an alliance for peace as was his previous position). This contrasts to the 'habitual practice' of the Allies to 'live and let live' (Ibid., pp. 792–3). As in the popular *New York Times* article, he concludes by beating the drums for the Allied cause.

Ignoring his argument on the supposedly pacifist nature of Britain and the other countries of the Alliance (an argument for which Clark would find it difficult to provide evidence), it is difficult to reconcile this position with his arguments of the pre-war years. It would appear that the high-mindedness of the pre-war Clark has been overthrown by the realities of the war itself and the dangers that this war posed to the Allies – in particular Britain and its empire. In the context of the actual struggle then under way, Clark's previous theoretical position, developed within his larger harmonious, equilibrium framework, has been shattered and Clark now shifts positions, at least with regard to the Entente serving as a basis for peace.

THE CARNEGIE PERIOD

In 1911 Clark was appointed Director of the Division of Economics and History of the newly commissioned Carnegie Endowment for International Peace, a position he held until 1923, when he was replaced by James Shotwell. The purpose of this enterprise was to '. . . promote a thorough and scientific investigation and study of the causes of war and of the practical means to avoid it'. No doubt the reasons behind Clark's appointment lay in his reputation as a first-rate theorist, his established position as an economist interested in the questions of war, and his senior status among American economists (Clark was sixty-four at the time).

In August of that year, Clark convened a gathering of notables in Berne, Switzerland, to undertake the initial discussions that would lead to the work of the Division. Assembled were:

United Kingdom: Francis Hirst, editor of *The Economist*; George Paish, editor of *The Statist*

France: Paul Leroy-Beaulieu, Professor of Political Economy, Collège de France; Charles Gide, Professor of Economics, University of Paris

Belgium: Henri La Fontaine of the Senate of Belgium

The Netherlands: H. B. Greven, Professor of Political Economy, University of Leyden

Italy: Luigi Luzzatti, Professor of Constitutional Law, University of Rome, and former Prime Minister of Italy; Maffeo Pantaleoni, Professor of Political Economy, University of Rome

Germany: Lujo Brentano, Professor of Economics, University of Munich; Theodor Schiemann, Professor of the History of Eastern Europe, University of Berlin

Austria: Eugene von Böhm-Bawerk, President of the Imperial Academy of Science, formerly Minister of Finance; Eugen von Philippovich, Professor of Political Economy, University of Vienna

Switzerland: Eugene Borel, Professor of Public Law, University of Geneva

Denmark: Harald Westergaard, Professor of Political Science and Statistics, University of Copenhagen

Japan: G. Ogawa, Professor of Political Economy, University of Kyoto; Baron Sakatani, former Minister of Finance

It might be noted that Gustav Schmoller of Berlin and Alfred Marshall were invited but did not attend.

In his introductory statement to the representatives, Clark laid out a rather ambitious agenda. Marked attention was to be given to the measurement of the costs of war, including loss of human life and of plant, reduction of efficiency, and burdens placed on non-belligerent countries.[15] The efficiency of military expenditures was to be scrutinized, and Clark here suggests that a sort of law of diminishing returns might apply where '... armies and navies [may] reach a maximum of effectiveness before they reach a maximum of possible size' (Clark, 1911b, p. 87). Research was to be undertaken as to the relations between military spending and spending for social goods and services. And, lastly, Clark promoted a research program into the larger social dynamics that promote or discourage wars (Ibid., pp. 86–9).

In his list of suggestions, one observes a continuation of his established line of argument but also some modifications. Initially, rather than assuming that 'natural forces make for peace', Clark proposes that this position should be examined and, indeed, form '[t]he largest of all the issues which our subject embraces ...' (Ibid., p. 88). Secondly, one finds a change in Clark's previous position on the relation between war and economic losses thereby caused:

> Exceptions to the rule of nearly unqualified general injury are found in some wars of liberation and also in some wars of conquest in which inferior states are subjugated and absorbed into a higher civilization. There would be a great utility in a thorough tabulation of all the costs and gains of a selected list of modern war as should amount to a trustworthy profit-and-loss account from the point of view both of the nations engaged and the world at large. (Ibid., p. 87)

The position above, while clearly continuing Clark's attitude surrounding 'inferior' and 'superior' nations, is somewhat contradictory. While including wars of liberation as a positive development, it is generally true that such wars are fought to free one country (the inferior, colonized state) from the country of the 'higher civilization' that subjected those peoples to colonization in the first place. How both could be viewed as 'exceptions to the rule of nearly unqualified general injury' is difficult to comprehend, for they are both aspects of the same relationship and one would have to count both the war of conquest and the war of liberation as positive gains.

Apparently, the Berne conference accomplished what it set out to do. Though one of the opening addresses was 'disquieting' for it was warlike in tone (Clark, 1911a, p. 79),[16] those gathered agreed to work collectively in the pursuit of preparing a bibliography of works dealing with warfare (to be organized by La Fontaine of Belgium), and to begin the particular research projects suggested in Clark's agenda. And money was to be allocated to assist the research activities of the senior personnel and their graduate assistants (Ibid., pp. 80–3).

The second meeting of the Committee, held at Lucerne, Switzerland, in August 1914, was not so successful. The outbreak of war prevented all but four representatives from attending and no business could be conducted. However, with the beginning of the general European war, Clark saw a new opportunity for the Committee and suggested to the Trustees of the Carnegie Endowment that the research program should be directed toward an economic history of the war, as it would provide '. . . a rich source of data for conclusions of inestimable value' (in Barber, 1991, p. 71). Concurrently, it was obvious that the original program of the Committee was no longer tenable given the interruption of communication and with the re-allocation of time of many members toward duties associated with pressing the war itself. (Though the work of the Japanese team appeared to be progressing apace [Clark, 1916a, p. 90].) But, another reason may have been at work in changing the thrust of the research program: A few manuscripts had already been submitted, and some of these displayed a nationalistic truculence out of keeping with the intent of the project; hence, the Endowment's Executive Committee voted to suspend publication of 'controversial material' (Barber, 1991, p. 71).

When the United States declared war in 1917, the Trustees of the Endowment abruptly changed their position regarding relationships with citizens of the Central Powers, and representatives of Germany and Austria were summarily dropped from the Committee of Research. At the same time, they passed a resolution stating that the best hope for peace was to press the war against Germany '. . . to final victory for democracy in accordance with the policy declared by the President of the United States' (in Barber, 1991, p. 79). Clark, as Director of the Division of Economics and History, supported this program, and in the *Economic Journal* of September 1917 announced his support for the League to Enforce Peace, dedicated to a complete victory over the Central Powers, rather than a 'stop-the-war organization' (Clark, 1917b).

In his Report of the Director of 1918, Clark gave indication of another reason for now ending the war quickly and decisively. Following a listing of the twenty contracts that had already been signed with various authors to report on topics of immediate concern to the Committee (for a complete list, see Clark, 1918, pp. 106–7), Clark proceeds to remark on the dangers to property that the war has promoted, arguing that war of the magnitude then being waged has furthered the cause of socialism (by which Clark, again, means government control and ownership) but that this development has been somewhat tempered by the socialist organizations abandoning their previous pacifism to join in the war effort (thus abandoning their class position in favor of national interests). He then observes that the Russian Revolution has brought about a reversal of this development and has, once again, emphasized class over country, appealing to the class consciousness of German and Austrian wrokers to protect Russia from its aggressors. As Clark observes, '[i]n this latter policy genuine socialism is acting in its true character, as an international consolidator of the proletariat, while the quasi-socialism of war itself [drives the proletariat into alliance with their class enemies, the national capitalists]' (Clark, 1918, p. 108).

Now, following the war, while '. . . the actual policies of . . . governments will . . . become clearly unlike the genuine socialism which aims to avoid war between states and to uplift the proletariat by quasi-war within states', there will be a growing demand that the various capitalist countries continue to control production processes and to nationalize the means of production (Ibid., p. 108). The aftermath of war will thus test the ability of the capitalist nations to withstand the demand for 'genuine socialism' and to work out programs that would retain a system of private ownership while avoiding the growth in poverty associated with the reduction in capital caused by war. For Clark, such a program required the 'cooperation of different industrial classes' that was ostensibly witnessed during the war and was to be carried over into peacetime. And this required research into the economic relationships that would promote such a program and make genuine socialism unnecessary (Ibid., p. 109).

That is, following the Bolshevik Revolution, the most pressing issue for Clark now becomes, not the causes and consequences of war, but research into the means and mechanisms through which socialism, promoted by war itself, could be prevented.

By the fall of 1918, plans had been fairly well established for the forthcoming studies concerning the economic history of World War I (Clark, 1919, p. 89). Predicting that, with the growth in military technology, future war would be even more catastrophic and such an event would give even greater impetus to the 'fierce type of communism' of the Russian variety, Clark stridently argues the merits of a research program that would assist in promoting peace (Ibid., pp. 89–90).[17]

Clark's Report of 1920 reiterates the themes already established: The war has created a demand for precisely what the Carnegie Endowment was created – '. . . a study of the effects of war and the measures that in the interests of peace, internal as well as external, are called for' (Clark, 1920, p. 71). To defend property against socialism, an '*entente cordiale*' between capital and labor is absolutely necessary, and governments are called upon to create this cooperatist environment.

By 1923, Clark's last year as Director of the Division, he was able to report that the research program into the causes and consequences of World War I was well under way. Editorial boards had been formed in all the countries formerly at war as well as in some neutral states; German and Austrian representatives were back on the parent Committee; and 150 volumes, based on the war experiences of fourteen countries, were projected.

And one must agree that this enormous undertaking, though representing a quite different thrust than that originally planned, was most successful. When the Economic and Social History Project was ended in 1933, 132 volumes had been published. The focus of these works was on estimates of the costs of war and on the reorganization of industries necessary to wage war.

Obviously, Clark's hope that this project would go a long way to ensure peace was misplaced. Indeed, and contrary to the very spirit of Clark's intent, some of this material may well have made World War II even bloodier. As William Barber notes in the conclusion to his essay on economists and World War I, '[t]hough it could not forestall the Second World War, it is just possible that some of the insights generated in the *Economic and Social History of the World War* later made logistical mobilization more efficient' (Barber, 1991, p. 84).

CONCLUSION

In Clark's arguments surrounding war and peace, one observes a relationship to his mature, neoclassical theory of distribution: A natural force is at work that produces a generally pacific world. Internally, the marginal product produces quiescent class relations, while externally, the growth of internationalized economic relations, with regard to both capital and labor, tie the world ever closer and auger against war. Further, in continuation of a position evidenced in his *Philosophy* period, Clark is ever mindful of the need to defend private property against the specter of socialism – since 1917 a practical reality rather than merely a theoretical threat. And, while one is troubled by Clark's instantaneous shift to an aggressive stance with US entry into World War I, one cannot doubt his sincerity in his commitment to peace, even if that commitment was, in part, motivated by the fear of socialism.

While there is little question that some of Clark's position makes sense, and that he clearly displays some degree of prescience in his views, it is also clear that the world of reality was not accommodative of his perceptions. In fact, if one examines his last work, the 1935 *A Tender of Peace* (published when he was 88), one is struck by the preservation of the point of view proved wrong by the war and subsequent events. Nothing fundamentally new is here presented, though Clark had had some twenty years to reflect on his position.

First positing a false history of warfare in which he claims that war has been endemic throughout human existence and was even more savage and continuous in early society (Clark, 1935, pp. 7, 14), he then claims that, with the organized warfare of the modern period, the world is actually closer to the possibility of lasting peace (Ibid., pp. 14–15). The basis of this prospect is the internationalization of organized capital and organized labor, both forces, for reasons previously stipulated, promoting peace in their own class interests (Ibid., pp. 30–3). What is required to institutionally secure peace is a strong League of Nations with a standing organization of defense ready to severely punish any potential aggressor (Ibid., pp. 20–5, 41–52).

Clark, having adopted a natural-law argument first set forward in divine-law form, and holding to a tacit assumption that capitalism is, at bottom, an organization that generates justice and therefore peace, cannot stand outside his own ideological framework and subject that framework to critical scrutiny, even though the actual forces then at work were promoting results the opposite of those predicted by Clark.

In support of this contention, it must be observed that at no time did Clark ever engage in fundamental historical inquiry as to the nature and causes of war – or any other phenomenon for that matter – even though this weighty issue consumed the last part of his life. Rather, an assumed history is substituted for such an investigation, and snippets of real history are introduced at points when those snippets seem to support a particular assertion. Failing such an examination, Clark cannot demonstrate why the propositions and proposals he sets forth have failed in the actual world, nor can he provide a resonable mechanism to demonstrate why his proposals should be able to achieve the desired results. But then, he need not have been so engaged. With a divine/natural law approach, one need only uncover the 'natural' force that supports the conclusions one has already formed.

7 On Trusts, Organized Labor and Other Matters

At the turn of the century, the focus of the Progressive Movement in the United States turned toward the issue of 'monopoly'. In the last two decades of the nineteenth century, the populists had targeted the railroads, the first giant corporations in the country, as the 'enemy of the people'; by 1900, oligopolistic structures existed in a number of important industries. (See DuBoff, 1989, chs. 4–5, for a summary position.) It was the age of the 'trusts', 'pools', 'gentlemen's agreements' the 'Robber Barons'.

In spite of (perhaps because of[1]) early attempts to control this development beginning with the Sherman Antitrust Act of 1890 (first applied against labor unions it might be noted), concentration continued through the next two decades. In the period 1898–1902, 2,653 large firms disappeared through merger and over 200 combinations were formed. By 1904, 300 industrial giants controlled at least 40 percent of the country's manufacturing assets (Ibid., p. 58).

