SMITH, MARX, & AFTER

Ten Essays in the Development of Economic Thought

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Smith and Marx

'I bring you greetings from Adam Smith, who is alive and well and living in Chicago.' It was in this engaging way that Professor George Stigler opened his speech at a banquet at Glasgow University during the Wealth of Nations bicentennial celebrations held there in 1976.

The picture which this genial proprietary claim was meant to conjure up, of course, was of the Adam Smith who stood out as the great pioneering advocate of competitive capitalism, free trade, and the price mechanism, and whose Wealth of Nations was destined to become the Bible of the liberal bourgeoisie. And – let us face it – the picture drawn by Professor Stigler is not too misleading. The tremendous Smithian sentences ring down the centuries still:

All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men.¹

The uniform, constant, and uninterrupted effort of every man to better his condition, the principle from which publick and national, as well as private opulence is originally derived, is frequently powerful enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of government, and of the greatest errors of administration.²

Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in

view. But the study of his own advantage naturally, or rather necessarily leads him to prefer that employment which is most advantageous to the society . . . I have never known much good done by those who affected to trade for the publick good.  

Monopoly, besides, is a great enemy to good management, which can never be universally established but in consequence of that free and universal competition which forces every body to have recourse to it for the sake of self-defence.  

And these are not exceptional statements torn from their contexts: Smith’s great message of good cheer – that competitive capitalism is, if not the best of all economic systems, at any rate the best of all possible systems – is echoed, with a greater or lesser degree of academic qualification, in almost every chapter of the Wealth of Nations. Do away with most, if not all, monopolies and restrictions on internal and external trade; allow each man to do as he wants to with his own (and in particular with his own capital); give ‘the obvious and simple system of natural liberty’ its head, and the famous invisible hand will automatically maximize the rate of growth of the national product and promote the diffusion of the increasing opulence among the populace. No fears here, apparently, that free competition might sooner or later breed a new type of monopoly; not much fear that the process of development might eventually come to an end; no worries that a more or less unfettered capitalism might generate chronic unemployment, or severe inflation, or gross disparities in income, or war; and no hint at all, of course, that capitalism might at some time or other be replaced by a different type of economic system.  

When we move from the fundamentally approving and optimistic view of capitalism in Smith’s Wealth of Nations to the highly disapproving and pessimistic view of it in Marx’s Capital, we seem at first sight to be in a completely different world. The capitalism described by Marx is monopolistic rather than competitive; ‘machinery and modern industry’ have replaced the division of labour as the main means of increasing productivity; and the system as a whole is racked with internal contradictions which are manifesting themselves in the form of a whole number of unpleasant tendencies – notably a falling rate of profit, a worsening of the lot of the working class, and an intensification of the trade cycle. Fortunately, however, relief is at hand in the shape of the impending proletarian revolution: the capitalist system has almost had its day, and socialism is not very far around the corner.  

Two very different worlds, it would seem, and two very different men. Yet to Marx himself the matter never seemed anything like as simple as this. To Marx, although Smith was certainly a strong advocate of capitalism, he was also at the same time one of the ‘best representatives’ of ‘classical’ political economy – ‘that economy’, as Marx put it, ‘which, since the time of W. Petty, has investigated the real relations of production in bourgeois society’.  

The great merit of classical political economy, in Marx’s view, was that it dissolved the world of illusion implicit in what he called the ‘trinity formula’ – i.e., the apologetic notion that capital produced its own profit, laid its own rent, and labour its own wages. Classical political economy ‘destroyed this false appearance’, Marx argued,  

by reducing interest to a portion of profit, and rent to the surplus above average profit, so that both of them converge in surplus-value; and by representing the process of circulation as a mere metamorphosis of forms, and finally reducing value and surplus-value of commodities to labour in the direct production process.  

To the extent that Smith’s analysis was characterized by elements which led in this direction – i.e., in the direction of Marx’s own theory of value and surplus value – the two men clearly inhabited the same intellectual world.  

But even the ‘best representatives’ of classical political economy, Marx believed, remained ‘more or less in the grip of the world of illusion which their criticism had dissolved, as can not be otherwise from a bourgeois standpoint’. The result was that they all fell more or less into ‘inconsistencies, half-truths and unsolved contradictions’.  

