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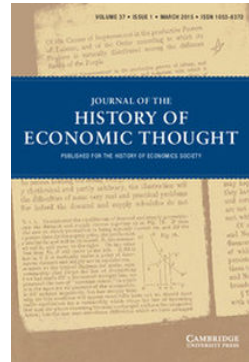
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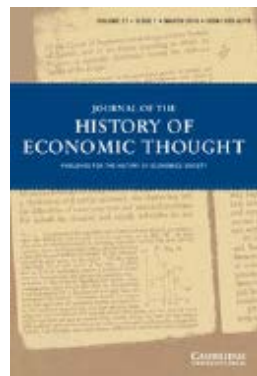
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# JOHN BATES CLARK'S DEFENSE OF MANDATORY ARBITRATION AND MINIMUM WAGE LEGISLATION

Robert E. Prasch

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The ideal of Political Economy is not unrestricted competition, but competition that is truly free, because controlled by justice and by law. The distinction between freedom and license needs to be preserved in this department of political philosophy. With that distinction clearly maintained, we may still retain, in economics as in politics, our beautiful watchword, liberty (John Bates Clark 1879, p. 167).

John Bates Clark has had a formidable impact on the development of economic theory and the theory of income distribution. In addition, Clark's marginal product theory of distribution has often played an instrumental role in the defense of *laissez-faire* policies. His theory has been used to criticize a wide variety of market interventions, including minimum wage legislation. As a result it is not surprising that Clark's theory of income distribution, and Clark himself, have drawn more than a few critics.

There is, however, ample evidence that Clark was a man of his era. Like many of his peers and contemporaries, he harbored a lifelong commitment to Christianity and private property, along with a deep and lasting antipathy to communism (Clark 1878, 1880, 1887, 1890a, 1890b, 1910, 1914; Henry 1995, chs. 1, 2, 8; Henry 1995b; Everett 1946, ch. 2). It is less well known that he strongly supported what was, for his day (and ours), sweeping labor legislation, such as workplace health and safety legislation, full rights of citizenship for African-Americans, aggressive regulation of monopolies, widespread unionization, mandatory arbitration of wage disputes, and minimum wage legislation (Clark 1879, 1891b, 1902, 1904, 1910, 1913, 1920a, 1920b). Throughout his career, Clark argued for the institutional reforms that he considered to be necessary to advance progress, liberty, and economic justice. Indeed, he thought that economic justice was crucial, both for public order and the inoculation of society against communism, as illustrated in the following statement: "There is a question concerning wages which, rightly settled, tends to public order, wrongly

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settled, tends to communism, and unsettled, tends to agitation and uncertainty” (Clark 1883, p. 354). Since many of his reform proposals appeared decades *after* his more well-known work on the theory of wages and the distribution of income, these relatively progressive attitudes should not be dismissed as the musings of a young Christian Socialist with an undeveloped understanding of economic theory.

Do these facts present us with a dichotomy in the work of John Bates Clark? Is there a split between Clark the economic theorist and Clark the Christian reformer? The evidence suggests not. Clark supported both the marginal product theory of distribution and his various reform proposals, including the minimum wage, from a consistent vision of the economic process. While it may differ on particulars, this paper supports the conclusion drawn by John Henry:

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 (Henry 1995a, p. 141).

## I. CLARK ON STATIC AND DYNAMIC ECONOMIC THEORY

Clark presented his treatise, *The Distribution of Wealth*, as an exercise in economic statics: “The term *natural*, as used by classical economists in connection with standards of value, wages and interest, was unconsciously employed as an equivalent of the term *static*; and it is such natural or static standards that this volume undertakes to present” (Clark 1899a, p. vi). Clark was convinced that his theory of distribution had correctly isolated the “natural” forces at work behind static conditions. While it was true that these static levels exerted a gravitational pull over the economic system, this was no guarantee that the actual levels of income at any given moment would be equal to their “natural” rates. On the contrary, actual levels of wages and profits depended on a variety of factors, including the state and structure of competition, the security of property rights, and the rate of economic growth. Each of these disturbances were the proper subject of “economic dynamics” (Clark 1899b, 1903b, 1907). Clark was emphatic in his belief that the static distribution was highly sensitive to the premises upon which it was constructed, specifically, perfect competition in labor, capital, and output markets:

