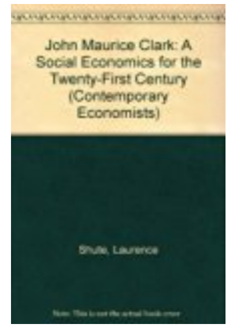
Laurence Shute. *John Maurice Clark: A Social Economics for the Twenty-First Century.* London: Macmillan Press, 1997. ix + 201 pp. $65.00, cloth, ISBN 978-0-312-16525-3.



Reviewed by Anne Mayhew

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Laurence Shute's excellent introduction to the work of John Maurice Clark is one of a series on twentieth century economists being published by Macmillan and St. Martin's under the general editorship of John Pheby. Clark was born in 1884 and died in 1963. From an unpublished M.A. thesis written at Columbia in 1906 to his final testimony to Congress in 1963, Clark's career spanned a period of American economics that is today poorly understood and little appreciated by most economists. Shute, by making extensive use of Clark's major published works and of archival material, describes how Clark moved from thesis and dissertation on "reasonable" railway rates to what are arguably the best analyses of the U.S. economy of the mid-twentieth century.

What Clark came to understand in working on the railroads was that "cost" could not be a simple construct, nor simply measured. Building on the work of John Stuart Mill, Alfred Marshall, Frank Taussig, and E.R.A. Seligman, Clark argued that the pervasiveness of joint costs defied not only simple measurement, but also simple categorization of costs as fixed or variable. As Shute describes it, Clark, in his study of railroads, came to realize that the old problem:

... of allocating total cost into the categories of fixed and variable was relatively unimportant in an era of small-scale enterprise ... With the appearance of larger-scale production ... this was no longer the case ... and the allocation of total cost between fixed and variable became largely a legal-institutional-historical question (p. 40). In *Studies in the Economics of Overhead Costs*, Clark used his understanding of costs as basis for a wide variety of analyses and recommendations. These ran from his conclusion that price discrimination, cutthroat competition, or monopolistic arrangements were an inevitable part of modern capitalism, to causes of and solutions for business cycles.

As Clark analyzed them. overhead costs became variable costs as products passed through stages of production and through different firms. In Clark's words:

Every producer has an incentive to avoid idleness, but the strength of his incentive is measured by the amount of his own constant expenses, not by the total amount of constant costs involved in the whole process, from beginning to end of the chain of operations and exchanges (p. 55).

Or, and again in Clark's words, "whenever constant costs are converted into variable or variable into constant, there is stimulus either to wasteful overuse or wasteful disuse of our productive facilities" (p. 55). Clark used his analysis to propose remedies for such waste based upon the proposition that from the standpoint of society as a whole, the bulk of costs are overhead costs. Though he did not think salaried (and thus more secure) employment for all workers feasible, Clark did argue that treatment of labor as an overhead cost should follow recognition that "The overhead cost of labor is a collective burden upon industry in general, but the market does not allocate to each employer the share for which his own enterprise is responsible" (p. 58). Fundamental to all of Clark's work on cycles and stabilization was the proposition that reclassification of costs affected stability, and that such reclassification could be used as a tool of public policy.

Shute emphasizes the importance of ethical and policy issues in all of Clark's work and attributes this in part to the influence of his famous father, John Bates Clark. Though his father is most often thought of as founder of American neoclassical analysis, concern with social control of industry for the general benefit also marked his work. It was on this topic that he and his son worked jointly (in a 1912 revision of John Bates Clark's ***The Control of Trusts***), work continued by John Maurice in ***Social Control of Business*** (1926, revised in 1939).

However, as Shute rightly emphasizes throughout, John Maurice took a decidedly non-neoclassical path in his own work, and in his hopes for economics as a discipline. He understood and appreciated his father's work, but he thought "a different type of economic thinking" was required to deal with the economy of the twentieth century. Shute, in his chapter on "An 'Examination of Premises,'" recounts Clark's growing conviction that concepts of modern psychology and social science should replace the decidedly non-modern postulates about human behavior upon which his father and others had based neoclassicism.

Shute provides considerable evidence to show that, from Clark's earliest work through his post-World War II comments on the formalization of Keynes' work that was then underway, he sought a "non-euclidean" economics that would be more "scientific" than most economic analysis in fact was. In a 1924, essay on "The Socializing of Theoretical Economics," Clark argued that it was "unscientific" to exclude relevant evidence. He wrote: "... comprehensiveness is scientific, even if it involves some sacrifice of other qualities for which science likes to strive" (p. 34). In a critique of a 1949 essay by Paul Samuelson, Clark repeats the theme by complaining of ... what happens to the Keynesian theory when it is simplified by isolating the central mathematical formula and its corollaries from the context of factors that do not lend themselves to this treatment, and which Keynes handled in 'literary' fashion ... (p. 104).

Though he was profoundly critical of the inadequate grounding in social science of much of economic analysis, and critical of excessive formalism, Clark (and his fellow Institutionalists) made major contributions to what was then the "mainstream" of American economics during a period of lively innovation. During the early 1930s (***The Costs of the World War to the American People***, 1931; ***Economics of Planning Public Works***, 1935) Clark had already developed both multiplier and accelerator concepts and he welcomed Keynes' "income-flow analysis." However, in the early 1940s he was worrying--in print and in exchanges with Keynes--that this analysis would be undiscriminatingly applied, and that there were problems associated with sole reliance on deficit spending for stabilization (pp. 104-105). Clark's concern was a wider variety of stabilization tools--including attention to the legal arrangement of costs--would be required.

In his last major work, ***Competition as A Dynamic Process*** (1961), Clark returned to some of the issues with which he began his career. Shute stresses that this work was not the "major general treatise" that Clark had once hoped to write, but rather an attempt to develop a practical notion of "workable competition" appropriate for analysis and policy guidance in a dynamic economy. Clark was realist enough to worry that this work would not be well received because his readers would have a "conception of theory ... identified with models of determinate equilibrium" and would therefore think that "no theory has been produced." Sad, but true.

I hope that it is not unrealistic to hope that Shute's work will serve to remind economists and historians of economic thought of the importance of Clark's lifetime of work. Though his treatment is necessarily brief, Shute has done a good job of laying out the major themes that unified this large body of work and provides a thorough bibliography of published and unpublished works by Clark. As the subtitle, "A Social Economics for the Twenty-First Century," makes clear, Shute finds Clark's work to be of continuing relevance, and he does a fine and scholarly job of explaining why.

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