

## The transformation of John Bates Clark: an essay in interpretation

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In the literature on John Bates Clark, one theme stands out: that of a fundamental or radical transformation undergone by Clark between the period of *The Philosophy of Wealth* (1885) and that of *The Distribution of Wealth* (1899). This transformation was thorough in that it affected not only his methodological approach but his economic and political perspective as well. In the earlier period Clark is said to have been a socialist (of a Christian socialist variety), while his mature period finds him an ardent supporter of capitalism. In the early period it is observed that Clark bases his arguments and judgments upon appeals to moral force or suasion (liberal humanism), while the latter period finds the development of rigorous, scientific neoclassicism.

Such is the classic view propounded by authors such as Dorfman<sup>1</sup> and, more recently, Jalladeau.<sup>2</sup> We find, for example that Dorfman entitles the section of his magnum opus which deals with Clark, "John Bates Clark: The Conflict of Logic and Sentiment." In the context of his study, such a heading clearly connotes the aforementioned transformation with the implication that the conversion itself involved conflict.

Jalladeau is precise in positing the general themes of his argument:

Accordingly the aim of this study will be to define his attitude to the methodological problem by (i) showing briefly that *The Philosophy of Wealth* is the work of an enemy of the classical theory, judging from a critical point of view the working of the capitalist system, (ii) defining the methodological contribution of *The Distribution of Wealth* by displaying the theoretical trends of the author in relation to those of the three great European marginalists, and (iii) analyzing the explanatory elements of his conversion. This

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1. J. Dorfman, *The Economic Mind in American Civilization* (New York, 1949), III, 188-96.

2. J. Jalladeau, "The Methodological Conversion of John Bates Clark," *History of Political Economy* 7, no. 2 (1975): 209-26.

will make possible a detailed study of the doctrinal context of a representative work of a liberal and optimistic theoretician, who becomes the advocate of the competitive system after having initially much decried it.<sup>3</sup>

Much in the interpretation of the development of neoclassical theory (at least with regard to Clark's contribution) hinges on this supposed transformation. If it is correct that Clark originally held an anti-capitalist position on purely emotional or moral grounds, and later abandoned such a position on logical, scientific grounds, then this gives weight to the argument that neoclassicism is fundamentally more correct (more scientific) than its theoretical predecessor. Thus, the replacement of classical theory by neoclassical theory is a step forward.

Again, if such a view is correct, then Clark's moralizing arguments found in *Distribution* and beyond can be dismissed as so much rhetoric. That is, as Schumpeter was keen on demonstrating,<sup>4</sup> the technical features of *Distribution* can be separated from any ethical foundation, and rather than *a priori* ethics giving rise to a set of postulates (which would be unscientific), the postulates are developed independent of the ethics but may *give rise* to such pronouncements. Hence, the theory developed in *Distribution* is 'value-free' whereas the early writings, with their tinge of philosophy, were value-determined and hence unscientific.

The purpose of this essay is to take issue with the prevailing opinion concerning this transformation. That there was a transformation is not in dispute; the issue is what kind of transformation actually took place. It will be argued that rather than a fundamental or radical transformation from a socialist (or anti-capitalist) position to a pro-capitalist perspective, Clark underwent a change from support of the small capitalist (what may loosely be called a 'populist' position) to a position in which he threw his intellectual arsenal behind the large or monopoly capitalist. Clark was always a pro-capitalist. His early work has been mislabeled socialist or anti-capitalist because of his attacks, not on capitalism, but on the monopolies.<sup>5</sup>

3. *Ibid.*, p. 210.

4. J. Schumpeter, *History of Economic Analysis* (New York, 1961), pp. 868–70. The 'Cambridge Controversy' has once again raised the question as to the politics of the orthodox model. See G. C. Harcourt, *Some Cambridge Controversies in the Theory of Capital* (Cambridge, 1972), pp. 2, 3, 119, 250.