A natural price is a competitive price. It can be realized only where competition goes on in ideal perfection—and that is nowhere. It is approximated, however, wherever prices are neither adjusted by a government nor vitiated by a monopoly (Clark 1899a, p. 77).

## II. DISTRIBUTION IN A PERFECTLY COMPETITIVE WORLD

Even though it was unlikely to occur in practice, and even more unlikely to occur in a growing economy, Clark did not view the static ideal of income distribution as irrelevant to either economic justice or the course of economic

policy. From his various writings, it is clear that he considered the marginal product theory of distribution to be the basis of a just social agenda. Of most importance to Clark, if it could be demonstrated that the distribution of income corresponded to, or even approximated, the marginal product of each contributing factor of production, labor's support for the capitalist system would be bolstered, and the "better classes" among the workers would no longer be drawn to anarchism, socialism, or communism (Clark 1903c, 1910; Henry 1995b).

Like Adam Smith, Clark believed that the moral and material betterment of mankind would result from consistent economic progress (Clark 1879; Prasch 1991). In pursuit of these ends, Clark also believed that an enlightened and Christian social policy would institute the laws and promote the institutions that could replicate the competitive distribution of income even in a world in which competition was dominated by monopolies (Clark 1904; Everett 1946; Morgan 1994, pp. 239–41). In this context, Clark supported progressive economic legislation including minimum wage legislation (Clark 1886b, 1897, 1920b).<sup>1</sup>

### III. THE EVOLUTION OF COMPETITION IN THE MODERN WORLD

Clark was concerned that there were significant obstacles to the achievement of a just distribution in the modern world. Specifically, he thought that the economy was undergoing dramatic structural changes over the course of its history. In particular, Clark believed that market competition was not a static condition but had evolved from an earlier time. "I know of no more startling and disquieting

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<sup>1</sup> There is a distinct "evolutionary" perspective in the various writings of John Bates Clark (Clark 1879, 1920b; Morgan, 1993). In this sense, the contrast between Clark as a static theorist, and the evolutionary perspective of Thorstein Veblen, while important, *can* be overdrawn. Over several essays and a book, Clark worked to develop the first principles of "economic dynamics," and acknowledged that more needed to be done in this area (Clark 1899b, 1903a, 1903b, 1907; J.M. Clark 1927; Homan 1928, p. 93). The difference between Veblen and Clark is not the principle of evolution *per se*, but rather that the latter believed that his scheme of static distribution imposed some order, in the sense of a gravitational pull, on everyday economic relations. In addition, Clark was convinced that there was a positive teleology to the evolution of human societies. Veblen, notoriously, did not. Veblen's pessimism was based on his view that the ideas, policies, and politics of any age would be dominated by interested elites—in our era the "business interests" (Veblen 1904, chs. 8–10; 1918; 1923, ch. 13). As a Christian, Clark supposed that most of us retained a moral sense that was grounded in principles exogenous to the competitive struggle. But Clark was not unaware of the problem that his former student had raised:

Not to mention the federal government, we should only have to let the state legislatures become the property of the trusts in order to cause every effort to control the trusts to present the appearance of a vicious circle. To curb the power of corporations we should apply to legislatures selected by party machines owned by corporations. Thank fortune, there are powers still left in the state which massed capital does not own (Clark 1904, p. 9).

