

Adam Smith - Lecture 1

The Character of Market Society

Smith makes a number of claims about the “natural” state of things: “human nature,” “natural” prices or rates of wages, rent, and profit, “natural” character of the market and market society. In this lecture, I explore the picture of market society he gives, mainly in Book I of the Wealth of Nations. In this and the following lectures, we will see how Smith contradicts most of his basic assertions about the “naturalness” of these things.

Benefits of Market Society

- Increase of productivity through division of labor (WN 13ff)
- Affluence of all (WN 22)
- Reduction of class differences (WN 24)

Assumptions

- Equality, but diversity (WN 28f). Accepts analysis of Hobbes; says differences arise in upbringing. Will have to ask, then, why different classes have different outlooks. Will answer, in part, due to material conditions (classes per se), and in part due to different values (esp comparing ruling groups).
- Self-interest; tendency to barter leads to harmony (WN 25f). Like Hobbes, does not argue from altruism, but also does not ascribe deadly competition here. Will have to ask later whether Smith sees this under all conditions or whether he wants this as a result of market society. I.e., is it really part of human nature, or does it stem from social conditions?
- NB: propensity to barter and division of labor are limited by extent of market (WN 31).

Characteristics and inner dynamics (WN 44-8, 72f)

- “Natural” and market prices; value.
- Higgling, entering and leaving market, supply and demand.

Classes and class conflict

- Component parts of price: wages, profits, rent. (WN 65f)
- Principles which regulate each:
 - * supply of labor (WN 86, 85)
 - * accumulation of capital (WN 73, 84f)
 - * appropriation of land (WN 160, 67)
- Reasons for conflict of interests: question of subsistence of individual workers and “race” of workers. (WN 83f)
- Private and public interests. Interests of classes and interests of society; and who knows self-interest (WN 265f).
 - * NB that capitalism is in public interest, but interests of capitalists against public interest.

Preconditions in abstract

- Appropriation of land and accumulation of stock (WN 82f). Before that, labor was only measure of value (cf. Locke); later profit and rent added.
- Also NB limitations due to restrictions, “policy of Europe” (WN 135f): restrictions on competition and free market.

General disabilities and dysfunctions

- mortality (cf. Malthus) (WN 96f)
- conspiracy to raise prices (WN 145)

Developmental Observations

- NB effect of growth on wages, profits, and how it makes for conflict of interests.
- Stagnation hurts workers most; helps employers.

- In new colonies, everyone benefits. (WN 109)

Question: is “naturalness” believable? What about power, etc?

Adam Smith - Lecture 2

“Appropriation and Accumulation:”
The Historical Development of Market Society

Account “framed” by arguments re/”natural” development

- The “natural” development is similar to that in Book I
 - * Peaceful commerce between town and country
 - * “Natural” preference for enterprise closer to home: agriculture, manufacture, foreign trade
- But the historical development was inverted: the “natural” order is reversed
 - * (account is sociological, not abstract)
- Question is how and why this “natural” order was inverted

The answer is that the development was at base a struggle for power, not mutual self-interest on the market: a picture of class analysis

- The development account is sociological, not abstract: structural principles, alliances, struggle for power
- Almost dialectical unintended consequences

Historical account

- Opens with a picture like that of a state of nature: the European Roman Empire after the barbarian invasions (WN 381)
- The first resolution, however, is not a social compact, but a seizure of resources: the lands were “acquired or usurped,” i.e., the appropriation of land (WN 381)
- And the land was not simply used for subsistence - i.e., for economic, trading purposes - but as a basis of power (WN 382): creation of petty princes.

- * primogeniture & entail for maintenance of power (WN 381-2)
- Great proprietors (great lords) primary rural powers (WN 413ff)
 - * The basis of their power was their “rustic hospitality:” great lords always surrounded by hordes of retainers and dependents (WN 413f)
 - * These were soldiers, maintained by him, who could enforce his will, and dependents and tenants, from whom surplus was extracted
 - * A picture of a protection racket (cf. Tilly, “state formation as organized crime”)
 - * The “power of the ancient barons” was founded on these principles (WN 415)
- The opponents of the great lords were (a) the townsmen and (b) the monarchs
- Townsmen/merchants
 - * Originally poor and servile; little more than slaves: like contemporary hawkers and peddlers (WN 397)
 - * But monarch permitted them to farm their own taxes and organize common defense and justice collectively in return for certain payment (WN 399f)
 - * But this cannot be understood as stemming from purely economic motives; rather, military, for townsmen were enemies of the monarchs’ enemies, the great lords (WN 401f)
 - * Thus, a military alliance resulted, and the townsmen were capable in warfare (WN 403) [cf. Weber on this]