Obviously, this development occupied the attention of economists, and Clark was one of the notables who entered the debates surrounding the effects of the new corporate form of organization. (See Bullock, 1901, for a review of the literature from the perspectives of this period.) As has been witnessed, Clark had established a reputation in the field of industrial organization, in reality beginning with *The New Englander* phase of his development but more technically with his 1890 'The "Trust": A New Agent for Doing an Old Work'. Here he first argued the significance of 'potential competition' in harnessing the power of oligopolistic organizations (see Chapter 4). Beginning in 1899, Clark wrote a spate of articles in professional journals (Clark, 1900b; 1901f; 1903d; 1904b), in popular magazines (Clark, 1900a, 1904c), and in *The Independent*, a religious monthly connected to the Social Gospel movement (Clark, 1899e, 1901c, 1901d). In addition, he published two books, one of which, *The Control of Trusts* (1901), was essentially a compilation of previously published articles, while the other, *The Problem of Monopoly* (1904), was based on a series of lectures Clark gave at Cooper Union, New York.[2] These contributions are largely repetitive, the essential argument being established in the earlier pieces, and elaborated upon in later articles. We shall confine our examination to mainly the *Political Science Quarterly* articles, incorporating material drawn from the other writings as necessary.

Clark, after first declaring that the opponents of the trust movement (specifically the populists and some socialists) are rather ignorant with regard to the 'commercial revolution' under way (Clark, 1900a, pp. 47–8), notes that trusts are a 'natural' phenomenon resulting from 'natural law' forces (Clark, 1900b, p. 182). Since one goal of business enterprise is to grow, large-scale operations are the outcome of the normal line of development in situations where technological change and economies of scale allow.

The basic issue in this debate is not size, but the distinction between the forces of production and the business operations associated with trusts (what Clark terms 'honest' and 'dishonest' capital (Ibid., pp. 184–5). Honest capital gains profits through production, reducing costs by seizing upon economies of scale and advancing technology, whereas dishonest capital gains income through speculation, financial manipulation, and 'milking' the market. What is necessary, then, is to preserve centralization (honest capital), the outcome of which benefits the general public through lower prices and greater output, while destroying monopoly (dishonest capital), which seeks to secure gain through the restriction of output and increased prices (Ibid., pp. 185–6). Essentially, the correct goal of policy is to preserve the gains of efficiency based on scale while eliminating the pricing power associated with the monopoly power arising as a result of size.

Clark dispenses with the solution advanced by many 'trust-busters' of the period. One cannot simply break up the trusts and return to the 'rugged individualism' of the early nineteenth century (Clark, 1904c, p. 985). Technology will not allow this and, in any case, breaking the trusts into smaller units will not prevent these units from collaborating in producing much the same outcome as that decried.

While Clark recognizes that tariffs may facilitate monopoly control (as firms can thus avoid the competitive pressures of foreign producers), he advises a free-trade regime, largely on the basis of an 'infant industry' argument (Clark, 1904b). In this context, he observes that the usual arguments in favor of free trade are based on static theory, while the protection afforded by tariffs to industries that have the potential to grow and compete internationally is of dynamic considerations (Ibid., pp. 376–9). As long as industries are true 'infants' rather than 'dwarves', tariffs can, in the long run, promote technological growth, economies of scale, and greater levels of efficiency.

At the same time, he recognizes that tariffs may be higher than necessary to equalize costs of production that would allow the initial surge of growth and the resulting reduced costs that would eventually make tariffs redundant. Thus, Clark does advocate the elimination of the portion of the tariff that supports only monopoly pricing (Ibid., pp. 382–90). The mature industries should be opened to free trade to keep prices in line with those established by competition.

Pricing regulation is dismissed as a potential solution to the problems posed by oligopoly, largely because it would be cumbersome and bureaucratic but also because it would be difficult, if not impossible, for regulators to discover the true competitive price to establish the regulatory standard. Even if the regulating body could establish this standard, such a pricing regime would stifle progress. Price would have to be based on costs of production: Why would a firm innovate if the best it could do would be to make the same profit on the now lower average cost (Clark, 1900b, p. 189)?

Lastly, socialism, equated with the government simply seizing the monopolized industries, is ruled out. While this program would, no doubt, produce short-run benefits in the form of lower prices, it would fail in the long run. Since there is no incentive for technological change and capital accumulation in such a system, the initial payment of higher wages would stimulate population growth that, coupled to the natural sloth of workers in such a regime, would invoke the 'iron law' of subsistence, and general misery would result (Ibid., pp. 189–90).[3]

The solution to the problem of monopoly is, as has been indicated, potential competition:

> A quarter of a century ago, when the power of the trusts was beginning to show itself, and the natural limits on the exercise of that power had not appeared, the public had a period of positive alarm. It knew then that the trusts were greedy, but did not know that it was fatal to themselves to be too greedy. The monopolies quickly found this out to their cost . . . and everyone now knows that 'potential competition' . . . the competition of the mill that is not yet built but will be built if the trust becomes too extortionate – holds these commercial monsters in check.

> If the trusts raise prices too much, new mills are actually built and prices go down; therefore it does not put the prices high enough to call the new mills into being. It is deterred from much extortion

> which . . . it would otherwise practice by the competitors who do not now exist. (Clark, 1904c, pp. 955–6)

Thus, in the main, trusts are effectively powerless to effect monopoly power given the potential for new competition. Hence, if entry is not forthcoming, prices must be (roughly) in accord with what a competitive system would produce.[4] It is to be noted that potential competition does not mean that new firms will actually make their appearance, but merely that they *could* if economic conditions warranted:

> The test of the question whether the great corporation is or is not a true monopoly, is applied by determining whether the way is or is not open for the competitor to appear. If the new mill can be built without the danger that the trust will close it by means of some . . . illegitimate practices, the great corporation is a beneficent institution. . . . If the rival mill is terrorized in advance and precluded from appearing, the trust has all the evil traits that the term 'monopoly' implies. It is a monster in size in either case; but the difference between being a docile servant of man and a predatory beast is made by a mere potentiality. Can the rival safely appear or can he not? is the test question in the case. (Clark, 1904c, pp. 955–6)

In his 1904 *The Problem of Monopoly*, Clark raises potential competition as the *sine qua non* of, not only material progress, but economic democracy. Clark asserts that '. . . the best competition has always been in the potential form' (Clark, 1904a, p. 122) because this force avoids the rough-and-tumble processes of actual competition, and he compares the restrictions imposed by potential competition on the pricing policies of the trusts to that of the village blacksmith who, though having a local monopoly, will not raise prices sufficiently to attract a rival. Clark then argues that private monopoly now prevents even the form of a democracy in the economic world (unlike the political sphere, where at least the form is present though there is a question as to the reality) (Ibid., p. 126).

The raising of potential competition, however, to a functioning standard would guarantee that all income would be honestly made and justly deserved, even if billionaires existed, for such income would be *created* by those who received the billions. And, billionaires are to be welcomed, for such fortunes represent a glut of capital that would mean high wages and regular employment for labor. Indeed, in such a world, the worker would be better off than the billionaire for the latter, given the worries associated with great wealth, suffers '. . . sleeplessness, and dyspepsia and a short life' (Ibid., pp. 125–7).

> The economic ideal of the future is the one which will combine inequality of outward and material possessions with a constant approach to equality of men's inward states, and will cause, not wealth, but well being to be democratically shared. Such is the effect of that suppression of monopoly and that restoration of freedom which are within our reach if we strive for them wisely and strenuously. (Clark, 1904a, p. 128)

However, there are still some areas in which regulation or legal action is necessary to allow the force of potential competition to realize itself. A trust does display certain 'special advantages' or 'unfair dealings' that must be eliminated by fiat. First, 'local discrimination' must be made illegal (Clark, 1900b, p. 191). Seeing a new competitor in a particular geographic area (and new competition will necessarily be localized initially), a trust may sell in that area at a price below cost in order to drive the firm out of business – internal 'dumping'. Second, as the trust is likely to produce several grades of a particular product and the small firm only one, the trust can reduce its price for that particular grade in the firm's market and, again, drive the firm into bankruptcy (Ibid., pp. 191–2). Third, the trust may enter into 'factors agreements' in which it forces merchants to boycott the product of a potential competitor (Ibid., p. 192).

And, while the enforcing of laws to prevent such activities might be difficult, Clark believes that such enforcement (along with general publicity on pricing policies directed toward the trust's customers) would be possible (Ibid., pp. 192–4. See as well, Clark, 1901f).

Basically, then, Clark advocates close to a *laissez-faire* policy with regard to controlling the trusts:

> . . . we must remove the obstructions that prevent nature from doing its healing work. Great corporations would never be monopolies if competition were not normally fettered – if individual actions had a fair field and no favor. (Clark, 1901a, p. 12)

> It might seem, therefore, that a merely waiting policy would be wise. Let us see whether the regulating force that we depend on works better or worse as the years pass. (Clark, 1901d, p. 1002)

The one industry Clark exempts from his general rule is that of railroads. Because railroads are common carriers, serving all industries and providing a service for which no good substitutes are available, then government should be called upon to regulate the industry (Clark, 1901f, pp. 465–6). But the machinery of regulation proposed by Clark is of interest. Since it is the competition for traffic that provides the main incentive for rebates and other forms of unfair pricing, Clark suggests that, rather than attempting to prevent the establishment of trusts, government should allow pools to form in which the various carriers could agree upon a common price, regulate markets, and eliminate competition. While the general price level may still be too high, the administered pricing information is public knowledge (unlike secret rebates) and can be more effectively dealt with (Ibid., p. 466) than attempting to ferret out non-public agreements.

In evaluating Clark's argument, one could take him to task for overemphasizing the significance of technology and economies of scale in the development of trusts; but, given the information available to him at the time, that would be a bit unfair. (On the matter of the degree to which economies of scale were important relative to financial control, see Atack and Passell, 1994, pp. 457–92, for a summary of recent research into this question.) More important than the specifics of the case which led him to his rather modest policy recommendations is the link between his theory of oligopoly and the more general line of argument developing since *The New Englander* period.

We have observed Clark's rather convoluted position on competition in his pre-1886 writings. Nonetheless, competition had been established as something of a standard by which economic phenomena were to be judged. By the early 1890s and certainly by the time of *Distribution*, this standard had become solidified and ensconced as the pivotal force through which 'natural law' worked its inexorable way, leading to a just distribution of income: Monopoly now becomes a 'friction'. In the early 1900s, though trusts and oligopolistic organizations are dominant in the economy, competition remains as a force through which proper economic behavior will be elicited, though now it is of a 'potential' rather than an actual force.

Throughout his entire intellectual life, then, competition is set forth as an ideal to which the economy, law, political arrangements, etc., *should* conform.[5] That is, Clark's whole theoretical corpus can be seen as an idealist account in which an arbitrary standard is established and then judgements are made based on the extent to which the world is seen as conforming to or departing from that standard.

In contrast, one could point to the work of Clark's most famous student, Thorstein Veblen, who was also analyzing the same issues of monopoly at this time. In his *Theory of Business Enterprise* ([1904] n.d.) and, more importantly, *Absentee Ownership* ([1923] 1964), Veblen, while noting many of the same issues as Clark (restriction of output, sabotage of technology, administered prices) places the development of trusts in an entirely different theoretical context. The tendency toward oligopoly is the natural outgrowth of competition, given changes in technology (as Clark argued as well). But, with this development, the economy, law, political arrangements, etc., will *evolve* to accommodate the changed industrial structure: Oligopoly represents a new and *different* stage of capitalist development and produces its own and different effects. There was little point in criticizing monopoly from an arbitrary standard that was, in any case, now outmoded because the constant evolution of the economy was continually throwing up new characteristics that themselves created new standards.

Veblen, in other words, has no constant determined by an idealized, abstract concept based on a particular characteristic of an economy at a particular point in its development; rather, he attempts to understand the forces that are continually pushing the economy along (one is hesitant to say 'forward'). By contrast, Clark establishes a reference point amenable to a specific conceptual relationship and sticks to that point regardless of changed circumstances: Reality is a departure from or aberration of that *idée fixe*, and constantly revolves around that *idée fixe*. This prevents an understanding of changed circumstances. Veblen, as a true evolutionary theorist, is able to develop a general theory of changed circumstance in which the various forces at work are constantly throwing up new relations that, rather than being seen as a mere departure from a given standard, have a life of their own.[6]

But there is a point to Clark's idealized standard. If the economy no longer displays competitive norms, then distribution is no longer based on justice (given the marginal productivity view of distributional justice). Thus, although the *form* of industrial organization would seem to indicate a resulting unjust distribution of income (where factors of production would not be paid a price equivalent to the value of their marginal product), the forces of potential competition maintain the *substance* of a competitive order within which justice generally prevails.

Indeed, in a paper written specifically for a business audience, Clark, while continuing to point out the 'evils' of oligopoly as secondary outcomes of this industrial form, nevertheless claims that the incomes resulting from large-scale production '. . . are legitimate; and the prosperity resulting from them is largely normal and healthy' (Clark, 1907b, p. 3).

In all of his discussion surrounding the trusts, Clark is never far from his continuing main theme – the threat of socialism to capitalist property relations. His most elaborate argument is found in his 1903 'Monopoly and the Struggle of Classes', though one finds this motif running through almost all of his articles on the subject (see Clark, 1900a, pp. 48–50; 1904c, p. 958, for example).

Clark first notes that, with the development of monopoly, the revolutionary socialist position has been strengthened. While a system founded on competition has many merits (in particular, a just theory of distribution based on the marginal product), monopoly has no such virtues, and he agrees that '. . . a system of business founded on private monopoly is intolerable' (Clark, 1903d, p. 600). Yet Clark does not agree that capitalism now exists in a state of 'total depravity', nor is revolutionary change impending (Ibid., p. 599).