Indeed, when Clark does consider the possibility that monopolies could capture the policy-making process, he calls for a vigorous response: "the abuses of overgrown corporations controlling legislatures and making or marring the prosperity of cities and even states, at their sovereign pleasure, shall more than counterbalance the abuses which would arise from their assumption and management by the state" (Clark 1879, p. 578).

tendency of recent times than the growth of these great corporations which have gathered to themselves, each in its own field, nearly all the business that is there transacted" (Clark 1904, p. 1). Moreover, Clark thought that this evolution was both irreversible and proceeding rapidly (Clark and Giddings 1888, ch. 1; Clark 1903b, pp. 248–49, 1920a; Henry 1995, pp. 117–26; Morgan 1993). Indeed, he was correct. The modern corporation had begun to dominate the economic scene, and a period of intense consolidation that we now associate with America's rapid industrialization and first merger wave was well underway (Bruchey 1990, ch. 11; Attack and Passell 1994, ch. 17).

In general, Clark was convinced that the results of this consolidation process would be rapid technical change, enhanced efficiency, lower prices for consumers, and an increased rate of capital accumulation. All of this would be to the eventual benefit of American workers and consumers (Clark 1879, 1887, 1903a, 1904, ch. 1, 1920a; Clark and Clark 1912, ch. 7). Hence, Clark did not conclude that the decline in the number of competitors was a problem in and of itself, and he did not support the breaking up of the resulting monopolies through anti-trust prosecutions. In his view "latent" or "potential" competition, featuring firms that *could* enter a monopolized market, could present a check on economic power in both labor and output markets (Clark 1904, ch. 3; Clark and Clark 1912, ch. 2; Henry 1995a, pp. 66–69).<sup>2</sup>

Despite his clear preference for a "hands off" approach to the regulation of monopolies, Clark acknowledged that these newly-consolidated firms were searching for, and finding ways to, circumvent the problem posed by potential competition. Indeed, this was an important motivation behind the formation of the modern corporate form:

If the market is open to competitors and if they are all the time coming in spite of the trust, prices will be low; but if competitors do not dare to come, if the few that do come have severe lessons taught them, and the others, in prudence, stay out, the trust has a clear possession of the field. The prices will not be low. Wages may be so, but not prices. It all hangs on the question whether competition does survive in spite of the trusts—whether they have any weapons in their hands whereby they can extinguish competition when it arises (Clark 1904, p. 32).

#### IV. CONSOLIDATED FIRMS AND THE BARGAINING POWER OF LABOR

Clark noted that in addition to the bargaining advantages that large firms enjoyed through concentration, these firms also had the benefit of significantly cheaper transportation costs. In the event of a strike, this would enable them to rapidly assemble replacement workers.

Now, Clark did not object to the idea of replacement labor *per se*. He considered it an important check, in the form of "potential competition," on union power—which he thought could become monopolistic in its own right. His

<sup>2</sup> Clark anticipates much of the modern discussion of oligopoly theory and policy in his treatment of this topic. The links to William Baumol's (1982) theory of "contestable markets" is obvious.

concern was that cheap transportation would allow firms to mobilize *unemployed* workers from around the country to act as replacement workers, which would confer an unfair bargaining advantage upon the firm: "If, thanks to cheap transportation, a force can be made up of men who have been out of work and are needy, what they will take is no fair gauge of what labor can produce and ought to get ... to make that abnormally low rate the standard of wages is to injure the entire working class" (Clark 1902, pp. 563–64).

Cheap transportation was not the only bargaining advantage that large firms had over workers. People, unlike firms, have immediate needs, and in the event that their needs are pressing, workers can be forced to settle for a wage that is lower than their marginal product:

Hunger-discipline disqualifies the worker for [*sic*] making a successful bargain, and if the employer were everywhere at liberty to take men for what, under such pressure, they might individually offer to work for, he might get them for very little. If when they became better fed they should demand more, he might conceivably turn them off and replace them by others whom the discipline of starvation would by that time have made amenable to such treatment. A process of rotation, whereby the working force should often be recruited from the ranks of necessitous men and women, might reduce the general level of pay below which the test of actual productivity would yield (Clark 1913, p. 292).