In Smith’s case these manifested themselves in the fact that the elements of his analysis which led in the direction of Marx’s own theory – the ‘esoteric’ (i.e. profound) elements, as Marx christened them – were developed only sporadically, running side by side, in a kind of ‘perpetual contradiction’, with a number of ‘exoteric’ (i.e. superficial) elements. On the one hand, Marx wrote,  

traces the intrinsic connection existing between economic categories or the obscure structure of the bourgeois economic system. On the other, he simultaneously sets forth the connection as it appears in the phenomena of competition and thus as it presents itself to the unscientific observer who is actually involved and interested in the process of bourgeois production. One of these conceptions fathoms the inner connection, the physiology, so to speak, of the bourgeois system, whereas the other takes the external phenomena of life, as they seem and  

\footnote{Ibid., Vol. I, pp. 454 and 456.  
Marx goes on to contrast classical political economy with ‘vulgar economy’, which ‘deals with appearances only, ruminates without ceasing on the materials long since provided by scientific economy, and there seeks plausible explanations of the most obtrusive phenomena, for bourgeois daily use...  
Capital, Vol. III, p. 809.}
appear and merely describes, catalogues, recounts and arranges them under formal definitions. The presence of these ‘exoteric’ elements in Smith’s thought, in Marx’s view, was historically speaking of great significance – not only because Smith’s defence of capitalism was up to a point based upon them, but also, and more importantly, because in Marx’s own time the ‘vulgar’ opponents of Ricardo were largely taking their stand upon them and attacking Ricardo (and therefore, by implication, Marx himself) in the name of Smith. To Marx, therefore, it seemed very necessary to emphasize something that seemed to be in danger of being forgotten – namely, that there was another side to Smith’s thought, a side in which the origins of the Ricardian (and Marxian) approaches to value and distribution theory were fairly clearly to be found.

The ‘esoteric’ side of Smith’s thought was rooted in his simple but epoch-making delineation of the tripartite structure of classes and class incomes in capitalist society, which was made (for the first time) in a passage near the end of Book I of the Wealth of Nations:

The whole annual produce of the land and labour of every country, or what comes to the same thing, the whole price of that annual produce, naturally divides itself ... into three parts; the rent of land, the wages of labour, and the profits of stock; and constitutes a revenue to three different orders of people; to those who live by rent, to those who live by wages, and to those who live by profit. These are the three great, original and constituent orders of every civilized society, from whose revenue that of every other order is ultimately derived.

Before the Wealth of Nations, the socio-economic structure had almost always been defined in terms of a pattern which either virtually ignored the existence of the third of these ‘orders’, or implicitly denied its ‘great, original and constituent’ character by including it in some other ‘order’, smith’s unambiguous assertion of the ‘original’ (i.e. independent) status of the capitalist class and the profit-income by which it lived, coupled with his insistence on the crucial social importance of the activities of this class, meant that a number of traditional economic concepts had to be amended or discarded.

In particular, the social surplus or ‘net revenue’ of society, out of which the proportion between the value of gold and silver and that of goods of any other kind ... depends upon the proportion between the quantity

alone new capital could be accumulated, could no longer be conceived (as it had been by the French Physiocrats) as consisting exclusively of land rent, with profit being considered – when it was considered at all – as a secondary and derivative income which in some sense or other was ‘paid out of’ rent. Clearly, the social surplus had now to be conceived as consisting of two equally ‘independent’ forms of income – rent and profit. And since profit was now manifestly yielded in manufacture as well as in agriculture, it followed that the origin of profit could no longer plausibly be explained in terms of the ‘productivity’ (i.e. surplus-producing capacity) of land, or of nature, or of the Author of nature. It could in fact only be explained, or so Smith (and Ricardo) came to believe, in terms of the productivity of labour – not, be it noted, this or that specific kind of labour, but what Marx was later to call ‘general social labour’. Profit, was, in fact, generated by the capital-labour relation, and was earnable (at an average rate) in whatever occupation this relation happened to exist. Profit arose, in other words, whenever the labourer – i.e. the wage-labourer – was obliged to share what Smith called ‘the produce of his labour’ with the capitalist who employed him. Profit was actually a ‘deduction’ from the produce of labour. In manufacture it was the first and only such deduction; in agriculture it was the second – the other of course being rent. And in all occupations profit itself might be subject to a deduction, in the shape of the interest paid on borrowed capital.