Workers, in response to the centralization of capital, have organized unions. Monopolists, as they are able to extract higher than competitive prices from the community at large, are willing to pay higher than competitive wages to this segment of the working class. (Though why they should pay is left unspecified. Clark here, again, violates his own theory of wage determination: Either labor is remunerated at a price based upon its marginal product, or the wage is determined by the income level a worker could earn in a different job – transfer earnings. But, if the latter established the standard, the marginal product has nothing to do with wages.) Also, by sabotaging output, monopolies create unemployment, thus lowering wages outside the operations of the trusts. Organized labor, then, working for organized capital, is relatively advantaged (an 'aristocracy of labor') and these wage differentials divide the working class where organized labor attempts to maintain its relatively superior position '. . . partly at the expense of others' (Ibid., pp. 603–5). Trade unionists are against 'levelling' for they would lose by socialism (Ibid., p. 606).

All of this, says Clark, has tamed the socialist movement. While the 'truest socialists' decry trade unionism because it '. . . gives to the wage system, a license to continue', the more practical socialists, those of an 'evolutionary', 'Fabian' type, attempt to draw in union members (along with anyone opposed to trusts, including small capitalists), thus making the conservative, reformist wing of the socialist movement stronger, while the revolutionary wing becomes an ineffective 'tight little party' (Ibid., pp. 601–2).

And, if socialism (equated with government nationalization) *were* to be tried, workers would probably lose in the main. A policy of high wages paid to all workers (as an aspect of the levelling program) coupled to workers' natural inclination to work fewer hours would simply be catastrophic: Falling output cannot be translated into higher *per capita* incomes. In any case, such a levelling program would mean that unionists currently enjoying high wages would lose for they would have to share some of their wages with workers whom they are currently beggaring through the transfer of income made possible by monopoly pricing (Ibid., pp. 606–9).

Essentially then, while many workers are against the trusts, organized labor supports the continuation of private monopoly and is against the implementation of public monopoly – socialism. And since the revolutionary socialists are increasingly estranged from the union movement, and the more practical, evolutionary socialists are gaining strength by drawing in unionized workers, the socialist movement has been growing increasingly conservative and less dangerous. By way of conclusion, Clark professes that, while, '[t]he struggle over wages is fundamental and permanent', monopoly has given this conflict a new shape and causes the economy to move in the direction of arbitration based on '. . . some effective appeal to justice' and a necessary elimination of the strike as a weapon of labor given that the corporations now affected are so large and the potential disruption to the economy as a whole is so great (Ibid., pp. 610–12).

Now, much of Clark's analysis would be accepted by a revolutionary socialist. With the development of oligopolistic structures, there is a tendency toward the creation of an 'aristocracy of labor' and a conservative tendency in the trade unions. (See, for example, Lenin [1916] 1943, pp. 12, 97, 116–19). Yet, while it may well have been true that in the United States (and elsewhere), the parliamentary wing of socialism was strengthened by this development for a time (on which see Foster, 1956, Part II), it is certainly not correct that the revolutionary wing dismissed trade union members as hopelessly corrupted (though many trade union *officials* were so labelled); nor did these developments produce the harmonizing effects so favored by Clark.

And here, of course, one can see the central point of Clark's argument and the connection between his position on trusts and his longstanding opposition to socialism. As has been evidenced, almost all of Clark's output can be seen as a defense of property rights and an attack on socialism (and on other movements attacking extant property relations – populism and Henry George's ideas). Given this particular bent, it is not surprising that Clark would have seen the development of trusts as favorably disposed toward the maintenance of those property rights and in some fashion augering against socialism. If natural law promotes capitalism and capitalist property relations, then the trust, as an outcome of natural law forces, must function to reinforce those relations. His position on trusts, then, is one piece of his more general mosaic that defends a particular economic form of organization.

Lastly, it must be noted that Clark's theoretical expertise was brought to bear on a quite practical matter. The large corporate capitalists were themselves concerned about trusts and the problems associated with regulation. Essentially, three issues were paramount: competition within a trust that violated pricing agreements; the threat of new competition arising outside the trust (Clark's potential competition); and the problems raised by the public ('progressivist') clamor for effective government regulation of the trust.

Over a five-year period, the National Civic Federation, an organization consisting of representatives of some of the largest capitalists of the period – Judge Gary of US Steel, G.W. Perkins of J.P. Morgan and Company, W.A. Clark of United Verde Copper, among others – steered through Congress the passage of a bill that would establish the Federal Trade Commission in 1914. The function of the Commission, as seen by big business, was to *assist* the trusts in resolving the issues listed above (Domhoff, 1971, pp. 201–6; Kolko, [1963] 1967, pp. 261–78).

One of the economists selected to write the bill was Clark, an indication, at least from the perspective of those representatives of the large corporations under attack, that he was sympathetic to their interests.[7]

THE 'LABOR PROBLEM', SOCIALISM, AND OTHER MATTERS

Clark's writings on labor and socialism overlap with and form something of a flipside to those on monopoly. They appear in professional journals (1902d; 1903a; 1908b), popular magazines (1902c; 1905a; 1913; 1914c), and religious periodicals (1902b; 1909a; 1909b; 1909c). Clark was sufficiently active in these areas to appear in a 1912 public debate with Morris Hillquit, one of the leaders of the conservative faction of the Socialist Party of the United States (Clark, 1912b).

Clark's publications are divided into those dealing with unions and arbitration and those on the issues surrounding socialism, but they are all apiece. Essentially, Clark observes that the labor problem is an historic constant although it appears in different forms under slavery, feudalism and capitalism (Clark, 1905a, p. 772). By this statement, he clearly means that the main issue is not that of wages, working conditions and the like – which only appear in the context of a modern wage-earning class – but that of classes in the context of the distribution of income. His arguments surrounding the 'labor problem', then, must be seen in the larger setting of capitalism versus socialism.

Clark's most complete statement on the labor issue appears in the 1902 *Political Science Quarterly* piece, 'Is Authoritative Arbitration Inevitable?' In developing his argument, Clark sets the stage by declaring that, given the size of modern industries, strikes are now too costly because they reduce the supplies of necessary commodities for very large segments of the population. 'Trusts have made strikes injurious and dangerous, and may soon make them unendurable' (Clark, 1902d, p. 554). (Here Clark seems to be responding specifically to the national coal strike of 1901–2, which, given the reliance of the population on coal for heating, surely made a vivid impression as to the potential effects of such strikes.) Yet, although it is the large corporations that establish the basis of the problem, Clark nevertheless sees it as a 'labor problem'.

Clark also notes that workers use violence to prevent scabbing, and this is in violation of current law. Yet this law is rarely enforced because, '[t]here is something in the attitude of the general public that makes the enforcement difficult, and what this is we must try to discover' (Ibid., p. 556). And, while Clark agrees that one reason for public sympathy against strikebreaking may be that government-sponsored law enforcement, using the military and police to shepherd replacement workers through picket lines, *might* force workers to accept a less than naturally determined rate of pay (Ibid., pp. 556–7), he sees a dilemma: 'The public is not quite ready for free strike breaking . . . [a]nd yet no right-minded man is ready to accept and legitimate the anarchy that results from letting the men prevent this in their own way' (Ibid., p. 557).

Since strikes are now too disruptive of the national economy and promote 'anarchy', it is imperative that an alternative solution to the conflict between labor and capital be found. This solution is compulsory arbitration, in which special courts, containing representatives from unions and business organizations, adjudicate wages rather than letting them be settled through strike action.

But a problem exists: How just are such tribunals' decisions where a court may violate the principles of the '. . . natural mode of adjusting wages . . . [and of] equity' (Clark, 1902c, p. 397)?

This problem is to be resolved through an appeal to the natural law of wages based on the marginal productivity principle. The state is to determine 'fair wages' based on the marginal product of labor as established by competition – a 'just standard'. This wage level is to be assigned to workers threatening a strike and they can either accept it or seek employment elsewhere. But, after the wage is announced, workers may not prevent others from taking their jobs:

> It is possible . . . to show that if the tribunals are rightly constituted, they will take account of the natural laws of distribution and that there is little danger that the rates of pay which they assign will vary more widely from the normal ones than do the rates established under present methods.
>
> If tribunals give about the same rates that generally prevail, they will at least insure a rough approach to what is normal, and the service which they will then render will be the saving of waste and the ending of strife. What we need to know is, under what conditions they can do more and give a better distribution of wealth than can be had without them. (Clark, 1902d, pp. 559, 560)

These courts of arbitration have three functions: To ascertain the average pay of 'effectively organized' but not 'monopolistic' labor and make this the standard wage; to accept a reasonable difference in the wage level between organized and unorganized labor;[8] and to establish whether unions are preventing scabbing and declare such practice illegal (Ibid., p. 565). In this fashion, the courts would 'invoke that common law principle' that monopolies are 'contrary to public welfare' while maintaining a ' . . .market for labor [in which] market wages would be adjusted by a play of natural forces' (Ibid., p. 565). 'As between courts and mobs we are relying on mobs, but this is only because we have not yet ourselves proved the efficacy of the courts' (Ibid., p. 567).

Physical coercion has no place in the arbitration process itself. However, should labor continue its strike after the court's decision has been made and refuse to allow other workers to replace them (having chosen not to accept the mandated wage and not to having voluntarily left to seek alternative employment), then government strike breaking is justified (Clark, 1902c, pp. 397–8).

For Clark, strikes are anathema, but they are not to be made illegal. Rather, they are a 'potential' weapon in a larger system of collective bargaining, arbitration, and eventually profit-sharing and employee stock ownership, a system by which a cooperative rather than an adversarial relationship is established between capital and labor (Clark, 1905a, p. 776). Unions, then, have a place in the proposed system, but only unions of a very specific nature. Given the existence of trusts, unions allow labor to compete on an equal footing with capital. If labor is unorganized, then organized capital can force a wage lower than labor's marginal product. If all, or a large part, of an economy is organized into unions, capitalists would have to bid for workers from other capitalists, establishing a competitive labor market that would guarantee a wage approximating the productivity of labor. This arrangement, then, sets the standard for wages: Scabs would have to be paid the 'fair' wage (Clark, 1902d, pp. 561–3).[9]

However, there is a limit to the level of organization that may occur. Unions that are monopolistic may force a wage greater than the marginal product, thus forcing capitalists to increase the price of output above the natural, competitive level and generating an inflationary tendency (Clark, 1905a, p. 775). (Here Clark reverses the order of causality from that argued in his articles on the trusts. There, trusts promoted non-competitive prices; the excess profits that resulted from this pricing policy were shared with workers in the form of higher wages at the expense of the larger public.)

It is somewhat difficult to understand precisely the sort of union Clark has in mind when he incorporates this organizational structure into his model through which the wage standard is set. Clearly, it cannot be at a level of organizational strength that would allow some degree of coercion in setting the wage level. This would appear to rule out a national (or international) union or federation of unions incorporating a significant portion of workers in a particular industry or within the larger economy. Such a union would permit a degree of monopoly that could force a wage greater than that based on labor's productivity. But all or most workers should be unionized. The model union, then, would appear to be of a small independent type that would be structured at the level of the plant or corporation only, confining its bargaining ability to that level of organization – a company union.

But, although Clark is less than specific on the establishment of the constraint to the type of union necessary for his argument to hold, it is clear that throughout his argument he assumes full employment. If potential strikers are to accept the mandated wage or secure alternative employment, then such employment must be available. If capitalists must bid for replacement workers from other capitalists, it must be true that they cannot simply hire them 'off the street'.

But here Clark is inconsistent. Scabs *are* exactly that: labor off the street. They must be readily available to replace strikers, connoting (or at least implying) that they are not currently employed. Labor is not infinitely elastic in supply; mobility is not perfect. Among other considerations, it takes time to leave one position to take up another, to transport oneself and a family to another location, and so on. Moreover, if labor is currently employed, why should it incur the costs (social as well as private) of scabbing?

In all this, Clark runs afoul of his theory of distribution. If the supply of labor is perfectly elastic, then the marginal product has nothing to do with wage determination. Given the assumption of full employment, labor is hired up to the point where the marginal product equals the established wage. But how is this wage established?

In fact, Clark directly poses an argument based upon his labor model that violates his tacit assumption of full employment. Clark charges that poverty is the effect of striking workers preventing others from securing positions – the closed (or fully unionized) shop in its most visible form (Clark, 1902d, p. 566). Observe a contradiction here. If other jobs were available (full employment), no scabbing would be necessary or functional. Potential scabs could simply secure the jobs that striking workers who refuse the arbitrated wage ostensibly have open to them: If striking workers have alternative employment, so must scabs. But, if such jobs were available, poverty could be avoided. Hence, Clark's contention that strikers cause poverty must assume some level of unemployment, violating the assumption necessary for his model of arbitration and the settlement procedure that allows workers to accept or reject the wage in a non-coercive environment.

This underlying assumption of full employment is carried over into Clark's 1913 article, 'The Minimum Wage'. Here, in arguing against the establishment of a minimum wage (except for one exceptional case), Clark poses a quite modern solution to the issue.

After noting that, given the existence of wealthy employers, it appears that some income '... is ground out of the very lives of the workers' (Clark, 1913, p. 290), Clark demonstrates the falsity of such a notion by using the marginal productivity theory of distribution. Thus, '... if any person asks more than his own labor yields, he is virtually asking for a ticket of leave, with permission to return only when his demand is reduced or his product increased' (Ibid., p. 290). A policy that would set a minimum wage above the marginal product of a section of the working class (since their wages are low, so must their productivity be low) would simply create unemployment.

Clark does observe, though, that some wages may be below the value of the marginal product, for employers may take advantage of 'hungry' workers in the absence of trade unions. In this case, the minimum wage would be effective in forcing a mandated wage equal to the marginal product.

Clark here seems to have a concept akin to the 'natural rate' of unemployment. In a well-functioning economy, with all prices at the natural level, unemployment will not exist. If one observes unemployment, it must be because some workers are demanding more than their marginal product would warrant and, thus, voluntarily withdrawing themselves from the labor market – they are not willing to supply labor at the equilibrium price.