As can be seen in the above quotation, low wages are not a problem that exclusively impacts the unfortunate few who are needy and momentarily without bargaining power. By laying off a few workers at a time and replacing them with low-wage workers, Clark was concerned that firms could, through this process of "rotation," lower the entire wage structure to a level below the marginal product of labor.

In various forms, this "rotation" argument appears throughout Clark's opus (Clark 1879, 1886a, p. 168; 1902, p. 561; 1907, p. 452; 1913, p. 292). In short, Clark understood that his marginal product theory depended on the premise that workers always have another viable choice—in the form of an employer to whom they could offer their labor services. While he did not explicitly address the issue, Clark's writings indicate that he knew that full employment was an essential condition if labor was to retain the bargaining power necessary to ensure the emergence of what he termed the "natural" distribution of income. Moreover, as a practical matter, this condition could not be guaranteed. When it failed to materialize, the bargaining power of labor, and the wage, would decline. It follows then, in a world where markets are increasingly prone to monopolization, and workers are only partially organized, that new institutions are required to set wages and ensure a just distribution of the nation's wealth (Clark 1902, 1903c, 1904 chs. 3, 4; 1910, 1913).

Among the institutions that Clark thought would emerge to counteract the enhanced bargaining power of large firms was the labor union. "The union of capital necessitates the union of labor. These two consolidations radically change the method of adjusting wages" (Clark 1887, p. 56). While this does not mean that Clark was unconditionally supportive of unions, he, along with other progressive economists, thought that they should exist, and that workers would

need to bargain collectively since capital, working through trusts and holding companies, could bargain collectively. In particular, these economists thought that unions could offset the unfair bargaining advantage that firms enjoy when they have access to unemployed labor (Clark 1903c, 1904, ch. 4; Seager 1907, pp. 627–29):

Trade unions go far toward removing this evil, and in the absence of such unions the law might remove it. If it should place the rate of wages at the level fixed by the productive power of the individual workers, it might not cause many to be discharged and it might raise the rate of pay for a larger number. It would thus change for the better what passes for the “market rate of wages,” provided that this market rate has been reduced by starving the candidates for employment; and yet it might not change the legitimate market rate, as determined by the productive power of the laborer himself (Clark 1913, p. 292).

Like most American economists of this period, Clark thought that competition was a force that was, and could continue to be, responsible for great innovations and economic progress. However, unlike many of our contemporaries, but like his peers, Clark thought that under certain circumstances competition could be destructive (Clark 1886a, ch. 9; 1904, ch. 2; 1920a; Clark and Clark 1912, ch. 5; Morgan 1993, 570–73; Power 1999; Prasch 1998, 1999; Wolman 1924). It was the role of the moral force of the people, acting through their legislators, to arrange the laws and institutions of society so as to ensure that competition would act as a constructive force in human affairs (Clark 1879, 1886a, 1886b, 1904, 1914; Everett 1946, pp. 67–70). In particular, the labor market was a place where economists and legislators had to ensure that competition was fair: “It goes without saying that in industry there is no interest at stake that compares in importance with the interest of labor” (Clark 1904, p. 60).

Given his lifelong concern for social justice, Clark wished to distinguish himself from the reactionary belief that the fair rate of pay was the lowest that anyone in the market would be willing to accept. Hence, unions, to the extent that they can assure that workers are paid what they contribute to the market process, are a necessary institution in a just society. Since the strike is an important component of a union’s bargaining power, it would be unreasonable to insist that unions be denied this right. “Yet the privilege of striking is a part of the system by which wages are adjusted. Workers have something to sell, and they must be able to withhold it if they are to have an effective voice in fixing the price that they will get” (Clark 1902, p. 553).

