

**THE PHILOSOPHY OF
WEALTH:
ECONOMIC PRINCIPLES
NEWLY FORMULATED**

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The Philosophy of Wealth: Economic Principles Newly Formulated by John B. Clark

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ECONOMIC PRINCIPLES NEWLY FORMULATED.

BY

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PREFACE.

IN a series of articles in the *New Englander*, commenced ten years ago, I endeavored to contribute a share toward the reformulating of certain leading principles of economic science. The traditional system was obviously defective in its premises. These were assumptions rather than facts, and the conclusions deduced from them were, for that reason, uncertain. The assumed premises were, at certain points, at variance with facts, and the conclusions were, to that extent, erroneous. The better elements of human nature were a forgotten factor in certain economic calculations; the man of the scientific formula was more mechanical and more selfish than the man of the actual world. A degraded conception of human nature vitiated the theory of the distribution of wealth.

The prevalent theory of value started with a misconception of utility, and of the part which it plays in exchanges. Economic science, in general, found no adequate place for the intellectual activities of men, and made no important use of the fact that society is an organism, to be treated as a unit in the discussion of many processes affecting wealth.

The articles referred to endeavored to contribute such share as they might toward the needed reconstruction of economic theories. They endeavored to broaden the conception of wealth, as the subject of the science, to find a place in the system for the better motives of human nature, to construct a new theory of value, to apply at all points the organic conception of society, and to suggest other corrections. They tried, in general, to bring the premises of the science into better accordance with facts, and to bring the general spirit of it into greater harmony with the instinctive demands of a healthy human nature.

In this book the most of these articles are republished, with varying amounts of revision, and the discussion is extended, and made to include, among other points, a study of the nature of production and distribution. The one process is found to consist of a synthesis, and the other of an analysis; the same elements which are combined in production are separated, step by step, in distribution. The process loosely termed competition is analyzed, and a new theory of "non-competing groups" is advanced, and applied to the labor problem. The lines furnished by these groups are found to determine the limits of the combinations of capital and of labor, which are the distinctive feature of the present era. A study is made of the laws determining what forms of industrial organization shall emerge from the present chaotic condi-

tion. The test of economic principles is applied to the intellectual and spiritual activities of society.

There are two or three points in the system, as here outlined, which readers of recent economic literature might naturally suppose were directly borrowed from that source. These were, however, contained in the articles already referred to, which were published early enough to preclude dependence on anything very recently issued. Whatever may be their merits or demerits, the theories here advanced are not borrowed from the writings of other persons.

If this book were intended as a general treatise on political economy, it would, of course, be very incomplete. It omits whatever belongs to that field which is common to economics and practical politics. It has nothing to say about protection or currency. Obviously the work cannot be a text-book, in the ordinary sense of the term. Teachers who do not want a text-book as the sole or chief means of instruction, and who prefer to present in their own way the controverted practical questions of the day, may, perhaps, find a place for it in the classroom. The place which it primarily seeks is in the hands of readers and thinkers who have long been in revolt against the general spirit of the old political economy.

J. B. CLARK.

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PREFACE TO THE SECOND EDITION.

I COMPLY with the suggestion of a friendly critic in stating the relation which the theory of value advanced in the fifth chapter of this book bears to that of Professor Jevons. My theory was attained independently, very long ago, but proved to coincide with that of Professor Jevons in the general fact of establishing a close connection between utility and value in exchange, and in regarding utility as subject to mental measurements. In some more specific points it resembled that theory without quite coinciding with it. It has been published without change in any of these respects. Features of the theory which I still venture to regard as my own are the identification of value in all its forms with measure of utility, the distinction between absolute and effective utility, and the analysis of the part played by society as an organic whole in the valuing processes of the market.

Of the twelve chapters of the book, nine treat of topics falling within the traditional limits of economic science; while the remaining three discuss subjects which a highly orthodox view may perhaps regard as lying outside of economic limits. If, however, political