ON SOCIALISM

It is unnecessary to say much here concerning Clark's views on socialism, for his criticism of this form of economic organization has been a running theme throughout his entire *corpus* of writings. One does find, though, in the 1908 'Education and the Socialist Movement', his most considered statement, and a brief overview of this article allows one to neatly summarize his views.

Admitting to the 'beauty of the ideal, with 'humanity as one family', with 'abundance for all' and where 'men working together . . . share and share alike, the fruits of their labor', Clark observes that socialism represents the 'promised land' (though 'not a real one') (Clark, 1908b, pp. 28–9). He then attacks the foundations of each of the above planks of the socialist platform. At the same time, noting the dishonesty and corruption associated with private capital organized into trusts, he argues that, even if none of the stated promises could be fulfilled, '[i]f the socialist state could be warranteed free from "graft", this would constitute the largest single argument in its favor' (Ibid., p. 30).

Economically, socialism, according to argument already evidenced, simply could not function. Given the loss of both the incentives under and the efficiency of a market system in which accumulation ('natural and painless' under capitalism [Ibid., p. 36]) and technological change are promoted by the profit-maximizing self-interests of entrepreneurs, socialism would mean both lower wages than under the present system and a low, perhaps zero, rate of accumulation: Workers have no incentive to promote technology where they could not monopolize the economic gain forthcoming; and workers would want to maximize consumption, thereby reducing the savings Clark (and most economists) view as necessary for accumulation.

Coupled to this scenario, a Malthusian specter evidences itself as workers breed to the limits of their incomes, reducing *per capita* income levels: A socialist state would provide the best environment for raising children, for it '. . . provides for children from their birth to the end of their lives' (Ibid., p. 37); thus, one Malthusian check on population growth – a sufficiently high death rate among children – is eliminated (Ibid., pp. 34–7).

Moreover, without the market forces surrounding supply and demand equilibrium, enormous inefficiencies must result because the intelligence of officials in a planning bureau would simply be insufficient to effect the necessary and continuous adjustments in the economy (Ibid., p. 33). Clearly, in this last regard, Clark antedates the 'economic calculation' debate supposedly originating with Ludwig von Mises' 1920 article, 'Economic Calculation in a Socialist Commonwealth'.

So, the nature of the economic arrangements under socialism spell disaster. But what of its honesty? Here, too, socialism would miscarry and simply replicate the corruption under monopoly capitalism, but at a higher level and on a different foundation. Since different jobs are associated with different degrees of hardship or agreeableness, the state would have to assign workers to positions that would produce 'discontent' and 'suspicion of favoritism'. Under capitalism, the pursuit of wealth provides an outlet for ambition, but under socialism no such safety valve exists. As people are innately ambitious (so Clark implies), socialism would lead to political groupings or 'rings' that attempt to promote the interests of the group members against the whole. Hence, corruption (to gain favors) and 'coups' will dominate the social and political life of the community (Ibid., pp. 31–2).[10]

In essence, then, socialism will not solve the problem of corruption associated with the trusts. But, whereas corruption must be endemic with socialism, '[t]rained intelligence . . . must show that monopoly can be effectively attacked and must point out the way for it' (Ibid., p. 41). Capitalism can be redeemed, but the socialist alternative is hopeless on all counts.

SUMMARY

While Clark is certainly cognizant of and issues rather frank statements concerning some of the issues surrounding the 'labor problem' under oligopolistic capitalism, it is clear that he falls back on his competitive, natural law formula to resolve these issues – though he violates or contradicts this formulation repeatedly. Though observation would have it that competitive forces are weak or possibly extinct, a more thorough understanding of the case demonstrates that these forces can be salvaged and the modern world can at least sufficiently imitate that of the immediate past to generate the 'just' equilibrium results. To accomplish this end, of course, labor must constrain itself (or be constrained) and organize only to the extent that it cannot raise wages above what a competitive labor market would allow. In any case, the labor problem is an historic constant and any solution outside the parameters of capitalism is a panacea. Labor should accept the validity and the inevitability of the marginal productivity-based distribution of income and do the best it can within this natural law outcome.

Clark is not overtly anti-union: He attacks such organizations only when they function in such a way as to endanger profits or property – that is, when unions do what unions were organized to do. As long as unions confine their activities to those limits imposed by Clark's view of the world, they are not only acceptable but necessary as a countervailing force in a world of trusts. This position can be seen clearly in an examination of Clark's argument dealing with an actual event in US labor history, the 'Ludlow Massacre'.

In 1913, members of the United Mine Workers union struck the Rockefeller-controlled Colorado Fuel and Iron Company, demanding union recognition, a ten-percent wage increase, the eight-hour day, free choice of stores, doctors, and housing, abolition of the guard system, and enforcement of the Colorado mining laws. (On the events leading to the strike, the strike itself and its aftermath, see Foner, 1980, pp. 196–213.)

The Rockefeller organization had run its twenty-seven mining towns as company towns, paying workers in scrip and controlling housing, schools, churches, stores, and the professional members of the community – ministers, doctors, police and judges. The safety record of these mines was abysmal: While the national average for mining fatalities was 3.15 per million tons mined, Colorado's unenviable record was 11.86. In short, conditions were terrible and the miners' grievances were very real.

When the strike vote was taken, the company forced the workers and their families out of the company-owned houses, and the miners constructed tent cities near the mining areas, braving the Colorado winter where temperatures reached 40 degrees Centigrade below zero. Professional strikebreakers were imported and the company hired the notorious Baldwin-Felts 'union-busting' Agency to oversee the operations, with agency 'detectives' sworn in as deputy sheriffs. Along with the normal armaments used by the agency to quell strikes, Baldwin-Felts brought in a vehicle on which was mounted a Gatling gun, which they used to terrorize strikers on a regular basis. The miners built breastworks in self-defense and readied themselves for the full-scale attack they knew was forthcoming.

On October 31, National Guard units were ordered into the strike areas, ostensibly to keep the peace, but in reality to more effectively shepherd strikebreakers through the embattled country. Indeed, the soldiers were paid wages by the company and were quartered in company housing.

Following months of almost continuous battle, a National Guard unit was ordered to demonstrate the will of the company's refusal to negotiate. On April 20, 1914, soldiers attacked Ludlow, one of the miners' encampments, killing some thirty people (the exact number is in dispute), including eleven children, and burned the tent city to the ground.

Following the massacre – and that is precisely what it was – striking miners and supporters from other parts of Colorado as well as other states attacked company camps and mines. Governor Ammons was forced to call upon President Woodrow Wilson to send in Federal troops to bring an end to the war. By the end of May, 'peace' was restored.

It is worthwhile to quote John D. Rockefeller, who offered testimony before the US Commission on Industrial Relations in its hearings on the strike and its aftermath, for Rockefeller bears witness to a very important principle argued by Clark in his position on arbitration. In arguing for the 'open shop', which would preclude unions from preventing non-union, scab, labor from securing positions in a company, particularly in case of a strike, Rockefeller stated:

> We believe that the issue in not a local one in Colorado. It is a national issue whether workers shall be allowed to work under such conditions as they may choose. As part owners of the property, our interest in the laboring men of this country is so immense, so deep, so profound that we stand ready to lose every cent we have put in

> that company rather than see the men we have employed thrown out of work and have imposed upon them conditions which are not of their seeking and which neither they nor we can see are in our interest. (Foner, 1980, p. 209)

Unions such as the UMW prevent perfect labor mobility, thereby imposing restrictions on choice and creating unemployment. Capitalists, who obviously have the interests of the working class at heart and whose interests are the same as workers, are so repulsed by this behavior that they are willing to lose all they have in order to stop such a practice. That the miners themselves chose to join the union, chose to try to prevent scabbing after being thrown out of their jobs by the company, and chose to see the world differently than Mr. Rockefeller is obviously of no moment.

In 1914, the influential magazine *Business America* devoted its June issue to an examination of 'The Crisis in Colorado'. Upton Sinclair, noted US journalist and muckraker, represented the 'left' or the workers' position,[11] John D. Rockefeller put forward the 'right' or businessman's position, and J.B. Clark, the detached academician, represented the neutral argument. Given an actual worker–capitalist conflict based on real employment conditions in the United States at the time, it is most interesting to observe Clark's application of his theory of labor relations and arbitration.

Clark asserts that, although the law does not force owners to recognize unions (one of the demands of the miners), this is a bad test of the desirability of unions because they are necessary given the organization of capital (Clark, 1914b, p. 503). And, although '(t)he men made outlaws of themselves by their method of vindicating their right . . . the right was there and is so still' (Ibid., p. 503). However, the miners' tactics in attempting to *force* the union on the company were illegitimate, and the strike itself was of a criminal nature:

> At its inception the movement was legitimate and one does not have to look very deeply in order to differentiate the uprising against law and order which later took place from unadulterated anarchism.

> The original issue [of unionization] is the paramount one, however the violence that later resulted has obscured it, and on this one issue the men are right. . . . Criminal violence has worked, for the moment, a forfeiture of the rights of some of the men, but they have only to become law-abiding in order to regain them. (Ibid., pp. 502–3)

Not one mention is made of the violence of the company, of the Baldwin-Felts Agency, or of the National Guard, which precipitated the *defensive* violence of the miners, in particular after Ludlow. Only workers attempting to organize a union that went beyond Clark's imposed constraints could engage in such criminal activity. Observe, as well, that one of the strike demands of these criminal miners was that the company be forced to obey the laws of Colorado. In other words, strikers attempting to force legal behavior are viewed as criminal, while the company that imposes the conditions leading to the so-called illegal miners' acts is, by Clark's position, behaving legitimately.

Now, while professional strikebreakers in the hands of capitalists should be prevented, there is no question that non-union workers should be safe from 'murderous attacks', and the National Guard troops in Colorado were 'where they belong' (Ibid., pp. 503–4). 'With strikebreaking excluded, the ordinary "scab" would remain and would be a sufficient reliance for the employer to use in making his bargain' (Ibid., p. 504). Of course, the National Guard was there to protect professional strikebreakers and Rockefeller and his minions had no intention of relying upon the 'ordinary' scab.

Clark concludes his presentation with an appeal to arbitration to settle the wage question without recourse to strikes, asserting that: '[i]t is not trade unions that menace the social order, but other and really sinister bodies' (Ibid., p. 504). Exactly what these sinister bodies are is left unspecified but, as Clark at no point charges capitalists, government officials, or representatives of the state (who are merely working to defend the interests of property), one is left with the implication that he means either unions of a non-Clarkian variety (such as the UMW or, more likely, the Industrial Workers of the World, which was very active at the time) or a pro-labor organization of a communist nature.

The main point, though, is that in his analysis of a very real and typical labor–capital conflict, Clark ends up attacking the miners, vindicating Rockefeller (largely by omission), and essentially putting forward the same argument as Rockefeller in his defense of the open shop. No matter that: the mine owners were in a monopsonistic position given the nature of company mining towns and, by Clark's own standards, would have been in a position to pay a wage less than the equivalent marginal product; the miners were the victims of continuing violence *before* the strike; and professional strikebreaking was the rule and, again by Clark's own standard, miners had the right to try to refuse entry to these thugs. In the final analysis, as the miners went beyond the bounds of Clark-mandated decency, it was these same miners who brought destruction upon themselves. And, one more point: Given the nature of the UMW, these miners should have been conservative, forming part of labor's 'aristocracy'. Clark is not a neutral in his position – he never was, even in his *Philosophy* period. While clearly desiring peace and cooperation, when push comes to shove Clark is four-square on the side of the Rockefellers.

ESSENTIALS OF ECONOMIC THEORY

Clark's 1907 *Essentials of Economic Theory* appears to be something of a textbook, although it was designed to supplement the core text in a principles course (Clark, [1907a] 1968, p. ix). Though he had been promising a major work on economic dynamics (as did Marshall), *Essentials* does not fulfill that pledge and Clark never did write such a work. It is noteworthy, however, that in this work, Clark expresses a position on dynamics that is quite different than that of modern neoclassical theorists. He equates this area of inquiry with 'The Laws of Industrial Progress' (Ibid., p. v), probably understanding this to mean something along the lines of economic development theory but pertaining to advanced capitalist economies.

There is nothing fundamentally new in *Essentials*, though here one is treated to a fuller account of his comparative statics approach than in *Distribution* or in his various works in the periodical literature. The one item of interest appears in Chapter 19, 'The Law of Population', where Clark offers a rejoinder to Malthus based on capital accumulation and economic progress. While not completely breaking with the theoretical argument of the Anglican cleric, Clark argues that once economic growth is underway and seen as the normal progression of society, the anticipation of higher incomes in the future causes workers (unlike the behavior of those same workers under socialism) to limit their family size in order to raise their *per capita* income level (Ibid., pp. 321–38). Productivity growth, then, is the solution to the Malthusian law. But this is not what is of interest.

Clark goes on to assert that rising income levels may well lead to a decline in morality that he extends to politics and 'high finance': 'The richer world is more sybaritic – self-indulgent and intolerant of many moral restraints' (Ibid., pp. 334–5). Clark hopes, of course, that future economic growth can occur without a '. . . casting away of the moral standards which are indispensable' (Ibid., p. 335). But rising incomes and the quest for even higher standards of living may well lead to social deterioration.

We observe here the continuation of yet another theme, one first established in Clark's pre-1886 period and one, no doubt, linked to his strong religious bent. And the passages in *Essentials* do not represent an isolated instance of this theme. In his writings on the trusts, the corruption and decline in ethics associated with 'dishonest' capital and its relationship to government officials in particular was seen as a recurring problem (see Clark, 1904c, pp. 955–7, for instance). Indeed, in 'Gifts and Moral Law' (1905), written for *The Congregationalist and Christian World*, clearly a religious periodical, he takes up the question directly in the relationship between corruption and the church.