However, with the substantial increase in the size and influence of modern firms, Clark became convinced that the cost of strikes was becoming unbearable for the public. Consumers, who typically were not parties to the conflict, were held hostage when crucial services were disrupted during a labor dispute. Clark specifically mentions “the disastrous strike of the coal miners” as a case in point (Clark 1902, p. 553). “Under a regime of consolidation a continuity of service is a hundredfold more imperative than it was under the former regime of independent establishments” (Clark 1902, p. 554). Given these modern conditions, as well as Clark’s belief that a return to pure competition would be neither

achievable nor practical given the clear advantages to the public of the consolidation of modern industry, he proposed that wage disputes be subject to mandatory, but non-binding, arbitration.

## V. SETTING WAGES IN THE ABSENCE OF COMPETITION: ARBITRATION AND THE MINIMUM WAGE

Clark thought the mandatory arbitration of wage disputes, although not necessarily the promulgation of binding decisions, would spare society the increasingly severe losses caused by labor disputes (Clark 1904, pp. 81–85). While it was the case that firms and unions would not be bound by this arbitration, he was convinced that neither side would be inclined to strike after a decision was handed down for fear of the public's disapproval. Perhaps somewhat optimistically, Clark believed that arbitration would allow for the more efficient adjustment of wages to their "natural" and "just" level—the marginal product of labor (Clark 1902, 1903c, 1910). In other words, arbitration could stand in for market forces since perfect competition had been eclipsed by modern conditions. In light of trends in the structure of the market and the competitive process, arbitration by informed authorities came to play a crucial part in Clark's proposed resolution of the "labor question." Given contemporary conditions, Clark, along with many other progressives, considered arbitration to be superior to unfettered market forces on ethical, political, and economic efficiency grounds (Clark 1902, 1910, 1913, 1920a, 1920b; Griffin 1971).

Clark's support for minimum wage legislation was an extension of his proposal for mandatory arbitration (Clark 1913, 1920b). If labor needed unions to bargain as equals with the newly consolidated trusts, it followed that unorganized labor was at risk. Under modern competitive arrangements, unorganized workers were subject to "hunger-discipline" and the "rotation process," that threatened to ratchet their wages down below the level of their marginal product. To ensure that the bargaining process was fair, the institution of arbitration could be extended to unorganized labor in the form of minimum wage legislation—although in this case the promulgated decisions would be binding (Clark 1913).

Clark thought that minimum wage legislation would inevitably generate some unemployment. Nevertheless, he supported it since he thought that unorganized labor had a better chance of earning its just share with the aid of minimum wage legislation than under modern competitive conditions. But Clark's support for minimum wage legislation was conditional. Specifically, he rejected "the radical policy which boldly demands whatever labor needs for a life of modest comfort ..." (Clark 1913, p. 293). He thought that such an approach would lead to excessive unemployment and simply worsen the problem of poverty. In addition, state governments needed to take responsibility for any increase in unemployment that should occur after the enactment of a minimum wage:

Emergency relief needs to accompany the minimum-wage law, and effective measures for it must be ready to act the moment the law is passed. It will not do to discharge the workers and then debate the question as to how best to give



them work. Moreover, such employment as we furnish should be such as self-respecting persons may properly accept (Clark 1913, p. 294).

Clark supported what he termed a “conservative” approach to the problem of setting minimum wages. While he wished to end the exploitation of unorganized and unskilled workers, he also wanted to minimize the disruption of the economy that could be expected from minimum wage legislation. With these ends in mind, he supported the institutional format for minimum wage legislation that several of the American states had borrowed from New Zealand, Australia, and the United Kingdom.<sup>3</sup>

Under this approach, minimum wages statutes were administered by “wage boards” or “industrial commissions.” By law, wage boards were composed of representatives from employers, workers, and the public so as to ensure impartiality in their investigations. These commissions were authorized to make investigations and, based on their findings, set minimum wages in accordance with the conditions faced by each industry. Factors that were considered included the prevailing wage in that industry, the productivity of labor, the needs of workers, and the profitability of firms. It followed that the minimum wages mandated were different for different industries (Hutchinson 1919, ch. 4; Commons and Andrews 1916, ch. 4).