5. Another economist, with greater proximity to Clark, argues that the transition was one of degree rather than kind. While his son J. M. Clark does not have the same interpretation of the transition as is contained herein, he nevertheless does argue that Clark's development was of a gradualist rather than a radical nature. For example: "The question has been raised whether Clark's attitude changed between the writing of this first book and that of his later works of more systematic economic theory. Had the

In one of Clark's first published articles we find the following description of capitalism:

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 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 and they may have worked body and soul into it; 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 not with cudgels in open fight. 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 them, and indeed must kill them, if we will not break with the system of which we are a part.<sup>6</sup>

The passage certainly sounds like a socialist condemnation of capitalism and contains many similarities to one which a Marx might have written. We observe that labor under capitalism while not owned by the capitalist is yet not free. Because workers do not own the productive equipment, they are forced by the capitalist into working for him at a wage determined primarily by the capitalist. Further, all wealth is created by labor (the labor theory of value), though most of it is expropriated from this class through the natural workings of the economic system. This is all done within the forms of the law (the ideological superstructure) and is rationalized by the intellectuals because, presumably, they serve that system.

In the same article we find further evidence of Clark's supposed

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crusader turned conservative? Or was the difference merely the result of passing to a different kind of task; from philosophy to science, from normative speculation to systematic causal analysis? The truth is undoubtedly mixed, but I believe that the second answer contains on the whole more of the truth than the first. Of course, no man who is doing his own thinking as he goes along remains unchanged in all his views for twenty years, and certainly not in the emphasis he places on different aspects of them and the feeling-tone which he feels moved to give to his expression. Furthermore, if the prevailing mood changes, the direction in which it needs to be deflected may change correspondingly. The leader who has incited a radical movement may find it needs more carefully-calculated steering after it is well under way and the tone of his utterances may change accordingly though his own views may not have changed." J. M. Clark on J. B. Clark, in H. W. Spiegel, *The Development of Economic Thought* (New York, 1952), p. 601.

6. J. B. Clark, "How to Deal with Communism," *The New Englander* 37, no. 4 (1878): 540.

radicalism: "a benevolent employer may starve his workers unwillingly, but he must sometimes starve them." This is an "inevitable law of the system."<sup>7</sup> Elsewhere, he compares the selling of labor under capitalism to a drowning man being forced by a boat captain to pay for the necessary rescue operation.<sup>8</sup>

Another feature of capitalism which Clark observed during this period was a conflict between workers and capitalists. In striking out against the Smithian version of harmony in a capitalist environment, a version to which he would later return in *Distribution*,<sup>9</sup> Clark writes sarcastically: "We are constantly being told that no intelligent conflict between capitalists and laborers is possible; that their interests are completely identical, and their normal relation is one of paradisaical harmony."<sup>10</sup> Contrary to this view, Clark posits the opposite—that conflict does exist, particularly in the distribution process ("there is a diversity of interest in the operation of distribution").<sup>11</sup>

These passages, which are indicative of the general tenor of much of Clark's early writings, lend support to the view that Clark was in fact a socialist (i.e. anti-capitalist) at one time. But such a view is totally one-sided. While carping about various injustices, Clark also maintained an anti-socialist stance.

Initially, Clark went out of his way to overtly attack both socialists and socialism, positing its theories incorrectly and associating its followers and some of its leaders with the criminal underworld.<sup>12</sup> In Clark's eyes socialism was a "wild, lawless protest against some real and some imaginary grievances."<sup>13</sup> We also find Clark presenting a favorable review of a minor book replete with verbal pictures of workers chained to their tables, a despotic government, etc.<sup>14</sup> Further, Clark presents the argument that socialism would be an impractical social arrangement because of man's inherent laziness and greed. Since the individual wants to get the greatest return for the least possible effort (Clark's calculus), in such a social arrangement it would be very difficult to maintain the current production levels, much less demonstrate how these could be increased. Coupled with this problem is that of the Malthusian specter as a rising birthrate adjusts itself to the rising in-

7. *Ibid.*, p. 539.

8. Clark, "Business Ethics, Past and Present," *The New Englander* 38, no. 2 (1879): 165.

9. *The Distribution of Wealth* (New York, 1899), pp. v, 4.

10. Clark, "The Nature and Progress of True Socialism," *The New Englander* 38, no. 4 (1879): 568.

11. *Ibid.*

12. "How to Deal with Communism," p. 534.