Looking at the passages in the Wealth of Nations in which these ideas are elaborated, one sees that Smith did indeed go quite a long way towards what Marx called ‘reducing interest to a portion of profit, and rent to the surplus above average profit, so that both of them converge in surplus-value’. When it came to ‘reducing value and surplus-value ... to labour in the direct production process’, however, Smith’s analysis was much less ‘Marxian’ – if only because he specifically rejected the embodied-labour theory of value as an explanation of the determination of prices in a capitalist (as distinct from a pre-capitalist) society, and replaced it in effect with a kind of cost-of-production theory.

It would be wrong, however, in an essay on the relation between Smith and Marx, to leave this statement about Smith’s rejection of the embodied-labour theory of value unqualified. For one thing, Smith not infrequently forgot that he had rejected it – as, for example, when he stated quite unequivocally that

10 Theories of Surplus Value, Part I (Foreign Languages Publishing House, Moscow, n.d.), p. 83.
12 Above, p. 5.
13 Ibid.
of labour which is necessary in order to bring a certain quantity of gold and silver to market, and that which is necessary to bring thither a certain quantity of any other sort of goods.\textsuperscript{15}

Then again, Smith did in certain contexts come quite close to 'reducing surplus-value to labour', or at any rate to the difference between two quantities of labour – the quantity required to bring the annual produce to market, and that greater quantity which the annual product will normally 'purchase or command'.\textsuperscript{16} This is not the same as Marx's concept of surplus value by any means, but it is nevertheless surely recognizable as a species belonging to the same genus. And finally – and most important of all – Smith posed the problem of exchange value in a way which set the pattern for all subsequent labour theorists. Given that the embodied-labour theory worked straightforwardly in a pre-capitalist commodity-producing society, Smith asked in effect, did it still work when capitalism arrived on the historical scene? Smith answered this question in the negative, whereas Ricardo and Marx were later to answer it (with modifications) in the affirmative. The important point, however, is that by and large it was one and the same question which all three economists were trying to answer, and that Smith was the first to ask it.\textsuperscript{17}

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The links between Smith and Marx, it is sometimes argued, extend appreciably beyond the rather inchoate anticipations of the Marxian theories of value and surplus value which are to be found in the Wealth of Nations. Smith, it is said, in fact made a large number of individual statements about the motives and behaviour of the capitalists and landlords, about the exploitative origin of their incomes, and about the long-run effects of capital accumulation on wages, profits, and the lot of the working class, which were distinctly radical and 'Marxian' in character. Some commentators have even gone so far as to claim that when one adds up all these statements they amount to a serious indictment of capitalism rather than a defence of it, and to a profoundly pessimistic view of its prospects rather than an optimistic one.

Marx himself was not above making capital (in more senses than one!) out of these statements of Smith's. I am accustomed to tell my students, when I feel that a little provocation may be called for, that Marx was in fact converted to communism in the 1840s by none other than that great apostle of private enterprise, Adam Smith. As evidence of this I refer them to Marx's Economic and Philosophic Manuscripts of 1844, a major part of which consists of direct and indirect quotations from Smith's Wealth of Nations – quotations which prove conclusively (or so it would appear) that the capitalist system is based on the exploitation of the workers by scheming capitalists and idle landlords; that even at the best it is liable to impoverish and degrade the masses of the people; and that it is doomed in the end to decline to a stationary state marked by zero net investment, extremely low wages and profits, and the 'mental mutilation' of the workers.

Marx's quotations from Smith in the 1844 Manuscripts were designedly very selective, and they are not always readily distinguishable from the numerous glosses added by Marx himself. But most of the individual statements which Marx attributed to Smith in the Manuscripts were in fact made by him somewhere or other in the Wealth of Nations; and many of these statements do indeed have certain relatively critical and pessimistic implications which at first glance may seem inconsistent with Smith's powerful advocacy of a system of 'perfect liberty'. Before we decide to label these statements as 'Marxian', however, we should look at them carefully in the context of Smith's thought as a whole, and, even more importantly, in the context of the historical period in which Smith made them.