The idea behind the commission approach, one that Clark specifically endorsed, was to maintain flexibility in relative wages while ensuring “reasonable rates of return” and a high level of employment. Of most importance, these minimum wages rewarded “best practice” firms and prevented a competitive “race to the bottom” in wage rates (Clark 1913, p. 297). Clark concluded that minimum wage legislation would be successful if industrial commissions pursued a “conservative” policy by selecting a wage that set labor’s return equal to its marginal product:

If its policy is very conservative—if it only legalizes a rate that a normal market would itself yield—the relief measures may not need to be planned on any radically new lines. If the law itself prescribes no minimum, but creates a commission with power to prescribe it for each particular occupation, there is ground for thinking that this commission may proceed in such a conservative way that its action will displace relatively few persons. If so, the system may do an unexpected amount of good and avoid a grave danger (Clark 1913, p. 297).

The evidence suggests that Clark was a consistent defender of private property, the market system, *and* the resolution of wage conflicts through mandatory arbitration and minimum wage legislation. To Clark the point was not “free

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<sup>3</sup> From 1912 to 1923, American minimum wages were legislated on a state-by-state basis and, in recognition of the Supreme Court’s views of the subject, exclusively directed towards women and minors. In addition, only fourteen states, Puerto Rico and the District of Columbia passed such legislation during this period. Not surprisingly, these measures were often resisted by business interests. Despite the extensive efforts of progressive social scientists and legislators, including several of Clark’s colleagues at Columbia, New York State did not pass a minimum wage for women until 1933 (Kerr 1971). It should be emphasized that Clark thought that minimum wage legislation should be applied to all workers—not just women and minors.

enterprise" as an end in itself, but to intelligently guide competition, through institutional reform, into socially beneficial channels so as to join prosperity with economic justice (Clark 1886b, 1897, 1902, 1904, ch. 3, 1910, 1914). He considered this agenda to be imperative since, "Poverty, the ignorance which results from poverty, and the moral debasement which results from poverty and ignorance, are greater evils in themselves than communistic agitations, which result from all three" (Clark 1878, p. 540).

In his concern for social justice, and his emphasis on "getting institutions right," Clark and the other economists that we associate with the progressive movement constructed a new research agenda. Progressive legislation was designed to bring about a fair and just "competitive order," as opposed to the policies that flowed from the "liberty of contract" doctrine that then dominated the Supreme Court's position on political economy (Fine 1964; Pound 1909). Clark's vision of the economic system, based upon private property, regulated competition, *and* social justice, was highly representative of the reforming spirit of his era, in which so many economists and reformers were associated with, or came out of, the Social Gospel, Christian Socialist, or Progressive movements (Everett 1946; Gonce 1996; Griffen 1971; Kelley 1905; Kerr 1971; Prasch 1998, 1999; Rodgers 1998; Ryan 1906; Ryan and Husslein 1920).

## VI. CLARK'S INFLUENCE OVER THE MINIMUM WAGE DEBATE

Clark was not alone in his support for both the marginal product theory of distribution and minimum wage legislation. Others included Clark's Columbia University colleague Henry Rogers Seager. He was well known as an academic economist, but his most important public role was as a co-founder of, and prominent activist within, the American Association for Labor Legislation, a largely academic group that worked to popularize and enact progressive labor legislation. Moreover, as a Columbia faculty member, Seager was the advisor and intellectual mentor of several prominent reformers.