13. *Ibid.*

14. Clark, "Review of *Communism and Socialism in Their Theory and History* by T.O. Woolsey," *The New Englander* 39, no. 3 (1880): 416.

comes of workers, leading to the impoverishment of all.<sup>15</sup> Where this rising income would come from is difficult to ascertain, given Clark's pronouncement above, but that is not the point. Lastly, Clark's own definition of socialism—"a practical movement, tending not to abolish the right of property, but to rest the ownership of it in social organizations, rather than in individuals"<sup>16</sup>—is, at a minimum, unsatisfactory. It can imply, as it seems to in the context of his work, not socialism, but some form of corporate capitalism.<sup>17</sup>

Thus, to take Clark's attacks on the injustices of capitalism as indicative that he was a socialist is to view Clark out of context. One must also appreciate his anti-socialist stance in ascertaining his true position. But what is his true position? Thus far, it is not clear. On the one hand he seems to have only disdain for capitalism. On the other, he is contemptuous of socialism.

Clark's general perspective, his general theory, during this period of transition was that of a populist. What he posed as a solution to the injustices observed above was a program of government-owned utilities, cooperative societies, the establishment of small farms for workers, and the like.<sup>18</sup> Clark *never* expressed any sympathy for a change in the *production* arrangements of society ("There is harmony of interest between the two classes in the operation of production").<sup>19</sup> What we find in Clark is a condemnation of the existing distribution mechanism.<sup>20</sup> (Even in the 1870s Clark's major concern was with distribution.) In other words he adopted the position of the *small* capitalist in his attack on the *large* or monopoly capitalist. In fact, at one time he overtly suggested that the organization of small farms, as typified by those in the Midwest at the time, was the short-run solution to the problems of capitalism. The most impoverished workers of the East should be encouraged to emigrate and establish (with government assistance) such small capitalistic enterprises.<sup>21</sup> In his calls for nationalization, Clark also specifically omitted the nationalization of land from his program.<sup>22</sup> This is significant, since of course, free land was the basis for small agricultural capitalists.

But this does not make Clark anti-capitalist. During his early pe-

15. "The Nature and Progress of True Socialism," pp. 565-81.

16. *Ibid.*, p. 566.

17. See also Clark, "Review of *Socialism* by Joseph Cook," *The New Englander* 39, no. 5 (1880): 704-6; "How to Deal with Communism," p. 541; "The Moral Basis of Property in Land," *Journal of Social Science*, Oct. 1890, pp. 21-28.

18. "How to Deal with Communism," p. 541; "The Nature and Progress of True Socialism," pp. 577-78.

19. "Nature and Progress," p. 568.

20. *Ibid.*, p. 570; "How to Deal with Communism," p. 533.

21. "Nature and Progress," p. 571.

22. "Review of *Socialism* by Joseph Cook."

riod, Clark was critical of some features of capitalism, particularly monopoly elements and the distribution of income, but not of capitalism as a social system. At the same time, as has been seen, he also displayed anti-socialist attitudes.

The populist movement<sup>23</sup> in the United States culminating in the 1890s began after the Civil War and was concentrated in the Midwest, but with growing alliances to segments of the northern and southern populations.<sup>24</sup> The heart of this movement and the organizations which served it was the small farmers, particularly in the early stages. Increasingly angered by their growing loss of 'independence' at the hands of 'big business' and 'big government', these small capitalists attempted to assert their power through various organizations—the Grangers, the Greenback Party, the Farmers' Alliance, and eventually the People's Party (1890).

Note how Clark's populist period coincided with the early stage of the movement itself. This period (the 1870s) represents both a political movement in its infancy and a theoretician in his infancy. We would expect, therefore, Clark's arguments to be inconsistent, unconsolidated, and to some extent influenced, whether consciously or not, by the beginnings of the social turmoil surrounding him; that is, he would feel the birth pangs of a nascent movement which would overlap received doctrine (not all of which was antagonistic to populist doctrine).