Let us consider, for a start, some of the better-known of Smith's uncomplimentary characterizations of the capitalists and landlords:

Masters are always and every where in a sort of tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate.\textsuperscript{18}

The interest of the dealers, however, in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the publick . . . [This order of men] have generally an interest to deceive and even to oppress the publick, and [they] accordingly have, upon many occasions, both deceived and oppressed it.\textsuperscript{19}

Those who live by rent . . . are the only one of the three orders whose revenue costs them neither labour nor care, but comes to them, as it were, of its own accord, and independent of any plan or project of their own. That indolence, which is the natural effect of the ease and security of their situation, renders them too often, not only ignorant, but incapable of that application of mind which is necessary in order to foresee and understand the consequences of any publick regulation.\textsuperscript{20}

The rent of land, therefore, considered as the price paid for the use of the land, is naturally a monopoly price. It is not at all proportioned to what the landlord may have laid out upon the improvement of the land, or to what he can afford to take; but to what the farmer can afford to give.\textsuperscript{21}

These statements are unequivocal enough, and there is no doubt that in

\textsuperscript{15} Wealth of Nations, Vol. I, p. 84. See also p. 145.
\textsuperscript{16} Ibid., Vol. I, p. 267. See also p. 113.
\textsuperscript{17} Ibid., Vol. I, p. 265.
\textsuperscript{18} Ibid., Vol. I, p. 161.
making them Smith meant exactly what he said. But at any rate so far as the capitalists are concerned, the characterizations just quoted are to some extent offset by others in which the virtues of this class, rather than their vices, are stressed.22 It is also important to note that Smith’s harshest condemnations of the ‘merchants and manufacturers’ were reserved for their ‘monopolizing spirit’ and the ‘interested sophistry’ with which they persuaded governments to introduce or maintain restrictions on trade. Simply by removing these restrictions, Smith argued – i.e., by fostering competitive capitalism –

the mean capacity, the monopolizing spirit of merchants and manufacturers . . . though it cannot perhaps be corrected, may very easily be prevented from disturbing the tranquility of any body but themselves.23

And so far as the indolent landlords are concerned, it should be remembered that according to Smith their interest, in contrast to that of the ‘merchants and manufacturers’, was ‘strictly and inseparably connected with the general interest of the society’.24

Also relevant here, perhaps, is the fact that in Smith’s view the economic machine would operate to produce good results not simply in spite of the vices and follies of the economic agents but also in part through them. The ancient Stoics, said Smith in the Theory of Moral Sentiments,

were of opinion, that as the world was governed by the all-ruling providence of a wise, powerful, and good God, every single event ought to be regarded, as making a necessary part of the plan of the universe, and as tending to promote the general order and happiness of the whole: that the vices and follies of mankind, therefore, made as necessary a part of this plan as their wisdom or their virtue; and by that eternal art which educated good from ill, were made to tend equally to the prosperity and perfection of the great system of nature.25

In Smith’s own eighteenth-century version of this notion, the private vices of the capitalists and landlords – and, for that matter, those of the wage-labourers as well – could readily be transmuted into public benefits through the operation of the economic machine, if only men would learn to leave it alone.

But how far could the operation of the machine be said to be based on exploitation? The passages (referred to above)26 about the labourers having to produce the share of their labour with the capitalists and land-

lords, and about profit and rent representing deductions from the labourers’ ‘natural recompence’,27 certainly seem at first sight to suggest this. Forms of words of this kind were used by Smith so regularly, and in such a variety of different contexts, that one can hardly regard them as unintended; and Marx was undoubtedly correct in adding them as evidence that Smith was at least looking in the direction of a general theory of surplus value. Relevant in this connection too is the fact (also frequently referred to by Marx) that Smith went out of his way to emphasize that the profits of stock were not simply ‘a different name for the wages of a particular sort of labour, the labour of inspection and direction’. At any rate in large enterprises, said Smith, the owner of capital, even though he is ‘discharged of almost all labour’, still expects that ‘his profits should bear a regular proportion to his capital’.28