This class struggle set in motion a dynamic which changed everything

Origins of prosperity: due to safety, incentive, unintended growth

- Prosperity an unintended byproduct of this power struggle: industry above subsistence level emerged first in the towns (WN 405)
- Great proprietors still had the capacity to block spread of this productive system, but they voluntarily chose to give up basis of their own power and capacity to block it (WN 418ff)

- * “Silent and insensible operations of foreign commerce and manufactures” prompted great proprietors to give up their power for “trinkets and baubles” (WN 418-9, 421)
- * Great proprietors “dismissed their retainers” in order to spend whole of their incomes on themselves (WN 421) [cf. Marx on clearing of estates]
- * NB class analysis of the “improvers:” yeoman farmers (WN 391f); townsmen (WN 411); tenants with leases (WN 421)

Origins of liberty: concrete bases in: class struggle for burghers and small men w/ market society

- “Order and good government” emerged first in the safety of the towns, as against the anarchic countryside (WN 405, 422)
- At same time, as great proprietors dismissed retainers (dependents), their patronage was spread out, and those in economy were made independent of them (WN 420f)

A “revolution of the greatest importance to the public happiness” unintended by any of the actors (WN 422): unintended consequence

Question: why did great lords give up power?

Adam Smith - Lecture 3

How Primitive Accumulation was Possible

Question (from last time): How was this transition possible; why did great lords give up their power?

Results of last lecture: market society is not a “natural” growth or product of evolution. Rather, the conditions for its existence must be consciously or unconsciously created; it cannot exist under all conditions. There must be prior accumulation and appropriation, and the society must be pacified.

He states this very clearly at the beginning of Book 2. The extent of the division of labor is proportional to the accumulation of stock; this accumulation must be prior to division of labor (and market society). (WN 276f)

- Note that this is similar to Marx’s theory and also matches Smith’s picture in Book 3, that market society is created with non-market forces.
- Thus, capitalism, for Smith is not a (very) small trader society, but one of relatively substantial capitalists. Capital must be more than enough for only a few days; otherwise capitalists’ condition is same as the state of the laboring poor. (WN 279)
- Discussion of fixed and circulating capital. (WN 279f)
- Note also that market society is impossible without security for market. It is not based on an - internal - warrior principle: possibly toward its workers or toward colonies, but not with respect to competition on the market. This also corresponds to Hobbes’s pacified society of tame strangers. (WN 284)

Part of his answer about how primitive accumulation took place occurs now in his discussion of productive and unproductive labor, and the effects of frugality or prudence, and prodigality (WN II,III).

- Productive labor is that which produces a surplus which is not immediately consumed, but is reinvested (or circulates) as stock or capital (WN 330f, 337f).

- Immediate source of capital accumulation is frugality and prudence (as against prodigality and misconduct), not simply industry (WN 337). Several interesting features of this discussion:
- NB almost religious language (WN 338-9f).
- NB also discussion of private frugality and prudence as against public prodigality (WN 342-5).
- NB also contrite prose at end of chapter with regard to conventional morality regarding generosity (WN 332).
- Since Smith cites prudence as the chief motor of primitive capital accumulation, it may be appropriate to pursue this question in the context of his extended discussions of prudence in TMS: there, it originates in a fuller picture of human nature, which also accounts for some of the non-Hobbesian elements.

Human nature not completely selfish; involves sympathy (TMS 9f). But this leads to comparison and, by implication, envy: so despite sympathy, man is dangerous to man “like wild beasts” (TMS 86).

- Sympathy comes from imagination, e.g., dread of death (TMS 9-13).
- Approval and disapproval in social setting: put ourselves in others’ place. Society provides a “mirror” for self (TMS 109f).
- Begin by judging others; imagine others judging self: self divided in two (TMS 111f).
- Impartial Spectator, man within the breast: stems from this; it leads to the formation of general rules of morality (TMS 156f).
- If one carried out one’s worst passions (“man of furious resentment”), one would feel remorse (TMS 160f): cf. super-ego.
- Cf. Mead, Freud on dissection of personality or split personality.

This other-regardingness is source of ambition, vanity, and thereby, much of the activity of the world.