Seager thought that a higher minimum wage would, in all likelihood, lead to a decline in the quantity of labor demanded (Seager 1917, pp. 585–89). However, he also thought that the benefits of this legislation, in the form of improved competition, more efficient management, and the protection of the American working class from competition by an underclass of "inefficient" workers, would be beneficial to the economy and society. A minimum wage, by assisting working people, could also support democratic institutions (Seager 1913a, 1913b):

The [minimum wage] law cannot fix both wages and the number of persons who shall be employed at those wages, but it can declare that no one shall be employed in given trades unless paid certain minimum wages and enforce its decree. The result may be an addition to the number of dependents, who are "unemployable" at the wages fixed because [they are] too inefficient to earn them, but it may be better and cheaper for society to support such persons in some other way than to permit their competition to hold the wages of great sections of the population down to a starvation level (Seager 1917, p. 589).

Like his colleague Clark, Seager did not consider the marginal product theory of wages to be a telling argument against minimum wage legislation:

Without undertaking to advocate the establishment by law of standard or minimum rates of wages for the sweating trades, the author wishes to insist that there would be nothing in this policy inconsistent with the theory of wages that has been explained in these pages ... (Seager 1917, p. 590).

Clark's theory of distribution is even more evident in the work of Frank Taussig of Harvard University. Indeed, Taussig's article "Minimum Wages for Women" is, in many ways, a classic *theoretical* refutation of minimum wage legislation along marginalist lines of argument (Taussig 1916). Taussig presents an extended exposition of what we would now call the neoclassical theory of wages, which he used to demonstrate the futility of minimum wage legislation as a matter of pure theory. After this eloquent and thoughtful refutation, Taussig closes his article with the observation that the specific circumstances faced by relatively unskilled women workers suggests that they are a somewhat unique group. He suggests that the high variance in the wages that unskilled young women receive for their relatively homogeneous labor is evidence that they lack bargaining power *vis-a-vis* their employers. To Taussig, the facts of the situation indicate that market forces alone cannot ensure that unskilled and unorganized women will be paid the marginal product of their labor. He concludes that they, and society, would benefit from minimum wage legislation (Taussig 1916).

## VII. CONCLUSION

John Bates Clark clearly merits a place among the American intellectuals that we associate with the progressive movement. This is sometimes overlooked since Clark, unlike Scott Nearing, Richard Ely, or John Commons has come to be more closely associated with the rise of contemporary versions of neoclassical economics, and was neither a radical nor a particularly controversial figure.<sup>4</sup> In addition, Clark, like some of the more prominent progressives, was concerned that the economic system might come to be dominated by unchecked monopoly power. Indeed, this is probably the most consistent theme in Clark's writing, which demonstrates a lifelong concern for the abuse of power that is unchecked by either the law or market forces. Like his contemporaries within the progressive movement, Clark recognized that competition, to be effective, would require bargaining power on both sides of the market. Fearing that the necessary conditions could not be expected to hold in the absence of perfect competition, Clark advanced a pragmatic "second best" argument for mandatory arbitration and minimum wage legislation.

For Clark, the "natural" distribution that could be expected to emerge under competitive conditions remained an *ideal*. Even as he acknowledged that the

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<sup>4</sup> Let us recall that during Clark's lifetime the differences between the Neoclassical and Institutionalist schools were not so clear-cut as they appear to us today (Rutherford 1997). While this is not this place, I would argue that Clark thought of himself as merely building upon and formalizing many of the lessons that he learned in the early 1870s while studying in Heidelberg with the distinguished Karl Knies.

economic system had evolved so as to largely suspend perfect competition, he refused to support a policy that would retard industrial progress through the breaking up of large firms. Rather, he supported the establishment of new laws and institutions, such as mandatory arbitration, minimum wage legislation, and other forms of workplace health and safety legislation in order to replicate the distribution that would occur under a competitive ideal. According to Donald Stabile, the essence of Clark's approach to economic theory and policy was that "He was too involved in practical issues to ever lose sight of the distinction between theory as a guide to policy versus theory as policy" (Stabile 1996, pp. 918–19).

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