Like Clark, the populists were decidedly not anti-capitalist. They were, however, anti-monopoly, and it was the growth of monopoly power during this period that stimulated the populist reaction. Basing their theoretical principles on a Jeffersonian conception of democracy (in which *equal individuals* reigned supreme), "their belief [was] in the power of man as a cooperative being, [while] they also accepted man as a competitive being."<sup>25</sup> That is, they desired a society composed of independent producers of more or less equal status in which individual efforts would in some fashion come together for the good of all. To this end, they developed various programs to attack what they considered to be the causes of their grievances—the elimination of the land monopoly of the railroads, nationalization of the railroads, demonetiza-

23. I use 'populist' in its most general sense. It is understood that the populist movement in the United States was not a homogeneous whole; there were quite disparate forces involved. As this essay is not an examination of the populists, however, it seems appropriate to argue as if populism were a theoretically united front. The important point is to distinguish it as a movement led by small businessmen as opposed to working-class leadership (though both workers and small businessmen had a basis for attacking the monopolies).

24. Cf. John D. Hicks, *The Populist Revolt* (Minneapolis, 1931) and Laurence Goodwyn, *Democratic Promise* (New York, 1976) for detailed accounts.

25. Goodwyn, *Democratic Promise*, p. xiii.

tion of silver, payment of the federal debt, etc., a program not unlike Clark's, as indicated above.

During the period of Clark's early writings, the populists represented the major unorthodox political movement in the country. They had much support from non-farm elements (including sections of the working class) and it is doubtful whether Clark was not at least partially influenced by this wave of protest. Even though he was a New Englander and had been educated partly in Europe, he did teach in Minnesota between 1877 and 1881—Minnesota, a center of the movement, and the period still representing formative years for Clark.

A comparison of populist tracts<sup>26</sup> with Clark's early writings indicates a marked similarity. While Clark never adopted such positions as demonetization of silver, he did favor nationalization of monopolies, cooperative societies, etc. There is also the same emotive tone in much of his early writings that one finds in the populist authors. Coincidentally, perhaps, we observe that Clark's writings lose their indignant flavor and also much of their populist content upon his departure to the East Coast in 1881.

For example, we noted the populist position on competition: that competition among equals was satisfactory (and natural). What the populists objected to was the increasing *unequal* competition to which they were being subjected. Clark adopted exactly the same position in his "Business Ethics, Past and Present." Here he argued that competition in and of itself is morally correct and salutary. What does violate the norms of a healthy community and is immoral is unequal competition which leads to unequal exchange. The vehemence with which he condemned such practice cannot be overstated:

What is ordinarily termed a good bargain is, morally, a bad bargain; it is unequal, and good for one party only. Whenever such a transaction takes place, some one is plundered. It is the sufferer, in such cases, who usually regrets the occurrence; in an ideal society it would be the gainer who would mourn. . . . Sackcloth and ashes are the proper covering of the man who has made "a good bargain." What is the fact in the case? Do the men who have made such bargains, even by questionable means, don the garments of humiliation or do they show something of complacency? Are they disposed to conceal their action, or to boast of it? Are they, in fact, treated with less honor by other men, or with more? The whole process is bad; it is odious, and the worst feature of it is that it is characteristically American.<sup>27</sup>

26. Cf. Ray Ginger, ed., *William Jennings Bryan: Selections* (New York, 1967); George Tindall, ed., *A Populist Reader* (New York, 1966).

27. "Business Ethics", p. 162.

There is one more area where Clark's pronouncements and those of the populists converge—moral suasion. As noted above, the early period of Clark's development was marked by liberal humanism. There is a belief that through man's efforts, through moral suasion, society will improve. In fact, Clark presented a stage theory of history in these years, in which advance is solely through moral suasion:

The sense of right is a silent and slow acting force, but when aroused, it is resistless. It makes a way where it cannot find one. It overcame obstacles in removing cannibalism and slavery, and it will overcome obstacles in removing the abuses of the present.

