

Clarks marginal productivity theory research paper examples

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The full impact of Clarks Marginal Productivity Theory has become a topic of substantial debate. This essay will examine the approach with the goal of ascertaining the strengths and the weaknesses. Alongside the available data gathered over time, the essay will utilize relevant data to create a credible assessment.

Beginning with a overview of the inception of the Marginal Productivity Theory will enable a data range to be established, which in turn will allow the creation of a useable database. Building on the first segment, the second section will comprise modern implementation efforts, which will demonstrate to what extent the theory has been utilized within the concept of modern economics. The combination of the initial segments of the study will allow the creation of a credible assessment of Clark's theory.

In the end, this study will have produced relevant evidence in relation to the inception, modern practice, and future potential for Clarks Marginal Productivity Theory with the stated goal of assessing the long term feasibility factor for the approach.

Marginal Productivity Theory

The question brought before Clark “ Is there a natural law according to which the income of society is divided into wages, interest, and profits?” served to provide the inception point for the Marginal Productivity Theory (Brennan and Swamy 3). Defining wages as the earnings derived from labour, profit as the function of the entrepreneur that establishes a form of efficient relations between the associated agents of production, and interest, which he defined as the earnings of capital. Clarks base thesis states that free competition gives to labour what every that labour creates, likewise capitalists what the

capital creates as well as to the entrepreneurs what their efforts create (3).

In opposition To Marx's theory of exploiting the labour class, Clark asserts that there is no abuse if there is a fair recompense involved.

Clarks theory argues that the overall means of production is in fact accomplished through the means of exchanges, or the practice of passing of produce from person to person thereby including the entire society in the process (Brennan and Swany 4). In a direct approach to instil change, Clark's approach does away with the terms of Distribution, Exchanges, Production and Consumption with the assertion that his theory illustrates that the divisions are meaningless without the proper understanding. Clark embraces three distinct natural divisions of economic science (4):

- The Universal concept of wealth.
- The organized form of society referred to a static social event.
- The constantly changing form of society or the concept of social economic dynamics.

These natural divisions served to replace what Clark termed as extraneous.

Society has a consistent impact on any organization in the process of developing a business plan (Brennan and Swany 6). By the dictates of Clark's theory, any variation must be accounted for in the context of the data. For example, in a society that experienced a surge in the labour pool, the forces associated with wages and finance must shift in order to achieve and maintain the semblance of balance. Continuing on, this argument contends that the factor of competition is the driving factor bending the units of labour and that of capital, becoming productive across a wide range of groups and their associated sub-groups (6). Within the context of Clarks approach, the

consistent and variable forms of dynamic action will result in a series of static states. This perception of societal function is due to the fact that society is constantly seeking a dynamic shape, but the nature of the pursuit places the population firmly behind the concept (6).

A clear indication of Clark's attitudes as regards the past economic works is illustrated with his statement concerning the consummate fallacies that surround the traditional forms of economic theory (Breenan and Swamy 6). A primary pillar of Clark's theory was the fact that economists should approach the study of static forces alone prior to adding the dynamic variables into the equation.

Mandel (1) argues that many of the fundamentals components of Clark's marginal productivity theory are not just controversial in the extreme, but based on an erroneous approach. His son, J. M. Clark has characterized the works of his father as more of an ethical rebuttal to the Marxist ideas of the era (1). This is a strong indication that much of the theory is questionable with many in the professional ranks questioning the overall veracity of the theory itself. Among the many questionable facets of the theory Mandel (1) argues that the approach requires a very unlikely state of perfect competition in order to establish a measureable data range. This is a condition that is simply not attainable in real world conditions, which in turn weaken the overall application potential of the Clarks theory.

A secondary weakness of the Marginal Productivity Theory rests in the fact that the approach rewards factors not the individuals that are responsible for the factors (Mandel 2). For example, Clark's theory gives landowners income, but the income is intended for the contribution of the factors, not for the

contribution of these individuals themselves. The long held argument against Clarks theory in this instance is that it is not possible to distinguish between the crops that grow on the land and the hoe that was utilized to tend them, raising the question of was the land or the person that allowed the crops to grow responsible for the achievement (2)? This lack of consideration in base construction of Clark's theory adds to the detrimental aspects of the approach with a growing perception of inadequacy in the face of real world conditions.

Mandel (3) contends that the marginal productivity theory creates an explanation for the production of income in a particular manner. Yet, the remaining issues are the question of whether the theory itself has the capacity of truly comprehending the flow of income to the associated factors of production. This is the foundation for many of the rising arguments concerning Clark's theory in the modern era (3). With studies being created that directly question the classical theory, there is a substantial recognition of the need to continuously build and reassess the entire approach.

In conclusion

This essay has examined Clark's Marginal Productivity Theory alongside the strengths and weakness of the approach. The evidence produced has illustrated that Clark's theory is still a target of considerable debate, as scholars seek to fully understand the inherent context in the modern world. Modern theory has begun to question the veracity of Clark's theory with many clear and precise points, which in turn indicates the capacity for change. In the end, it will be the recognition that no one theory is beyond reassessment as well as the fact that the more data is developed the better

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opportunity for real progress utilizing the tools of prior generations to propel us into the future will emerge.

Works cited

Brennan, Claire and Lauren Swany. " The distribution of Wealth: John Bages Clark." 1. 1 (2009): 1-5. Print.

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