The claim is that corruption is endemic to modern capitalism in the United States where '[g]reed is the motive, [and] wealth is the corrupting element' (Clark, 1905b, p. 575). The stated problem is the relationship between the church and great wealth. Many workers have fallen away from the church and its influence because they perceive that the church has been contaminated by the wealthy few. Churches must compete for their audience, and this requires money for buildings, officials, and lavish ceremonies. But, '. . . a church that cannot meet its expenses without the aid of wealthy wrongdoers is not in a position to uphold the highest standards of business morality, or to help effectively in the warfare against corruption' (Ibid., p. 575). The fear is the same expressed in his *Philosophy* period: If workers turn away from the social guidance offered by the church, they may well drift toward a non-Christian socialism.

So what should the church do? If it refuses tainted money, it will not have the financing to undertake its historic mission; but if it accepts such gifts, it may become hopelessly debauched and reach the same dead end. At this point, Clark has an opportunity to take a principled stand, and, given his rhetoric on the issue of morality, this is exactly what one would expect him to do. He does not. After noting that many social criminals have bestowed lavish gifts on various charitable institutions in the past – schools, hospitals, churches – as an act of penance, and these institutions do good works, he then argues that it is impossible to lay down hard-and-fast rules that would allow the church to discriminate among the varying degrees of dishonesty that lay behind the wealth from which the gifts were made. So, because tainted money will be put to good use and it is impossible to establish guidelines that would allow acceptance of contributions by some and rejection of others, the church should accept all contributions regardless of their source. But, this institution must, at the same time, remain independent and continue to oppose chicanery, robbery, and iniquity in business (Ibid., pp. 575–6).

> Even though we cause our benevolent agencies to become tribunals of business morality, they will be compelled to accept many gifts from men whose conduct has not been irreproachable. . . . [E]very such acceptance will do what it does not now do, in that it will vouch for the character of the donor. Many moral certificates will inevitably be given to men who do not deserve them. . . . It is better to avoid all compromising relations, to fight vigorously against corruption and by taking gifts as they come, to make sure that no acceptance carries with it a moral endorsement. (Ibid., p. 576)

That is, Clark, rather than taking the high moral ground, ends up in the quagmire that initially forced the question. As necessity requires the acceptance of gifts tainted by corruption, then such money should be taken. However, church officials should resist the temptation to soften their attacks on the evils lying at the foundation of these monies. But this was precisely the issue that caused the debate over the question. Clark adds nothing but a rationalization that justifies the practice condemned.

CONCLUSION

In Clark's mature writings on oligopoly and labor, one finds the same arguments as put forward in *The New Englander* period, though obviously set forth in a more sophisticated fashion. The basis of this higher level of sophistication is, of course, the marginal productivity theory of distribution. With this theory, Clark now has a very precise standard by which to judge 'normality' and with which to guide public policy.

And what does this standard connote in practice? Essentially, the economy should be more-or-less left to a *laissez-faire* course of action. Trusts, regardless of appearances, generally cannot violate the standards established by competitive forces and should not be constrained in their behavior. Unions, on the other hand, if they are organized at the same level as the trusts – national monopolies with restrictions posed to entry – *can* violate the principles of justice as established by natural law, and *should* be constrained. The Rockefellers of the world are relatively powerless, but the United Mine Workers pose a real threat. Further, tribunals are not needed to establish pricing of output, but are necessary to set the standard for the price of the labor input.

While Clark appears to be simply an independent-minded, detached scholar who stands above and apart from the nitty-gritty class questions of the day, he shows himself to be overtly on the side of capital, even to the point of developing a rationalization by which capitalists can be let off the ethical hook. This position is confirmed by his work for the National Civic Foundation and by his analysis of the strike in Colorado where he comes down on the same side as Rockefeller.

But, given Clark's view of the world, where capitalism is normal and represents the fullest flowering of natural laws promoting justice, and where socialism is a hopeless panacea – the labor problem is an historic constant – this is consistent. What must be remembered, though, is that Clark himself tells us that the economic theory he developed to demonstrate the truth of his natural law equilibrium conclusion was consciously cultivated to support capitalist property relations and to fight the specter of socialism (Chapters 3 and 4).

8 Conclusion

In attempting to comprehend the unfolding of Clark's *general* theory, it is important to understand that there is a continuum between his early, *New Englander* stage of development and his mature period. Rather than a sharp break in his outlook, there is the ripening and consolidation of ideas first formed in the pre-1886 years.

The productivity theory of distribution was first stated in the 1877 'The New Philosophy of Wealth'. By the early 1890s, Clark had, after much fussing, worked out his *marginal* productivity theory, which certainly advanced this approach to the vexing and politically charged issues surrounding the distribution of income.

One sees, as well, his essential positions on unions and trusts established quite early, but again in primitive form. And, in these contexts, Clark asserts the competitive standard as the final arbiter in judging whether distributional justice is served by these forms of organizations.

Clearly, Clark maintains the same position on private property and socialism in both periods. While his early 'Christian Socialism' has served to somewhat mask his position and to confound intellectual historians, a close reading of his work indicates a long-standing opposition to socialism and a strident defense of capitalist property relations. To defend private property – and on this there should be no doubt – *is* to attack collectivist property relations.

In both periods, a *generally laissez-faire* policy approach is advanced. And in both the early and mature stages of his development there is a coupling of economic theory to the larger cosmos of ethics (though this relationship is considerably less overt in his later writings).

This is not to argue that nothing changed in his outlook or the theory that represents that outlook. In Clark's early work, he displays a much more critical attitude toward capitalism, with greater emphasis on the possibility of reform through some sort of governmental action (though *laissez-faire* remains the general rule). In the later period, Clark's muted call for *some* nationalization has been eliminated, and the rather weak early statements based on the German Historical School approach find no place at all. One senses that with his mature, 'natural law' marginal productivity thesis, Clark becomes more 'hard-line', more conservative; but this should not be seen as a fundamental change in the general perspective developed, but not consolidated, in his early period.

Clark did not abandon an early, unscientific, soft-socialist perspective when he came to an understanding of the hard-nosed, scientific economics in the post-1886 decade. Rather, as Clark himself reveals, the mature 'neoclassical' theory was developed to fortify his already-enunciated defense of capitalist property relations and his assault on the perceived socialist threat (Chapter 3).

Further, in both periods Clark demonstrates an unabashed optimism with regard to the future of capitalism. In the early stage, a deity is guiding the system to the promised land; by the turn of the century, natural law has taken the bridle in hand.

In two popular articles written in the first years of the century, Clark laid out a scenario as to what the world, or at least the United States, would look like *if* '... economic laws continue to work ...' (Clark, 1901e, p. 1649). 'The Society of the Future' and 'Recollections of the Twentieth Century' posit a beatific vision based on the natural laws flowing from competition and the marginal product. War will end and the world will come under the 'peaceful dominance' of the US, based upon the extension of trade (Clark, 1902a, p. 5). Slums will disappear and cities grow into glorious playgrounds of habitation (Ibid., p. 5). Technological advances will end reliance on natural resources as sources of power and environmental health will replace environmental destruction (Ibid., pp. 5–6). Finally, trusts and unions will work together to usher in a 'new democracy' with prosperity for all in which a 'people's capitalism', where property is democratized through stock ownership and profit-sharing, represents the shining conclusion of the workings of natural economic forces (Ibid., pp. 7–8, 16; Clark, 1901e, p. 1650).

In all of this, the marginal product and competition were both the guiding and the organizing principles. Once people realized the truth and virtue of these two great propositions, and after flirting (disastrously) with communism, societies were reorganized, laws passed, and institutions created to provide the most favorable environment within which these natural forces could work their wondrous ways (Clark, 1902a, pp. 9–10 *passim*).

Now there is no point in criticizing Clark's vision. After all, one could readily agree that society has not adopted his theoretical foundations and, thus, has not reaped the full benefits supposedly emanating from this foundation – though it is certainly true that, following Clark's advice, economists have tried to educate the citizenry and legislators to good neoclassical principles in attempting to frame such a world (Clark, 1910c, p. 434).

Rather, the main issue is: to attempt to connect Clark's view on progress with both his divinely ordered and natural law-driven worlds; to relate these considerations to his concept of justice; to show how all of this accommodates an even larger perspective induced by the workings and framework of capitalist society; and to demonstrate that, contrary to Clark's mature claim, his work was anti-Darwinian, or anti-evolutionary. This, the reader is reminded, returns us to the pressing philosophical issues posed in Chapter 2 on the supposed retreat from overtly religious apologia and the substitution of modern, up-to-date scientific defenses of established authority.

Clark's insistence on a natural law basis for economic relations and progress, which appears to put the discipline of economics on the same level as the physical sciences, promotes a particular view of society and the place of economics therein. This point of view claims that there are non-social forces driving society toward some deterministic end, an end that has been established prior to and standing above the organization of society itself. Society can attempt to abrogate these laws, but only at its peril. The disequilibrium distortions generated by such attempts create nonharmonious, disruptive results leading to the possible destruction of society itself.

This is not to say that society has always abided by the dictates of natural law. Clark discusses, particularly in his early period, forms of social organization that were not in accord with natural law: tribalism, slavery, feudalism. And there remains the potential that, given the dissatisfaction caused by 'frictions' and 'obstacles' put in the way of natural forces, people will attempt to create yet another organization in violation of the true, underlying natural state of affairs: socialism. But, in the past and, (should socialism be attempted) in the future, natural law will have its way and people, learning from their mistakes, will steer the economy toward its true course.

If one puts this argument forward in the form of a simple model, the natural progression of society would be seen as an upward-sloping line (perhaps straight, perhaps rising at an exponential rate) with time on the horizontal axis and economic growth (or progress) on the vertical. Previous, non-capitalist societies oscillate around this line but are pulled ever closer to the natural trend as knowledge of the laws of economics accumulate and institutional adjustments are made. 'At the point in the economic system where (capitalist) titles to property originate . . . the social procedure is true to the principles on which the right of property rests' (Clark, [1899a] 1965, p. v). Capitalist property relations are consistent wtih the natural laws driving society forward and, with the establishment of competitive capitalism, the economy now moves along the natural trend line. Monopoly, non-Clarkian trade unions, and government interference will cause subsequent oscillations, but these are mere 'frictions' and can be readily dealt with. Socialism would generate wildly disruptive oscillations that would eventually cause a re-examination of such a society and a restoration of the necessary property relations to restore the social equilibrium resting on natural law.

Clark, as representative of neoclassical theorists in general, puts forward a general theory labelled by Marx and Engels, 'the illusion of the epoch'.

> It is characteristic of the ruling class in each epoch of class society to regard the established social order as a product, not of history, but of nature. . . .
>
> Each epoch has introduced a new illusion determined by the new class relations, the new relations of production. Thus the mode of exploitation characteristic of ancient society was slavery; and slavery was justified by Aristotle on the ground that the slave is naturally inferior to the freeman. The mode of exploitation characteristic of feudal society was serfdom; and serfdom was justifed by John of Salisbury on the ground that 'according to the law of the universe all things are not reduced to order equally and immediately, but the lowest through the intermediate and the intermediate through the higher'. The mode of exploitation characteristic of capitalist society is wage labour, the labourer being 'free' to sell his labour power, just like any other commodity, on the open market; and this 'free competition' was justified by Rousseau's *contrat social*, 'which makes naturally independent individuals come in contact and have mutual intercourse'.
>
> These 'illusions' are inevitably reflected in the philosophical and scientific theories of the ruling class. The world of nature and of man is interpreted on the basis of certain assumptions which are accepted without question as absolute truths, although in fact they are historically determined by the position of the given class in the given epoch. (Thomson, 1977, p. 342)

All class societies have featured such an illusion, and it is one of the primary ways, probably *the* primary way, by which such societies are maintained in the interests of a particular ruling class. If slavery, feudalism, capitalism are all 'natural', then such societies each variously represent the best that is possible and those seemingly disadvantaged should disabuse themselves of the notion that a fundamental change in the social order is possible or even welcome.

Now, Clark obviously did not invent this grand theory. Rather, he was responding to a much larger perspective that had begun taking shape in Europe over the previous two centuries and had consolidated itself in the 1800s. By the end of the nineteenth century, with the economic ascendancy of the United States, this perspective had become firmly entrenched in the country of Clark's birth and early training. Clark, in other words, was simply reflecting an ideological outlook already well established.

With the rise of capitalism in Europe, nations of that continent quickly rose to dominance over Africa, Asia, and the Americas. While the dating of this accession is arguable (Blaut, 1993, pp. 50–8), there is no question that prior to the fifteenth century, Europe was not more advanced than societies of other continents and, in many respects, was considerably more backward than those societies.

With European advances and the eventual domination over Africa, etc., arguments were created to explain 'the European miracle'. While these arguments (myths, really) sometimes focused on a particular rationale (racial superiority became increasingly a favorite for it justified the subjugation of Africans, American Indians *et al.*), all such rationales were contained within one larger argument – that of 'natural' progression.

To accomplish this end, history had to be written demonstrating the 'natural' backwardness of other peoples and their societies, the role of Africa in the history and formation of Europe had to be excised, and Europe had to be placed in a special category because it, rather that Africa, conformed to a set of precepts that were unique and natural (Bernal, 1987, especially chs. 4–6, 9; Blaut, 1993, ch. 2). Gradually, European capitalism came to represent progress and normalcy.

Given that these ideological perspectives were founded on economic dominance, by the second half of the nineteenth century the center of this progression and normalcy began shifting to the United States. 'Manifest Destiny' was the watchword and US capital was accorded the right to subdue and dominate (hopefully a 'peaceful dominance') the rest of the world.