Nor can it be said that Smith was particularly happy about this state of affairs, ‘The labour and time of the poor’, Smith told his students at Glasgow, ‘is in civilized countries sacrificed to the maintaining the rich in ease and luxury’29 – words which could hardly have been used by one whose sympathies did not lie with the labouring classes. But however unfortunate this necessity might be, it was in Smith’s view a necessity. Without the deduction of profit from ‘the value which the workmen add to the materials’, he said, the capitalist ‘could have no interest to employ them’.30 Nor, at any rate in normal circumstances, was the deduction either undeserved or unreasonably large: net profit, said Smith, ‘is the compensation, and in most cases it is no more than a very moderate compensation, for the risk and trouble of employing the stock’.31 The moral Smith drew from the frank discussion in his Glasgow lectures of the great inequality in the distribution of wealth and effort in ‘civilized countries’ was not that this inequality should be done away with, or even reduced: rather, the moral was that in spite of the prevalence of this ‘oppression and tyranny’ even the most disadvantaged members of society enjoyed a far greater ‘plenty and opulence’ than that which they could have expected in ‘a savage state’.32 And this fortunate circumstance was the result of the extension of the division of labour in modern society, which was dependent upon the accumulation of capital – which was in its turn dependent upon the size of the deductions the capitalists were able to make from the produce of labour. It is surely clear that in the context of this kind of argument, put forward as it was at a time when capitalism had not yet come under serious

22 See David A. Reisman, Adam Smith’s Sociological Economics (Croom Helm, London, 1976), pp. 93-5.
26 p. 7.
27 ‘The produce of labour constitutes the natural recompence or wages of labour’ (Wealth of Nations, Vol. I, p. 82).
29 The quotation is from p. 20 of Vol VI of the recently-discovered set of student’s notes of Smith’s Glasgow lectures on Jurisprudence, which is shortly to be published by Oxford University Press in the Glasgow edition of Smith’s works and correspondence.
32 See pp. 24-5 of Vol. VI of the set of notes referred to in 29.
attack, a ‘deduction’ theory of profit could not have had the same derogatory connotations as those which it was to acquire in Marx’s time, in the context of a very different kind of argument and a very different period of history. The deduction of rent, of course, was—or could have been—a rather different matter; but Smith confused this particular issue by claiming (at least in some places) that rent was in fact ‘the produce of those powers of nature, the use of which the landlord lends to the farmer’.33 The landlord, therefore, although he might possibly be accused of appropriating the gifts of nature without making any corresponding return, could not quite so easily be accused of the more heinous crime of exploiting the labourers employed on the land.

Let us now turn to Smith’s views about the effects of capital accumulation on the level of wages. Smith, as is well known, argued that there was ‘a certain rate below which it seems impossible to reduce, for any considerable time, the ordinary wages even of the lowest species of labour’. A workmen’s wages ‘must at least be sufficient to maintain him’, and in most cases must in fact be higher than this, since otherwise ‘it would be impossible for him to bring up a family, and the race of such workmen could not last beyond the first generation’.34 In addition, as is equally well known, Smith argued that since population will increase when the demand for labour and therefore the wage-rate increase, ‘the demand for men . . . necessarily regulates the production of men’, and the operation of this demand-and-supply mechanism will ensure that the wage-rate is constantly adjusted to ‘that proper rate which the circumstances of the society require’.35 If one puts these two arguments side by side, as Marx did for his own purposes in the 1844 Manuscripts,36 it is tempting to read the elements of an ‘iron law’ or ‘subsistence theory’ of wages into Smith’s analysis.

Before we succumb to this temptation, however, we should recall that the context in which these two arguments are set is a lengthy discussion of the way in which wages are affected by ‘the advancing, stationary, or declining state of the society’.37 The crucial point is that according to Smith the level of ‘that proper rate which the circumstances of the society require’—i.e., the rate which equilibrates demand and supply in the labour market—will vary according to which of these three states the society happens to find itself in. In a stationary state (i.e., a state in which the country has acquired its ‘full complement of riches’), it is true, the labourer’s wages will soon be reduced to a level which is ‘barely enough to enable him to bring up a family, or to continue the race of labourers’; and in a declining state they will fall even below this.38 In an advancing state, however, the condition of the labouring poor will be ‘the happiest and the most comfortable’,39 since the rate of wages which equilibrates demand and supply in the labour market will be appreciably above the subsistence level. And this, Smith argues, is in fact the actual situation in Britain. Over the present century, he says, the ‘real recompence’ of labour has been rising (due largely, of course, to the steady accumulation of capital), and it is now appreciably above the subsistence level.40 This is definitely advantageous to society, on grounds not only of equity41 but also of efficiency;42 and the process can readily be continued by adopting the appropriate measures required to encourage the further accumulation of capital. Provided such measures are in fact adopted, Smith apparently believed, one need not worry too much about the prospect of reaching a stationary state: after all, ‘perhaps no country has ever yet arrived at this degree of opulence’, and even a country like China, which at first sight appears to have done so, might be able to increase its wealth further by means of an appropriate alteration in its ‘laws and institutions’.43 Nor, a fortiori, need one worry about the prospect of a declining state. The only example of the latter which Smith gives is ‘the present state of Bengal, and of some other of the English settlements in the East Indies’—and this he blames specifically on the policies adopted by the mercantile company which oppress and domineer in the East Indies.44 Nor, finally, need one worry unduly about the fact that ‘the increase of stock, which raises wages, tends to lower profit’.45 One can certainly find in the Wealth of Nations the germ of the influential notion that the long-run tendency of the rate of profit is to fall;46 but there appears to be no hint anywhere that this will ever be sufficiently serious to threaten the future prospects of capitalism.47