We need to recognize the moral force by which the earlier evils (cannibalism and slavery) have been removed, and to know that that force is still equally powerful.<sup>28</sup>

Coupled with this moral suasion was the position that a deity is directing the affairs of society to reach the desired end (left vague).<sup>29</sup> This is the so-called Christian element in Clark's socialism. Such a position is remarkably similar to that posited by many populists: People, if left undisturbed by ravenous trusts and the encroachment of government can work tolerably well together without coercion and under the protection and direction of God.<sup>30</sup>

Hofstadter in his *The Age of Reform*<sup>31</sup> clearly demonstrates the political character of the populists and presents a context into which Clark can be placed. Initially, rather than attempting to move the world forward, as is the socialist claim, the populists were reactionary:

The utopia of the populist was in the past, not the future. According to the agrarian myth, the health of the state was proportionate to the degree to which it was dominated by the agricultural class, and this assumption pointed to the superiority of an earlier age. The populists looked backward with longing to the lost agrarian Eden, to the republican America of the early years of the nineteenth century in which there were few millionaires and, as they saw it, no beggars, when the laborer had excellent prospects and the farmer had abundance, when statesmen still responded to the mood of the people and there was no such thing as the money power. What they meant—though they did not express themselves

28. "How to Deal with Communism," pp. 541, 542.

29. "Nature and Progress of True Socialism," pp. 572, 581.

30. For example, Bryan's "The Prince of Peace" vividly demonstrates this point. See Ginger, pp. 135–50.

31. New York, 1955. While dated, Hofstadter's book provides the best general summary of the various forces involved in the populist movement. Challenges to some of his specific theses do not invalidate the general thrust of the argument.



in such terms—was that they would like to restore the conditions prevailing before the development of industrialism and the commercialization of agriculture.<sup>32</sup>

In populist eyes, there was no fundamental class conflict in society. Rather, a natural harmony of interests existed between farmers and workers on one hand and the small businessman on the other. What disturbed this natural harmony was the existence of a small parasitic group which occupied positions of power and provided a force preventing harmony from being effected.<sup>33</sup> Such is Clark's position, as has been observed above, particularly with reference to unequal exchange.

In one of the most widely read novels of the period, Donnelly's *Caesar's Column*, a description of the populist discontent is offered, the conclusion to which is the establishment of a Christian socialist state in Africa, under the guidance of a group of intellectuals, and where the populist program is put into operation.<sup>34</sup>

Again, the similarity to Clark's early efforts is striking. Part and parcel of the populist movement was the aforementioned appeal to moral force, the development of the idea that if left alone, an equitable social structure could be developed under the guidance of a deity. Hence, the emphasis on a *Christian* socialist society which, if not understood in the populist context, appears in fact to be socialist. One aspect of this part of the general populist program was the involvement of the ministry, who increasingly began preaching a *social* gospel which did appear to have a similarity to the socialist program.<sup>35</sup>

Moreover, and for the analysis here perhaps the most important component of the populist movement, in the last three decades of the nineteenth century there appeared a growing involvement of academics in the mounting attack on the status quo. While the proportion of 'populist' academics remained small, their existence is indicative of the general political climate of the time and the strength of the populist appeal. According to Hofstadter, the basis for this development was that with the appearance of the modern university, academics were becoming both larger in number and more concentrated. This caused a discontent with their prevailing condition, particularly with the amount of control exercised over their lives by the 'plutocracy' which controlled the universities through the boards of trustees. This plutocracy represented the same vested interests which the populists were attacking. The academics, just like the populists, wanted more independence, and some joined the populists as an unofficial brain trust.<sup>36</sup>

32. *Ibid.*, p. 62.

33. *Ibid.*, p. 64.

34. *Ibid.*, pp. 67-70.

35. *Ibid.*, pp. 151-52.

36. *Ibid.*, pp. 152-55.

To be sure, Carleton College, Clark's academic home during the period in question, cannot be seen as an institution which in itself would have been conducive to such a development. Nevertheless, it is situated in what was a prime area of populist discontent and obviously linked to the academic community at large. The populist as well as the academic stirrings would thus have been observed by and transmitted to Clark.

Thus, Clark's early period, the period of his so-called socialism, is a microcosm of the populist world in general. His basic *theoretical* thrust was, again, that of the small businessman in his attack on the growing monopoly power. The confusion of this position with that of a socialist perspective is largely due to the somewhat confused nature of the populist program itself and a one-sided view of Clark's early writings.