Clark's writings so readily accommodate this larger perspective, so readily fall into the larger patterns demanded of the model, that one is tempted to argue that he must have consciously organized his thoughts with this outcome in mind: his natural law foundation that guides (American) society to the secrets of immutable progress; his racism; his acceptance of US dominion over the 'inferior and less civilized' countries; his almost rabid defense of extant property relations and hostility to any perceived threat to that property – the fount of progress.

And, there is little doubt that at some level Clark was conscious of what he was doing. How could he not be? After all, he tells us himself that a theory of distribution must be found that justified and defended capitalist property (Chapter 3). But, at a larger level, he was simply setting forth an ideological statement in keeping with the tenor of his time. This does not excuse him, to be sure. But Clark did not establish the constraints within which acceptable ideas could unfold: these were set long before him. Clark merely accommodated himself to these constraints. And, given the nature of authority and his interest in an academic career, what else should one expect? Again, academics are not usually recognized by their moral fibre.

But, given his natural law, non-social, non-historical approach, Clark's work repudiates the claim that he has shrugged off his previous ethics-based, religious-oriented economics and has adopted a modern, scientific, Darwinian perspective.

First, Clark confined his theory to static relationships. This clearly violates the requirements of an evolutionary mode of analysis. But, even if Clark had fulfilled his promise to provide a complete dynamic theory, given the strictures imposed by his more general theory based on natural law, he still would have failed.

Given Clark's point of view, capitalism, because it alone satisfies the requirements imposed by natural law, has been omnipresent. Certainly, in previous history it was difficult to observe this given that past societies, in their ignorance of natural law, organized themselves in ways that concealed the workings of true nature. But capitalism was always struggling to assert itself and finally succeeded. And with its success, history comes to an end (presaging the current 'end of history' calumny). Should yet another social experiment be conducted, natural law would quickly quash that organization and drive society back to its normal, natural mode of existence.

For Clark, then, capitalism is really an historic constant, a teleological universal. Capitalist laws have existed from the beginning of time and have waged a continuous, lock-step struggle to force society to adopt the proper property relations and other institutional constraints within which these laws can reach full fruition. There is no evolution of capitalism – no birth, maturation, and, most significantly, death – but merely a continuous unfolding until the competitive apex is reached. And, as this is the case, there in no reason to study the birth, maturation, and death of this or any other social system. Change occurs, but only within the parameters of capitalism. No principle of transmutation can be found in Clark's work as his view of necessary progression does not permit nor require such a principle.[1]

Lastly, all the above collapses into the answer to the final question concerning Clark's theoretical work. Did he truly abandon his early religious (Christian) line of argument and replace it with one based on science? We have already seen that Clark continued to write for a religious audience throughout his mature period, pushing exactly the same positions regarding natural law, competition, distribution, the trusts, unions and war that had been argued in the professional journals. More telling, though, are two works written in the post-*Distribution* period, in which Clark gives us a more complete answer and, finally, tells us his meaning of justice.

In an address before the New York State Conference of Religion in November 1902, Clark enunciates the central organizing theme of his entire body of work. Asking the question, '[w]hat should be done to promote the religious character of the democracy as a whole' (Clark, 1903c, p. 1), he first asserts that, contrary to those who see the state (capitalism) as so 'utterly bad' that it needs to be destroyed and reconstructed afresh, the state is 'fundamentally righteous' and 'the plan on which it is organized is one that should lead to good results, and that society is actually tending in the right direction' (Ibid., pp. 1–2). Granted, there are still 'imperfections', but these can be removed.

Now, these imperfections ('frictions', 'obstacles') can be dealt with in two ways. There must occur a growth in 'personal character', and here Christianity plays its most important role (Ibid., p. 2). But, even if the Christian program were to be wholly successful, and all individuals were to practice universal love, benevolence, and brotherhood, a second imperfection exists. In the world of business, people are influenced by self-interest and this imperfection would continue '*even in the millennium*' when all have good personal character (Ibid., p. 3; emphasis in original).

Fortunately, a 'fundamental' natural law exists that effectively remedies this more problematic imperfection: competition. Buyers and sellers meet on the equal playing field of competitive markets and engage, in their own self-interests, in a game not of 'grab' but of 'give-away'. The competitive process serves the public in assuring the lowest possible price, the highest level of efficiency, and the greatest rate of progress (Ibid., p. 5).

And, while monopoly, in both business organizations and labor unions, 'perverts' this natural force, institutional change can be implemented to 'remove obstructions and let the fundamental law work' (Ibid., p. 7). 'If we could only get the conflict that rages in the economic sphere so aligned that the forces of justice should be on one side, and monopolies on the other, we could settle the issue easily' (Ibid., p. 4).

While monopoly is 'morally evil', competition is 'morally good', 'progressive', and 'honest' and permits no cheating of workers (Ibid., pp. 5, 6). So:

> ... the kind of reform we need in order that the democracy may become in a true sense, a religious democracy – that is, one that conforms in practical conduct to the high precepts of religion – is the strategic application of power to remove obstacles, and let a natural force work. (Ibid., p. 7)

Natural law, then, is equated to competition (and the law of distribution that flows from competition), and competition is morally good and *is* justice, in conformity with Christian dogma. Natural law is not juxtaposed to divine law but *is* divine law. Clark has fulfilled the appeal of his first teacher in economics, Julius Seelye, to discover the laws of nature that reveal the divine intellect that created them (Chapter 2). He has completed his mission.

This position is neatly summarized in Clark's Barbara Weinstock Lecture on the Morals of Trade, delivered in 1914 to the University of California at Berkeley and printed as *Social Justice Without Socialism*. Here, one sees clearly and without reservation precisely what Clark understood his competitive natural law to mean:

> [There is a law that] ... tends in the direction of a fair division of products between employer and employee, and if it could work entirely without hindrances, would actually give to every laborer substantially what he produces. In the midst of all prevalent abuses this basic law asserts itself like a law of gravitation, and so long as monopoly is excluded and competition is free ... its actions cannot be stopped, while that of the forces that disturb it can be so. In this is the most inspiriting fact for the social reformer. If there are 'inspirational points' on the mountain-tops of science ... this is one of them, and it is reached whenever a man discovers that in a highly imperfect society, the fundamental law makes for justice, that it is impossible to prevent it from working and that it is entirely possible to remove the hindrances that it encounters .... Nature is behind the reformer.... To get a glimpse of what it can do and what man can help it do is to get a vision of the kingdoms of the earth, and the glory of them – a glory that may come from a moral redemption

> of the economic system. . . . We may build a new earth out of the difficult material we have to work with, and cause justice and kindness to rule in the very place where strife now holds sway. A new Jerusalem may actually arise out of the fierce contentions of the modern market. The wrath of men may praise God and his Kingdom may come, not in spite of, but by means of the contests of the economic sphere. (Clark, 1914a, pp. 34–6, 47)

And, finally, at the most basic political level, it is important to note the relationship between Christian beliefs (particularly in Clark's time), Clark's divinely ordered world, and the conclusion that flows from his natural-order progression.

Christianity asserts the existence of a future state in which individuals will be rewarded or punished according to their faith and their conduct on earth. In the promised heaven, the current unequal distribution of power and wealth that now so chafes people will no longer be an issue, as it will be a world of equality. However, if one follows the dominant, institutionalized form of this religion (Clark's base) to attain this world, one must conduct one's life according to the dicates of authority: 'Render unto Caesar that which is Caesar's'. One must not strike out against perceived injustices, or, at a minimum, must not broach the constraints of judicious opposition (which are, in any case, ephemeral) but must wait for divine retribution.[2]

Both Clark's deity-directed end and his natural order end promise the same heaven – but now a heaven on earth and constrained by earthly considerations: equality of possessions is ruled out as this would violate the constraints of capitalism. But Clark's heaven is achievable only if those who currently feel disadvantaged do not attempt to restructure society and thus violate divine and/or natural law.

In short, what Clark offers is an earth-bound equivalence to the older paradise that, if believed, counsels patience, acceptance of authority, and the continuation of the extant social order. All three systems are essentially the same in their general political thrust – control over the lives of the majority and the prevention of 'seditious acts'. In all three, the natural and the moral, spiritual worlds conjoin, proffering the promise of eternal salvation and social perfectibility.

Notes and References

1 John Bates Clark: A Life, 1847–1938

1. Much of the material in this chapter is extracted from Alden Clark's memorial publication, issued shortly after Clark's death, and supplemented by John Maurice Clark's reminiscences in J. M. Clark (1952).
2. Clark had begun his university program at Brown University, transferring to Amherst and enrolling with the class of 1869 following family financial troubles.
3. This arrangement was conventional for the time. If taught at all, 'political economy' consisted of a section of a senior course in moral philosophy usually taught by the college president and always promoted as fitting the precepts of religion. See Parrish, 1967, p. 2, for this and many other points about economics as taught in the United States during this period.
4. The first graduate *course* in economics was inaugurated by Harvard in 1875; Yale followed in the same year. Not until 1876, however, did The Johns Hopkins University introduce a more formal program. Only three PhDs were awarded in the 1870s: Harvard in 1875, Yale in 1877, and Johns Hopkins in 1878. Interestingly, Harvard did not grant another until twenty years had passed; for Yale and Johns Hopkins, the figures were seven and ten years respectively (Parrish, 1967, p. 4).
5. Carleton seems to have been the first institution of higher learning to use the term 'economics' (rather than political economy) in describing its position. It should be noted that Carleton was a leader in establishing a professorship in this subject. The first chair in political economy had been established only four years earlier at Harvard, where it was filled by Charles Dunbar.

2 The 'Christian Socialist' Period, 1877–1886

1. Much of the argument contained in this and the ensuing chapter will be found in Henry, 1982; 1983; 1995.
2. 'Prior to the middle of the nineteenth century virtually all economic and politics had been taught by professors of Mental and Moral Philosophy. The philosophy of these classrooms usually consisted of an elaborate apologetic for Christianity and the inculcation of Christian moral ideas. . . . Secular social theory presented a direct challenge to both the authority and function of the church and its instruction' (Everett, [1946] 1982, p. 24).

   At the same time, this is not to say that all those opposing extant society and/or its institutions were irreligious. Henry George argued that *his* system was a divinely-structured natural order.
3. And in so doing, made his own life uncomfortable. In an informed study of Darwin's work in relation to the larger society surrounding him, Howard Gruber has shown that the principal reason that Darwin was so hesitant

to publish his researches was his fear of persecution by the prevailing authority of the time (Gruber, 1981, especially chapter 2).

4. And lest one think that the enemy was oblivious to Darwin, the noted labor organizer William ('Big Bill') Haywood reports that miners on the western frontier maintained circulating libraries in which one found Darwin's *Origin of Species* as one of the most prominent works (Haywood, 1929, p. 23). Also, Haeckel's *Riddle of the Universe*, though something of a vulgar popularized account of Darwinian theory, was translated into twenty-five languages and sold millions of copies in its ten editions (Gasman, 1971, p. 14).
5. This is not to say that Marx and Engels uncritically adopted the Darwinian framework. Indeed, Marx saw Darwin as being influenced by the society surrounding him and thus allowing conventional Victorian ideas to somewhat shape his scientific views. The connection between Darwin and Marx lies in the general theory of evolutionary change rather than the specifics thereof.

   Nor does this contention imply that *some aspects* of Darwin's work could not be used to buttress conservative doctrine. Surely the whole argument of 'Social Darwinism' has at least something to do with *some* features of Darwin's theory. See Bannister, 1979.

   Finally, it is true that conservative, 'neoclassical' economists of the day saw a justification for their competitive, *laissez-faire* approach in Darwin. See Schweber, 1980.
6. Originally, however, Spencer had argued his case in the context of divine law (Fine, [1965] 1964, p. 33).
7. Concurrently, a conservative trend in American religious circles emerged in 1877, that of a millennial evangelicism led by Dwight Moody. While this tendency certainly had an impact in its inception period, it is probably more important in establishing the basis for today's fundamentalist developments.

   What is perhaps of greatest significance here is that the different religious movements represented differing responses to the social stress of the period, one attempting to maintain existing authority through forward-looking reform, the other through a backward-looking appeal to certainty. This is not unusual. Indeed, we observe the same development at various points in history whenever society is subjected to significant upheavals (see Lewy, 1974). Moreover, while various individuals and organizations of a religious bent appear to welcome change of a revolutionary sort (witness the peasant movements of the medieval period – Jan Huss, John Ball, et. al), the principal function of the reformist trend would appear to be that of directing social movements into safe channels, deflecting the revolutionaries and preserving the sanctity of property. Thus, in the modern 'Liberation Theology' movement in Latin America, the Church has acted to maintain a progressive appearance while eliminating the revolutionary threat posed by communist priests, et al. within that movement through the time-honored tradition of simply expelling them and adopting a program that continues to lie within the existing constraints of current authority within those countries (Levine, 1986, especially pp. 246–7).

8. One might compare Walker's argument on divine harmonies to that of the French journalist-economist Frederick Bastiat:

   All men's impulses, when motivated by legitimate self-interest, fall into a harmonious social pattern. . . . For certainly, if humanity is inevitably impelled toward injustice by the laws of value, toward inequality by the laws of rent, toward poverty by the laws of population . . . we cannot say that God's handiwork is harmonious in the social order. . . . (Bastiat, [1850] 1964, pp. xxi, xxviii, emphasis in original).