- Ambition: because mankind more disposed to sympathize with joy than sadness (TMS 50).
Vanity: being object of approbation (TMS 50f).

- distinctions and ranks based on this disposition of mankind (TMS 52).
- NB that although much pursuit of approbation is in vain, the activity it produces has “changed the whole face of the globe” (TMS 183f). NB Invisible Hand imagery (TMS 184f).

Rank carries with it certain, varying sets of “virtues” or values appropriate to its level, and the attempt to go outside these values causes problems - but on the other hand (as we just saw), it also causes improvement in the world.

- Virtues of the great man (e.g., Louis XIV) - mainly power (TMS 54f).
- Virtues of man of inferior rank: labor and prudence (TMS 54f).
- NB sketches of bourgeois virtues (TMS 54f, 189f, 213ff): object of prudence is security.
- NB also sketches of aristocratic (“superior”) prudence (TMS 54f, 216f); and wisdom’s prudence (prudence of intellectual?)
 - * republican statesmanship: imperfect remedy for lack of wisdom and virtue in private man (TMS 187, 192, 184f).
- Question: will this become his answer to the improvement of society?
- Ironic, unintended consequence. If object of bourgeois prudence is security, then ambition should be ruled out since beggar has security kings are fighting for (TMS 185f). But men of inferior rank are also ambitious and neglect most obvious source of security (not to try to rise), and thereby create tumult and bustle of world, and without intending it, and only thinking of themselves, improve the world (TMS 57f, 183f). In fact, men of inferior rank often ruin themselves in this pursuit (TMS 182).

Question: Is this description of class values sufficient to explain why great lords threw away their inheritance?

- Probably not, but it at least explains why they were oriented to same values, since Sympathy is universal and does not stop at class- or sectoral boundaries.
- If we further posit the rise of absolutism at the expense of feudal power (without an explanation here), we can see how point of reference of great lords was lowered to that of rich commoners: this might have been sufficient for them to have sold their birthright. The

answer is external to Smith, but might be the demilitarization mentioned in my paper on Hobbes.

Adam Smith - Lecture 4

Some Remaining Topics

Political economy

- Purpose is to enrich the people and the sovereign (WN 428).
- The role of the political economist (intellectual, philosopher) is to reveal the principles of political economy to the lawmakers and the people.
- The merchants knew what enriched themselves (it was their business to know, WN 434), but they did not know that their pursuit of profit was enriching the country; this was the political economist's discovery.
- The political economist's discovery is that private egoism can create public good and plenty - under certain circumstances - his discovery is the Invisible Hand (WN 456).
 - * But NB limits of reason - in detailed, State direction
- Political economist discovered this in the context of foreign trade: protectionism did not help promote industry (wealth of nation dependent on capital accumulation, WN 452-3). Protectionism only useful for certain ends (WN 463ff).
- Certain exceptions to these benefits of a pure market policy.

Patches to the defects of a completely market society

- Justice: the police state. Justice instituted to protect property (WN 709ff).
 - * Great property causes great inequality (WN 709; cf. I, 1)
 - * Defense of rich (WN 715)
- Defense: the night watchman state.
- Infrastructure: the state nurturing capitalism. State undertakes those projects which are in the public interest, but which would not profit any individual capitalist (WN 723ff).

- Education: the state repairing capitalism's damage to its workers and cultivating obedience, military and civic virtues.
- The division of labor has a number of very bad effects: deforms the workman (WN 781f); makes him a coward (WN 787f).
- But market society needs martial virtues, and it needs obedience: thus it needs education of workmen to counteract these effects of capitalism. NB, the "public" should attend to the education of the "people" (WN 781).
- Reasons why the State should provide education: obedience and military virtues, prevents [religious] "enthusiasm" (WN 788).

Religion

- Under market society, it can aid in the instruction of people of all ages. However, it must also teach obedience, or it creates disorder and enthusiasm, thereby interfering with educational efforts of the state.
- When not under market society, the Church can attain dangerous independent power, as did Church of Rome.
- The power of the Catholic Church was based on the same rustic hospitality as that of the feudal lords, not rational belief (WN 800f). But Church was much more formidable, since it was not at war with itself, as were lords (quote WN 802-3).
- Reason was no defense against this power. The Church's influence waned only when it became attracted to market goods and, like the lords, decided to spend its income (from land) on commodities rather than hospitality and charity (WN 802f).