To conclude this section, something should be said about the celebrated passages in the Wealth of Nations, to be found in a section entitled ‘Of the Expenditure of the Institutions for the Education of Youth’,48 in which Smith talks about the way in which the extension of the division of labour in the manufactory exposes those whose whole life is spent in performing a few simple operations to a process of ‘mental mutilation’;49 which may result in their becoming ‘as stupid and ignorant as it is possible for a human

32 Wealth of Nations, Vol. I, p. 364. Cf. p. 363: ‘In agriculture too nature labours along with man; and though her labour costs no exence, its produce has its value, as well as that of the most expensive workmen.’
34 Ibid., Vol. I, p. 98.
36 Economic and Philosophic Manuscripts of 1844 (Foreign Languages Publishing House, Moscow, n.d.), p. 22.
38 Ibid., Vol. I, pp. 111 and 266; and cf. also pp. 91 and 99.
40 Ibid., Vol. I, pp. 91–3, 95–6, and 106.
41 Ibid., Vol. I, p. 96.
44 Ibid., Vol. I, p. 91.
46 The most relevant passages will be found in Vol. I, pp. 144–5 and 352–3.
creature to become. Marx was fond of quoting from these passages, and some echoes of them are probably to be found in his descriptions of the effects of 'the general law of capitalist accumulation' (e.g., when he speaks of the way in which under capitalism all methods for the development of production 'mutilate the labourer into a fragment of a man'). It is not unduly misleading, therefore, to suggest that this Smithian idea may well have been the source of one of the ingredients of Marx's concept of 'alienation'.

What is misleading, however, is to suggest that Smith himself visualized this 'mental mutilation' as a fatal flaw in the capitalist system itself — a flaw which predestined it to some kind of all-embracing moral decay at the end of its developmental journey. The idea that the division of labour may have bad effects as well as good ones first appears in Smith's work, not in the *Wealth of Nations*, but in his Glasgow lectures on Jurisprudence. It makes its appearance there in a lecture dealing with 'the influence of commerce on the manners of a people', in which Smith begins by describing the 'principal virtues' of a commercial nation. He then goes on to remark that 'there are some inconveniences, however, arising from a commercial spirit', the first of these 'inconveniences' being that the division of labour 'confines the views of men'. And when the idea reappears in a developed form in the *Wealth of Nations*, this bad effect of the division of labour is still considered as no more than an inconvenience: a cost of growth, certainly, but not really a very heavy one. The essential virtues of the 'commercial spirit' and the division of labour are still extolled; the advancing state (in which the division of labour is of course being further extended) is described as one in which the condition of the labouring poor is 'cheerful' and 'hearty': and Smith suggests that the effects of 'mental mutilation' can be mitigated — and for 'a very small expence', too — by means of a measure of state aid to education. It should also perhaps be added that in advocating this policy of state aid to education Smith seems to have been concerned not only with the happiness of the labourers, but also, to at least as great an extent, with the maintenance of the country's defence capacity and the prevention of 'faction and sedition'.

Another link between Smith and Marx, which has been less commented upon than those considered above, arises from the fact that both men can be said (with appropriate qualifications in each case) to have been 'economic determinists'. In Smith's case this 'economic determinism' reflected itself first and foremost in his view of the development of society, although its influence can also be detected in a number of other parts of his analysis.