9. In 'The Philosophy of Value', Clark establishes his claim as an independent co-discoverer of the law of diminishing marginal utility (in Clark's terms, 'effective utility') (Clark, 1881, pp. 460–2). Given that this article was written ten years after the publication of Jevon's *The Theory of Political Economy* (and ignoring all the literature pointing in this direction prior to Jevons), one should not, perhaps, put too much emphasis on this claim. Or, perhaps, this may be evidence of Stigler's argument on the gradualist rather than revolutionary process by which this theoretical position reached dominance (Stigler, in Black et al., 1973, pp. 305–20).
10. It is noteworthy that in this article, Clark puts forward a crude notion of price elasticity of demand, separating goods into two orders ('lower' as food and 'higher' as works of art) according to his perception of their relative elasticities (Clark, 1877b, pp. 720–1).
11. Ironically, Marx and Engels, in their *The Holy Family* (1844) and *The German Ideology* (1845–47), had subjected German 'true socialism' to bitter and scathing criticism for developing an argument similar to that of Clark's in that the German writers concocted various schemes that were not based on an examination of actual social movements, but rather were simply the idealized versions of what they would like to have seen. Further, as these ideas were not based on an examination of social processes, they largely reflected and reinforced the ideology and institutions of the society that surrounded them and of which they were a part – capitalism. See Marx and Engels [1845–47] 1976, pp. 479–611.
12. Indeed, in a series of book reviews written for *The New Englander* in 1880, Clark demonstrates precisely these points as well as illustrating his affinity for the Social Gospel as a *constraining* force.

    In his review of Woolsey's *Communism and Socialism*, Clark makes it clear that his argument is directed against Marx (the only mention of this theorist I have found in his writings) (Clark, 1880b, p. 415). In his (less favorable) review of Thompson's *The Workman*, Clark sympathizes with the author's attack on the 'false friends' of the working class – '. . . those who would teach him delusive theories of Political Economy, arouse his enmity against property-owners, and incite him to riot and socialism' (Clark, 1880c, p. 417), and the Reverend Thompson's advocacy of religious instruction as a vehicle through which the worker can be turned away from such 'false friends' (Ibid., p. 418).

    Clark concludes his review by claiming the book to be '. . . one of the best of its class, an effective, popular argument for the existing industrial system, as against the socialist schemers whom the author learned to know during his German residence, and from whose migration to this country he entertained serious apprehensions' (Ibid., p. 418).

In his extremely favorable review of Joseph Cook's *Socialism*, we see clearly Clark's affinity to the Social Gospel movement. Cook was one of the leaders of this organization, and in a series of lectures comprising the volume reviewed layed out the tenents of the movement which basically revolved around the distinction between 'political socialism' and 'cooperative socialism', the latter including large corporatist capitalist structures (Clark, 1880d, pp. 704–6).

13. Clark's conception of competition is ever changing. At no point does he specify precisely what he means and it certainly is true that the meaning does change within various contexts. Perhaps the best way to define Clark's use of the term is as an 'ether' through which the specifics of his arguments run their course. See Morgan, 1993. It does appear, though, that in the most general of contexts he equates competition and capitalism.

3 Clark after Haymarket

1. At least this is the case in his writings for the economics profession. As will be seen, the religious element remained in publications designed for church organs.
2. 1886 was a crucial year for the union movement in the United States. May 1 heralded the occasion of a national strike in an attempt to secure the eight-hour day. While feelings were running high throughout the country, social stress probably peaked in Chicago, one of the leading industrial cities of the country, where the eight-hour movement coincided with a strike already in place against the McCormick Harvester plant. On May 3, police fired on striking workers killing at least four, and on the next day a demonstration was held in Haymarket Square to protest the killings. As the mass meeting was winding down, police appeared and someone (most likely a police agent) threw a bomb, killing eight policeman. The police then opened fire on the remaining crowd and City officials then proceeded to round up labor leaders, arresting hundreds, and sending eight well-known anarchists to trial. The eight, of whom only one was on the scene of the attack, were charged with murder (though not throwing the bomb). Following a rigged trial under Judge Joseph Gary with the jury consisting of foremen from various Chicago mills, four were hanged, three were given life sentences and one committed suicide while in custody.

   Haymarket signalled the beginning of a massive assault on organized labor. Employers, governments at all levels, the press, and police and military units organized the first 'Red Scare' in an attempt to squash the labor movement in the US. See Foner, 1975, pp. 105–31.
3. This is not to say that the anti-labor, anti-radical campaign met with unlimited success. Strikes, protests and populist agitation continued into the mid-1890s as witnessed by Homestead in 1892, Pullman in 1894, Coxey's 'army' of 1894 and the formation of the Populist Party in 1892.

For a survey of the period, see Destler, [1953] 1964; Goodwyn, 1976; Wiebe, 1967.

4. For case studies of the purges and their relationship to the maintenance of authority, see Furner, 1975. For an account of a more recent period of such activity, see Schrecker, 1986. Perhaps the most telling point in such studies is that there were so few academics to purge, this a marked comment on the supposed independence and courage of this segment of the population.
5. In this same letter, Clark asks Adams to not let Ely know that Clark had been in contact with Adams.
6. Interestingly, as Engels noted: 'Before Darwin, the very people . . . who now see nothing but the *struggle* for existence everywhere were stressing precisely the *cooperation* in organic nature' (Engels, cited in Meek, [1953] 1971, p. 197). Very quickly, it would appear, Darwin's general theory was reduced to a set of empty phrases which, nevertheless, suited the temperament of the time, and which resulted in the 'Cardboard Darwinism' of the modern period. See Gould, 1987, pp. 26–50.
7. At the conclusion of this piece, Clark reports on recent developments in Connecticut where, following the attempt to crush a strike, employers, working with ministers (Washington Gladden is specifically mentioned) then organized their own unions (company unions) to provide the proper direction for labor.
8. While this is not crucial to the argument, it should be pointed out that Clark misinterprets, consciously or unconsciously, Smith's definition. He includes in Smith's 'profits of stock' the return to management or the 'entrepreneurial' return, a position that Smith himself adamantly and overtly rejected. For Smith, profits represented simply a return to ownership. See Smith, [1776] 1937, p. 48.
9. In September, 1889, Clark debated George as part of an American Social Science Association meeting in Saratoga, New York. Along with Clark on the 'Single Tax Debate' panel was Edwin Seligman, soon to be Clark's colleague at Columbia. For the details of the debate, see Barker, 1955, pp. 565–7.
10. 'The Moral Basis of Property in Land' was one contribution to the *Journal of Social Sciences* debate on the 'single tax' – George's program by which all government revenues were to be raised by a tax on land, a tax that represented the rental value of that land.
11. On Veblen's position see 'Between Bolshevism and War' in Veblen, [1921] 1954, pp. 437–49. Compare to Lenin, *The State and Revolution*, [1917] n.d., ch. 1.
12. And, Clark is mindful that the origin of private property was theft, though he amends the actual history of the process by which the land was filched. Arguing that '. . . the government originally held the land [and conceded] to Indians a right of occupation, it extinguished that right by a series of treaties. If there was injustice in the manner in which this was done – and there is no need of denying that there was, – the responsibility for it rests on the state as a whole, and would not be righted by further seizures by the government which was the offending party' (Clark, 1890c, p. 69).

    Now, clearly, the government was not the original holder of the land,

and it did not 'concede' the actual occupiers a 'right of occupation'. The important point here, I would argue, is not Clark's sorely erroneous history of the process but the expressed position that, having committed injustices in this process, current justice would not be served by restoring the land to it rightful owners. Thus, a 'moral basis' is established at one point in the process – once the land is alienated – and moral qualms (or outrage) that stem from the history prior to alienation are ruled out of order. Morality, then, is not some historic constant (as argued earlier and which was suggested as springing from a deity), but merely an arbitrary relationship that takes its basis from the institution of private property.

13. In fact, the 'survival of the fittest' justification as applied to society owes more to Spencer than to Darwin.
14. The significance of an ethical standard that is given by the economic (or political) attributes of the organization being examined cannot be overstated. In setting forward such a standard, the theoretician accepts the social institutions as given; then, rather than critically evaluating those institutions, erects an argument that, as it takes them as a starting point, rationalizes those very institutions. In such a fashion, for instance, slavery could readily be justified as morally sound. John C. Calhoun, perhaps the most noted statesman the slave South ever produced, once claimed that slavery was '. . . a good – a positive good', that the slave-master relationship was '. . . the most solid and durable foundation upon which to rear free and stable political institutions'. In 1858, a southern Congressman stated that it was God's will upon which '. . . the moral aspect of this institution . . .' was created. Such a justification was neatly summed up be a southern clergyman who argued that '[b]onds make free, so they be righteous bonds'. (Quoted in Beard and Beard, 1934, pp. 705–6.)

4 The March to *Distribution*

1. Schumpeter, on the other hand, has argued that the joining of the marginal productivity theory of distribution to an ethical conclusion was an error on Clark's part. The former, as a strictly scientific concept, can be nicely separated from any moral story and stand on its own (Schumpeter, [1954] 1961, pp. 868–70). But, the whole development of this 'scientific' notion, in particular that of Clark, was based on an ethical position that determined the outcome.

   And while it may be true that Clark provided a 'made-to-order foil for the diatribes of a Veblen' (Stigler, 1941, p. 297), this is due less to his supposed naïvete (as claimed by Stigler) than to the relative frankness with which Clark associates his theory with that of a political perspective. For Myrdal, Clark's equation of the marginal product and justice is only normal in that economic theory must contain some 'Political Element' in its underlying content (Myrdal, [1954] 1969, especially pp. 148–50).
2. In 'Natural Law in Political Economy', a piece written for *The Christian Register* in which Clark exhorts his (progressive) religious readers to accept the new scientific doctrines, he argues that his theory of distribution is in the same mold as Darwin's theory of evolution (Clark, 1891d,

p. 791). This equation is clearly false (as will be seen), but it does appear to give to Clark's theory an integrity that may not be readily apparent on its own merits.

3. Observe that Clark here actually reverses the line of argument. His primitive society appears to be the capitalist model upon which modern society is based rather than simply a projection of capitalist relations into the past.
4. For instance, Frank Knight, one of the truly great philosophic economists of the neoclassical variety, once argued:

   > I do not see how we can talk sense about economics without considering the economic behavior of an isolated individual. Only in that way can we expect to get rid by abstraction of all the social relationships. (Knight, 1960, p. 71)

   (Knight then goes on to demonstrate the fallacious nature of various theories, including that of Keynes on interest determination, because they do not fit a Crusoe economy.)

   Lionel Robbins, in his classic philosophical statement, restates the same position:

   > ... we regard [the economic system] as a series of interdependent but conceptually discrete relationships between men and economic goods. (Robbins, [1932] 1952, p. 68)

   > This leads to the following proposition:

   > The generalizations of the theory of value are as applicable to the behaviour of isolated man or the executive authority of a communist society, as to the behaviour of man in an exchange economy – even if they are not so illuminating in such contexts. (Ibid., p. 20)

5. This line of argument has been termed the 'Devil's Thesis'. Peace, harmony, justice would prevail as aspects of the natural order of things were it not for some force outside the system under examination – the devil or some other outside agitator. Thus, in the southern regions of the United States, Blacks were perfectly content with their place in a normally harmonious society until 'northern Yankees' (foreigners, communists, etc.) stirred them up.
6. To view land as just another type of capital good would seem to be part of Clark's ongoing criticism of Henry George's version of the marginal theory of distribution. As George was attacking the rent of land as an unearned income and an income that could therefore be taxed without affecting the flow of output. To place land in the same economic category as machinery would then demonstrate that the income of land had the same foundation as the income of capital – both were rents, but both were 'earned' as rents measured the contribution to output of each. George's theory, then, was misplaced: Land was no different than machinery and if the rent of land were taxed it would produce the same disruption of the economic process as if the rent of machinery were taxed.

7. In this regard he bore a striking similarity to Alfred Marshall, who made the same unfulfilled promise.
8. In 'Insurance and Business Profit', Clark, attacking Hawley's conceptions of risk and profit and their relation, anticipates Frank Knight's *Risk, Uncertainty and Profit*, though his main point here is that it is the capitalist (or supplier of capital) who undertakes risk rather than the entrepreneur (Clark, 1892b). For Clark's place in the development of the theory of perfect competition, see Stigler, [1957] 1965, pp. 253–6.
9. In 'Distribution as Determined by a Law of Rent', Clark treats labor as 'energy' (Clark, 1891a, pp. 302–3).
10. For Senior, abstinence represented a necessary cost of production (along with the costs of labor and natural resources). Price must then include an interest payment that measures the sacrifice of the capitalist in bringing the good to market. A portion of these present consumption goods thus represents the past foregone gratification of this capitalist.

    For Clark, capital is a continuum and is not demarcated by time intervals (as are capital goods). While abstinence is the underlying reason why the capitalist is deserving of an income it is not a measure of interest. Interest is solely a measure of the productivity of capital. On Senior, see Böhm-Bawerk, [1890] 1957, pp. 269–87.
11. For an extended treatment of the details of the debate, including a full bibliography of the exchange, see Cohen, 1993. Much of the argument here is drawn from this article which places the historic debate within the context of the modern 'Cambridge Controversy'.

5 *The Distribution of Wealth*

1. Usually this line of argument gets bound up in the 'is' versus 'ought' debate (see Blaug, 1980, pp. 129–58). Here, however, I am dealing with the notion of a theoretical perspective that is predicated upon a particular ethical standard in which that standard promotes or fashions the theory itself.
2. In this regard, Stigler's discomfiture with Clark's claim that his 1899 work provided an ethical justification for capitalism is unfounded (Stigler, 1941, p. 297). *Distribution* was the *culmination* of a two-decade period of development in which Clark first established the standard to which economic theory must conform if it is to be acceptable.
3. This static–dynamic error in Clark's theory is paralleled in physics, and interestingly both errors rest on precisely the same erroneous foundation:

    > These problems might suggest that the equilibrium approach is rather flawed. It is tantamount to suppressing time's essential role in the very notion of process. For all processes occur in a finite period of time and therefore cannot involve an infinite succession of these equilibrium states along the way. Nevertheless, many scientists somewhat paradoxically still try to think about thermodynamic processes in this way. One reason for this is that concentrating on equilibrium allows them to do away with the inconvenience and difficulty of describing irreversible processes. (Coveney and Highfield, 1990, p. 155)

4. While this is no place for a full discussion of the contrasting theories of entrepreneurship, nor of the problems inherent in these accounts, including that of the basic issue of definition, see Casson, 1982; 1990 for a complete account. It should be noted that the whole issue of and problems associated with the various concepts of the entrepreneur are bound up with questions concerning the neoclassical theory of profits. See Obrinsky, 1981; 1983; Siddiqi, 1971. For a critical account of the whole concept, see Dobb, [1924] 1955.
5. This distinction is further developed in his 'Concerning the Nature of Capital: A Reply' (1907c). This piece formed part of the ongoing debate with Böhm-Bawerk over the nature of capital and the basis of interest.
6. Of course, from Clark's (and the neoclassical theorist's) individualist point of view, the fact that a worker secures employment in a particular activity must mean that that individual has chosen to be so employed – or she would not work in this pursuit.