In the 1880s Clark began the process of shedding his populist position and coming to terms with the growing monopoly power within the economy. It was also during this period that Clark began developing the ideas that later were precisely formulated in his marginal productivity theory of distribution. There is a barely perceptible marginal productivity theory of wages in an 1883 article<sup>37</sup> (in the period of Clark's socialism); the development in 1886 of the position that modern distribution was based on justice;<sup>38</sup> and the statement of the position in 1887 that a new theory of wages had to be developed to accord with the "new" distribution mechanism which is now based on this justice.<sup>39</sup> In 1889 we find the first clear statement of the marginal productivity principle:

Sound reasoning would seem to give us at once this formula: General wages tend to equal to actual product created by the last labor that is added to the social working force.<sup>40</sup>

This development was followed, as is well known, with the articles culminating in *The Distribution of Wealth*, the most notable of which are "The Law of Wages and Interest"<sup>41</sup> and "Distribution as Determined by a Law of Rent."<sup>42</sup>

More important for this essay, however, is Clark's increasing abandonment of his previous populist position and the growing acceptance of and propagandizing for the increasing monopoly aspects of the

37. "Recent Theories of Wages," *The New Englander* 42, no. 3 (1883): 354-64.

38. "The Moral Outcome of Labour Trouble," *The New Englander and Yale Review*, n.s. 9, no. 6 (1886): 533.

39. "The Labour Problem—Past and Present," *Work and Wages* 1, no. 3 (1887): 2.

40. "Possibility of a Scientific Law of Wages," *Publications of the American Economic Association* 4, no. 1 (1889): 49.

41. *Annals of the American Academy of Political and Social Science* 1 (July 1890): 43-65.

42. *Quarterly Journal of Economics* 5 (April 1891): 289-318.

economy. This position can be vividly demonstrated by reference to an 1887 article, "Christianity and Modern Ethics,"<sup>43</sup> in which it becomes apparent that Clark not only is cognizant of the changing structure of the economy but heartily endorses it:

there is a new economic system and . . . it stands in a special relation to Christian ethics.<sup>44</sup>

The surface phenomena are misleading, and seem to be the superficial view, to mean rather the unchaining of demons than the ushering in of God's kingdom in the industrial world.<sup>45</sup>

Thus, by 1887 a trend which had been developing since 1881 was solidified. This trend combined the gradual acceptance of monopoly and the necessary repudiation by Clark of his previous populist position. But in no case does one find evidence that there was a sharp break, a radical transformation, in Clark's general perspective.

### *Conclusion*

This essay has been an attempt to demonstrate that the usual interpretation of the transformation of Clark is open to question. A reading of Clark's early writings displays a remarkable similarity to those of the populists, who were a significant force during the period. Essentially, Clark's 'Christian socialism' was, in fact, populism. One reason for confusion on this matter is the confused programs and various tendencies of both populism and Christian socialism. Both claimed a radical perspective; neither was radical. As Clark's own writings testify, he never argued against capitalism as a social system. What he desired was a more humane, just, equitable capitalism, but capitalism nevertheless. The populists wanted the same thing. In both cases the center of attack was the monopolies. Clark's moral indignation must not be taken as evidence that he held a position that was antithetical to capitalism, that he was a socialist in this sense.

Clark's economic and political program during the early period was that of competitive capitalism. He proposed a restoration of 'healthy' competition as opposed to unequal exchange (developed through monopoly power); he desired a change in the distribution mechanism which was, at the time, determined by force, the resultant of monopoly arrangements (unequal exchange); moral force would guide the rehabilitation of capitalist society with small businessmen, particularly the western farmers, as the worldly guide. At no point does Clark propose

43. *New Englander and Yale Review* 11, no. 1 (1887): 50-59.

44. *Ibid.*, p. 50.

45. *Ibid.*, p. 53.

a change in the production relations in society, a change in the social ownership of the means of production.

If this interpretation is correct, then the argument concerning Clark's transition from a socialist to a capitalist perspective falls by the wayside. In the early period, Clark supported the small capitalists against the monopoly capitalists. Later, he merely argued for capitalism in general. *The Distribution of Wealth* and the articles leading up to this work represent, then, not a shattering of the faith but consolidation; not a radical transformation in perspective but a transition within a capitalist framework.

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