Smith's view of the development of society, which was embodied mainly in his version of the four stages theory, is dealt with in some detail in the next essay in this volume, and there is therefore no need for me to say very much about it at this juncture. Let us note only that Smith was probably the first thinker to put forward in a coherent form the immensely influential notion that societies normally tended to progress over time through four more or less consecutive and distinct socio-economic stages, each based on a different mode of subsistence, namely, hunting, pastoral, agriculture, and commerce. To each of these economic bases, in Smith's account, it was assumed that there corresponded a different superstructure of political, moral, and legal ideas and institutions. Movement from one of the stages to the next, although the result of human action and in an important sense law-governed, was not consciously directed or designed: rather, in Smith's view, it was a kind of unintended by-product of the conflict of individual wills and actions, which were often directed towards quite different (usually self-regarding) ends. As Adam Ferguson was later to put it, 'nations stumble upon establishments, which are indeed the result of human action, but not the execution of any human design'. The mechanism involved in this process was similar in its character to that which Smith envisaged as operating in the more narrowly 'economic' sphere, where the net effect of the self-regarding activities of the economic agents was the maximization of the national product at any given moment of time, the maximization of its rate of growth over a period of time, and a reasonably adequate and efficient distribution of income among the different social classes.

This set of ideas, around which a great deal of Smith's thinking was oriented, was not of course identical with Marx's materialist conception of history. Marx's 'mode of production' was by no means the same as Smith's 'mode of subsistence'; his sociology was completely emancipated from theology whereas Smith's was not; and his 'laws of motion of capitalism acted maleficiently' whereas Smith's by and large acted beneficently. But Smith's general attitude towards the problem of the determination of the structure and development of society is surely recognizable as a logical ancestor of Marx's; and I have always found it surprising that Marx himself should have said so little about this aspect of Smith's thought. It is true, of course, that Marx did not have access to Smith's lectures on Jurisprudence, in which the four stages theory appeared much more prominently than it was later to do in the *Wealth of Nations*. But it is still

50 Ibid., Vol. II, p. 782.
57 Cf. Reisman, op. cit., p. 10 and passim.
58 Below, pp. 18 ff.
fairly clearly visible in the latter book; and Smith’s published work as a whole is chock-full of ‘materialist’ statements of which one might have expected Marx to take rather more notice than he in fact did. It could very plausibly be argued, indeed, that it is in Smith’s numerous remarks about the influence exerted upon the character of individuals, social classes and nations by the manner in which the people concerned get their living, about the relativity of manners and morals to time and place, and about the socio-economic determinants of political attitudes, literary styles, consumption patterns, etc., that the main similarities between his approach and Marx’s are to be found.

V

How then can we sum up this question of the relation between Smith and Marx? It will be clear from what I have said in Section III of this article that I do not think Smith can properly be regarded as a kind of premature eighteenth-century Marxian socialist. Most of the Smithian propositions that are usually relied upon in order to support such a view take on a much less radical hue when they are seen in the perspective of Smith’s argument as a whole. Also, of course, it must be remembered that many of Smith’s critical statements about capitalism and the capitalists, although they might well have seemed inflammatory or even revolutionary if they had been made in Marx’s time, must have seemed merely honest and realistic in Smith’s time, when capitalism had not yet come under serious attack. Nevertheless, as we have seen, there are certain respects in which there is no doubt at all that Smith must be regarded as a precursor of the intellectual tradition within which Marx worked. Smith provided Marx (and of course Ricardo) with a model of the new tripartite framework of class relationships characteristic of capitalist society; he formulated a new concept of surplus in which profit was emancipated from its former dependence upon rent and ascribed to the productivity of labour in general; and he outlined a new theory of the development of society and the nature of socio-historical processes in general which, whether Marx himself was aware of it or not, set the stage for the eventual emergence of the materialist conception of history.

These ideas of Smith’s were embodied in the general economic methodology which he employed, at any rate for part of the time, in his analysis of the determination of class incomes and the prices of finished commodities. The distinguishing feature of this methodology was that it stressed the determining role of the techniques and relationships of production – in much the same kind of way as the more developed methodologies of Ricardo and Marx were later to do. Up to a point, therefore, Smith can be regarded as the founder of what has today come to be known as the Ricardo–Marx tradition in value and distribution theory. But as we have already seen

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11 Below, pp. 156-8.

12 Cf. p. 4 above.

13 Wealth of Nations, Vol. I, p. 471: ‘To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it.’