   Indeed. Clark recognizes that the type of jobs available change over time, yet in good individualist form reverses the order of causation: 'Because the men are changing, however, the kinds of work change also' (Clark, [1899a] 1965, p. 158).
7. It is important to understand that the marginal product of capital is a measure of a net return, above that of replacement costs. As machines wear out, this depreciation contributes nothing to production. The productivity of capital refers to machinery contributing to output something beyond that of mere replacement (Clark, [1899a] 1965, pp. 148, 271).
8. Interestingly, Clark still does not get his argument on diminishing returns right. At times, he correctly states the 'law' in distinctly marginal terms (Clark, [1899a] 1965, pp. 48, 50, 374), while at other times it appears as an average product (Ibid., pp. 280, 300–1).

   This inconsistency aside, it is clear that Clark understood that marginal returns had to fall for his argument to hold. If increasing returns prevailed and the wage (or interest payment) was determined by the marginal product, then wages (or interest) would be greater than the total product. If the wage (or interest payment) were determined by the average product, or if constant returns held so that the average and marginal products were equal, then wages (or interest) would be equal to total output and no income would be left for the other factor of production.

6 Clark, the Professionalization Process and the War Essays

1. For a more comprehensive understanding of the complexities of the professionalization process in the United States, the reader is advised to turn to Coats, 1960; 1985; Commager, 1950; Dorfman, 1949, pp. 205–11, passim; Fine, [1956] 1964; Furner, 1975; Haskell, 1977; Hays, 1957; Noble, 1958; Ross, 1991, parts II and III. For England, see Groenewegen, 1988; Maloney, [1985] 1991. Streissler (1973) contains information on the situation in Austria.

   For a most insightful related study of the process as it affected the engineering profession in the United States, see Noble, 1977. Schrecker, 1986, while an analysis of the post-World War II developments in the US, contains excellent material that is most useful in understanding the relationship between professionalization, intellectual authority and the larger social and political constraints within which that authority is developed and exercised.

2. In 1882, J. Laurence Laughlin of Harvard and the industrialist/economist Edward Atkinson founded the Political Economy Club, which had some trappings of a professional organization. While counting among its members some of the more distinguished economists of the day – Charles Adams, Ely, Seligman and Taussing among others – this body was more akin to a social club, though Laughlin had tried to move it in a more professional direction. See Coats, 1961.
3. In 1900, a subdued Ely, then at Wisconsin, returned to the AEA, assuming the office of President. Tamed by the forces surrounding him and, in his opportunistic style, having abandoned his previous 'radical' program, Ely was welcomed back into the fold and honored for his role in founding the organization (and most likely for publicly recanting his former radicalism) (Furner, 1975, pp. 157–62 *passim*).
4. This is not to argue that Clark developed his theory as some crass response to the demands of authority: It has already been observed that the roots of his mature theory date to the pre-1886 period. Rather, the holding of such a theory, no matter how unscientific, was in conformity with the demands of the period, and these demands reinforced that theory, assisting in its rise to a position of dominance. That is, authority prevented a fair judgement of such theories from developing by throwing its considerable weight in the promotion of those theories because they were 'safe' and discouraging oppositional theories and criticisms.
5. For an extended treatment of economists and their activities and ideas surrounding issues of war and peace, see Goodwin, 1991.
6. See as well his article, 'The World's Peace as Assured by Economic Tendencies' (Clark, 1903b) and 'The Workingman's Support for International Arbitration' (Clark, 1896c).
7. In *The Distribution of Wealth*, Clark iterates these themes, focusing on the relation of colonization (or 'assimilation') to changing levels of wages and interest (Clark, [1899a] 1965, pp. 434–42).
8. According to William Barber, it was Norman Angell's 1910 *The Great Illusion*, first published as a pamphlet in 1909 as *Europe's Optical Illusion*, that set '. . . much of the agenda of discourse on the implications of war . . .' (Barber, 1991, p. 61, fn). In fact, every point made by Angell had been made by Clark in the Lake Mohonk addresses, including the argument surrounding the need to reduce military spending to provide resources for domestic programs, thus stealing the socialists' thunder. Clark's addresses, though, surely did not reach the size of audience that did Angell's work.
9. As Foster points out, the leadership of many of the socialist parties and trade unions defected once hostilities actually broke out, urging 'Defense of the Fatherland' rather than defense of the working class, thus leaving this class without effective leadership. The political basis for this defection had been established well before the war.
10. Indeed, the conferences at Lake Mohonk were partially sponsored by business organizations (Clark, 1910b, p. 39).

11. The behavior of such capitalists can seem to be quite quixotic. To illustrate: In his study of the US anti-imperialist organizations formed in the 1890s, Igor Dementyev notes the influence of many businessmen in the movement against war *and* colonization – if they believed their economic interests were jeopardized. Thus, George Peabody, sugar beet magnate in the southern United States, was against the annexation of Cuba, Hawaii, and the Philippines given his fear of the threat posed by sugar cane to his markets. Andrew Carnegie joined the Anti-Imperialist League, formed in Boston in 1898, and was fairly lavish in his financial support. While outspoken in his opposition to European entanglements (including opposition to US colonial expansion in those areas where the European powers might become irritated), he argued quite vociferously that the whole of Latin America should come under control of US interests. Thus, on one hand, a spokesperson against colonies and for peace, on the other a promoter of colonization and war to achieve this end (Dementyev, 1979, pp. 226–38, passim).
12. Wilson's switch from neutrality to war-mongering may well have been influenced by US financial interests. With the outbreak of war, the allies greatly increased their purchases of US exports, initially paying in gold, then by selling foreign-held US securities, then through credit arranged by US bankers (all organized by the J.P. Morgan Company, the purchasing agent for the Allies). In 1915, the US Government lifted its ban on loans to the belligerents, a ban previously instituted as a measure of strict US neutrality. With the removal, loans to the Allies skyrocketed, and banking interests became increasingly tied to the fortunes of the allied governments, fortunes that depended upon a successful military outcome – which US entry could 'guarantee'. On this whole period, see Beard and Beard, 1934, pp. 609–62.
13. The Wilson–Clark correspondence is on file in the National Archives, Library of Congress, Washington, DC, and in the Princeton University Library.
14. Interestingly, following the declaration of war, the Government had to organize and conduct a major propaganda campaign to 'sell the war'. A Committee of Information was developed under the direction of veteran journalist George Creel, and this committee enlisted the services of leading academics, scientists, writers to organize an educational campaign to 'arrange the mental order' of the citizenry. To eliminate (or reduce, at least) oppositional educational programs, the Espionage and Sedition Acts were passed, essentially making it illegal to speak out against the war or the Wilson Administration. Concurrently, universities were purged of outspoken, anti-war professors, beginning, ironically, with Columbia University. See Beard and Beard, 1934, pp. 639–45.
15. In an address to the American Economic Association at its annual meeting in 1915, Clark elaborated these themes. He first argues that in individual nation states, property serves as a mechanism of control that, through the state machinery of courts, government and police, generates internal peace. Then he goes on to say that at the international level, no efficient institutions yet exist which prevent aggression so that '[n]ations . . . make war in order to extend their sovereignty over new territories, as well as

to add to their wealth . . . [and this] makes even private property insecure' (Clark, 1916b, p. 87).

He posits that modern wars are settled on the basis of, not military genius and strategy, but by the amount of resources thrown at the opposition. But the use of labor and capital to gain military advantage is costly, and those costs must be weighed against the economic advantage of pursuing war (Ibid., pp. 89–91). From a rational economic point of view, war should cease when the marginal benefits of added territory, etc., equal the marginal costs of securing that territory. (The noted Oxford economist F. Y. Edgeworth had developed a similar line of argument, and in a 1917 survey of war literature, gave high marks to Clark's analysis [Edgeworth, 1917, pp. 75–6].)

Clark also argues that a major cost of war is that '. . . it works selectively, killing and disabling the most productive workers and . . . lessens the average *per capita* efficiency of a people' (Clark, 1916b, p. 88) (though this would appear to contradict his marginal productivity theory as with the smaller laboring population, both the average and marginal products should be greater). Veblen, who represents something of a counterfoil to Clark, argued that, at least for the officer corps of European countries, the loss in life represents a net gain in efficiency as these individuals are drawn from the 'well-to-do classes', make no contribution to output, and would no longer have to be supported by the productive members of society (Veblen [1915] 1966, p. 277). (On Veblen's general position on war, see Biddle and Samuels, 1991, pp. 87–118.)

16. In his Report of 1911, Clark does not identify the speaker, but does note that this address '. . . confirmed the impression . . . that it would be the part of wisdom to avoid, in the general discussions, the broad questions of peace and war and to concentrate attention on the scientific purposes for which the Division was constituted' (Clark, 1911a, p. 79).
17. As an aside, in his 1919 Report, Clark displays an abysmal ignorance regarding the Russian (or any other) socialist program, suggesting that the success of collectivism is based on seizing the existing wealth of the property holders and distributing that wealth among the general population in the belief that this would allow high incomes to all. In reality, according to Clark, this program would simply reduce all to poverty (Clark, 1919, p. 98).

    Actually, of course, the Bolshevik program was not based on seizing wealth, but on gaining access to the means of production, expanding the production base, and increasing the flow of output based on producers' control of the production process.

7 On Trusts, Organized Labor and Other Matters

1. A literature exists indicating that the large capitalists themselves promoted the development of anti-trust legislation as a mechanism to facilitate maintenance of economic power. See Kolko, [1963] 1967; Weinstein, 1968 for sustained arguments.
2. Neither of these works adds to our understanding of Clark's position. The 1912 second edition of *The Control of Trusts*, written with his son

John Maurice and reissued in 1914, is noteworthy for a modification in the specification of the degree to which potential competition is a viable force.

3. Interestingly, Ely, who favored at least government control and public ownership in the case of natural monopolies, argued that such ownership was the most effective remedy *against* socialism (Ely, 1887, p. 263).
4. By the 1912 edition of *The Control of Trusts*, potential competition was no longer seen as an effective curb to monopoly pricing (Clark and Clark, 1912, pp. vi–vii; 26–7) and greater reliance was to be placed on government regulation to rescue competition (Ibid., pp. 187–202). Now, probably due to the influence of John Maurice Clark, Clark's basic position would seem to be the aligning of '. . . honest capital [which] is the natural ally of honest labor, organized' against dishonest capital, in order '. . . to make honesty . . . the only practicable policy on the part of the great corporations' (Ibid., pp. viii–ix).

   It might be noted that Bemis had earlier argued that Clark's potential competition was a 'weak crutch' in his defense of the trusts (Bemis, 1899, p. 419).
5. Or, as stated in the preface to the 1902 *The Control of Trusts*:

   > The purpose of this little book... confines itself to the one object of advocating a certain definite policy in dealing with [trusts]. It is the policy that relies wholly on competition as the regulator of prices and wages and as the general protector of the interests of the public. (Clark, 1902a, p. v)

6. For a fairly precise argument by Veblen that demonstrates the difference between his and the neoclassical point of view, and what these theoretical differences amount to in how the economy is understood, one can most profitably turn to his 'Why is Economics Not an Evolutionary Science' ([1898] 1961).
7. Jeremiah Jenks, another major figure in the trust literature of the period, was another economist on the committee. Jenks had been a member of the NCF since its inception (Domhoff, 1971, p. 205).
8. Here again, Clark violates his own theoretical standard. If wages in the industries brought under the control of trusts are to be determined by the marginal product (as this is the arbitrators' standard), and a reasonable difference in the wage level is to be allowed, then workers in the competitive portion of the economy must be paid a wage less than the value of their marginal product. But as the competitive sector is that which determines the standard for wages, it must then be sending out false information.
9. Observe that Clark, once more, violates his own model here. If wages were determined by the marginal productivity of labor, organized capital could not force a wage less than the equivalent marginal product – assuming full employment, an assumption that Clark maintains throughout his argument. Thus, even though all of the economy were unionized, this should make no difference to the outcome. If capitalists have to bid for workers, it is due to the fact of full employment, not unions.

10. Interestingly, Keynes held something of the same view, arguing that the pursuit of 'money-making' provided an alternative to the pursuit of personal power: 'It is better that a man should tyrannize over his bank balance than over his fellow citizens' (Keynes, [1936] 1969, p. 374). Some would argue that there is no difference between the two activities.
11. Following Ludlow, Sinclair had organized a demonstration against Rockefeller, marching on his Broadway offices in New York City.

8 Conclusion

1. In fact, Clark's position on capitalism and progress appears remarkably similar to the pre-Darwinian, God-mandated 'evolution' of the Anglican (and other) theologically minded naturalists. See Desmond and Moore, 1994, *passim.*
2. This is not to say that all Christians accept this view of the relationship between the religious precepts and the larger world. But it is true that this is the dominant position and was certainly the position held by Clark.

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