

overdue. In so far as the present study makes use of estimates and data collected by other authors full acknowledgement has been made in the text.

I want to thank my friend, Mr. Mulford Martin for his help in editing the manuscript. He has contributed greatly to the improvement of the form and substance of the text. As on previous occasions Lore L. Kapp has cooperated in every phase of the preparation of the second edition.

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K. WILLIAM KAPP

PREFACE

THE MAIN purpose of this book is to present a detailed study of the manner in which private enterprise under conditions of unregulated competition tends to give rise to social costs which are not accounted for in entrepreneurial outlays but instead are shifted to and borne by third persons and the community as a whole. Thus, the present study deals at the same time with a specific technical economic question and with broad issues of social philosophy and economic knowledge. The technical question involved is whether our concept of costs is not incomplete and apparently in need of correction. The broader issues of social philosophy and economic knowledge which the analysis of the social costs of production raise become clear only if we view the phenomenon of social costs within the framework of the basic premises of classical political economy and of the proposition still found in neoclassical economic thought that perfect competition tends to maximize output and the want-satisfying power of available scarce resources. To present a brief outline of this framework is the purpose of the first chapter. The second and third chapters are designed to provide a general introduction to the detailed analysis of social costs by describing the general meaning of social costs and examining the contributions of those economists who have questioned the validity of the main trend of neoclassical economic thought, and in this context have dealt with the phenomena of social losses and social waste. The threads of these theoretical arguments are then brought together in the concluding chapters, which are designed to summarize the results of the detailed analysis of social costs contained in the main part of the book and to draw a number of theoretical and methodological inferences from them.

The basic idea of the present study was first advanced in a highly tentative manner in the author's attempt to deal with

the problem of economic calculation in connection with his analysis of the economic relations between a foreign trade monopoly and private exporters and importers.¹ His interest in the problem of social costs was further stimulated by J. M. Clark's contributions to "Social Economics" as well as by the results of the unique and still largely neglected research carried out under the auspices of the National Resources Planning Board. Professors J. M. Clark and Robert Lynd read an earlier draft of the introductory and concluding chapters and have offered critical comments, which are gratefully acknowledged.

The contribution which my wife has made to this book is too comprehensive to be explained fully. She rendered indispensable aid in connection with the research work; she has prepared preliminary drafts for certain sections; and she has borne many of the numerous burdens involved in the final completion of the study. I also wish to mention with warmest thanks that Dr. Joseph Finnegan has helped with the editorial work on parts of the manuscript.

The untiring cooperation of Mr. Mulford Martin, Librarian of the School of Commerce, Accounts and Finance of New York University, and his staff greatly facilitated the collection of material. I am further indebted for information and material dealing with specific phases of the study to the following agencies and institutions: The Bureau of Labor Statistics of the U.S. Department of Labor, the Bureau of Mines of the U.S. Department of the Interior and the United Mine Workers of America for various data on work injuries; the Mellon Institute of Industrial Research at the University of Pittsburgh, the Air Hygiene Foundation of America in Pittsburgh, the Office of the Mayor of the City of Saint Louis, the New York Chamber of Commerce, the Smoke Prevention Association in Chicago, the U.S. Public Service and the Advisory Committee on Atmospheric Pollution at Birmingham University (Great Britain) for material related to the chapter on air pollution;

¹ *Planwirtschaft und Aussenhandel* (Geneva: Georg et Cie, S. A., Librairie de l'Université, 1936).

the Bureau of Mines for data on the disposal of oil-field brines in connection with the chapter on water pollution; the library of the League of Nations in Geneva (Switzerland) for information on the question of pollution of the sea by oil; the Fish and Wildlife Service of the U.S. Department of the Interior for data on the depletion of animal resources; the National Resources Planning Board, the Atlantic Refining Company, the Independent Petroleum Association of America and the Bureau of Mines for data dealing with the depletion of energy resources; the Soil Conservation Service of the U.S. Department of Agricultural Extension Service of Ohio State University, the Oklahoma Agricultural Experiment Station, Stillwater, Oklahoma, the Illinois Farmers Institute, Springfield, Illinois, and the Forest Service of the U.S. Department of Agriculture for material on soil depletion, erosion and deforestation; the Tennessee Valley Authority and the Interstate Commerce Commission for information concerning diseconomies in transportation; the U.S. Department of State and the Office of Scientific Research and Development for material dealing with scientific research and atomic energy.

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University of Chicago Press, Chicago; The University of Minnesota Press, Minneapolis; The Viking Press, Inc., New York; John Wiley & Sons, Inc., New York. Detailed references to publisher, author, title, and year of publication appear in the text.

I also wish to acknowledge gratefully a grant-in-aid which I received from the Institute of Social Research at Columbia University from November 1943 to May 1944. In this connection I wish to record my gratitude to Dr. F. Pollock, Associate Director of the Institute of Social Research, who read the entire manuscript and made many valuable suggestions related to specific phases of the study. The technical completion of the final draft of the manuscript was greatly facilitated by a grant from the Research Committee of Wesleyan University. I am indebted to the Harvard University Press for many valuable suggestions concerning both the substance and the form of the manuscript.

I have made a deliberate attempt to keep the discussion as free as possible from all technical terminology in order to make the book readable for a wider circle than the limited group of professional economists.

K. Wm. Kapp

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ECONOMIC ANALYSIS AND SOCIAL COSTS

ALL SOCIAL scientists have to cope with two basic difficulties: common-sense distortions and their own misconceptions of the social process. Hidden valuations and normative judgments which parade as analytical (positive) statements, the tendency to put one's conclusions into definitions and assumptions, reasoning by analogy and by past experience, wishful thinking and self-deception, deliberate suppression and manipulation of information by interested groups, preconceptions including distorted time-perspectives and, last but not least, elements in the personality structure of the investigator—these are some of the obstacles which tend to defeat social inquiry by subverting the required critical and dispassionate attitude of the social scientist. Instead of testing our solutions by trying to disprove them we tend to defend them against evidence to the contrary. Instead of formulating our problems and our solutions as clearly and as definitely as possible so that they may be critically discussed and revised, social scientists have often tended to save untenable propositions by refining their definitions or by introducing auxiliary hypotheses—thereby rendering more difficult their disproof. Indeed, when new data come to light which contradict earlier conclusions strenuous efforts are sometimes made to play down their significance and to evade their impact.

This is not to say that there has been no progress in social inquiry. On the contrary, new data and new "facts" have repeatedly collided with the conclusions of an earlier age and have led to reformulations and new conceptual systems of a broader and more general scope than those of the past. What we wish to emphasize here is rather the fact that theoretical systems are not easily abandoned in the social sciences; indeed they seem to respond with considerable vigor to new data before