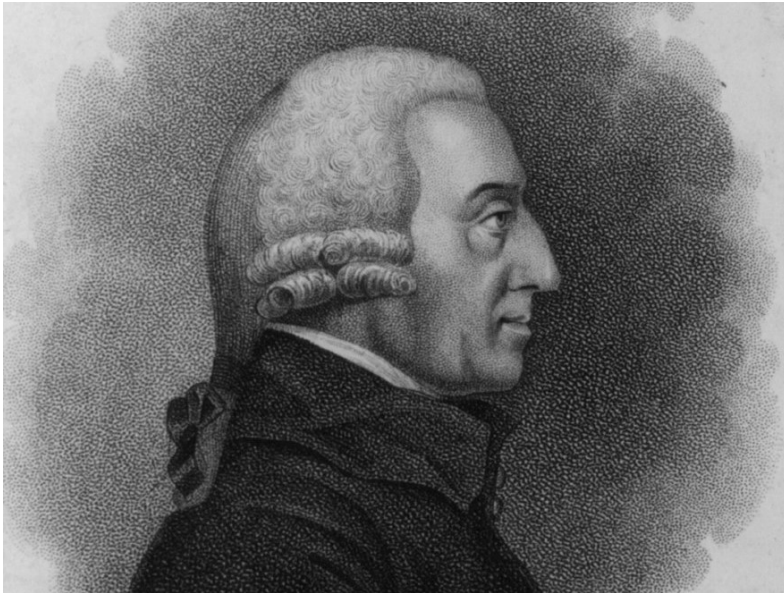


ADAM SMITH

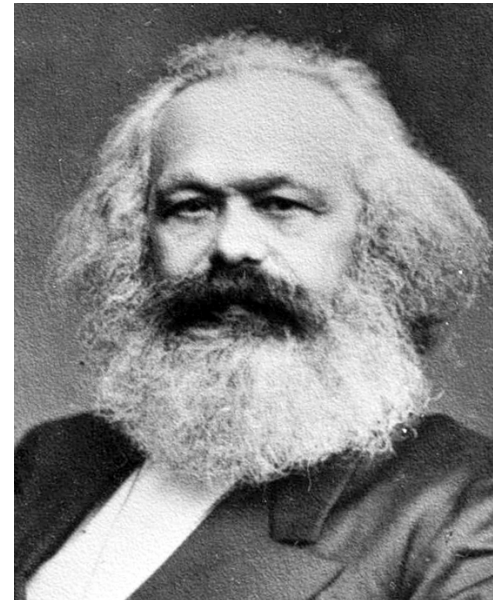
1723-1790



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KARL MARX

1818-1883



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BIOS:

Adam Smith – 1723-1790, father lawyer and civil servant, attended Oxford and University of Glasgow, part of Scottish Enlightenment

Karl Marx – 1818-1883 – German theorist, father lawyer, lived in latter part of life in England in poverty

PERIODS of EUROPEAN COLONIALISM

- **1500s – 1600s** – Spain, Portugal, control over water routes, search for precious metals
- **1600s-1700s** – England, France, Dutch, plantation economies, slavery, trading companies (i.e. East India Trading Company)
- **1890s** – peak of European colonialism, Scramble for Africa

- Adam Smith – An Inquiry into the Nature and Causes of the Wealth of Nations 1776
- Karl Marx and Frederich Engels, Communist Manifesto 1848

Wealth of Nations

- 1) What makes some nations wealthier than others?
- 2) What impact does the division of labor have? Why does the division of labor intensify in certain settings?
- 3) Why do people engage in “truck, barter, and exchange”?
- 4) How and why did the use of money arise?
- 5) What is the difference between “value in use” and “value in exchange”? (pg. 34)
- 6) Is “capitalism” positive or negative for Smith?

INVISIBLE HAND QUOTE: SMITH - BOOK IV –chapter II, pg. 291,

“He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, *led by an invisible hand* to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. *By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good.*”

Smith, Adam. In *An Inquiry into the Nature and Causes of the Wealth of Nations: A Selected Edition*. Edited with an introduction and commentary by Kathryn Sutherland. Oxford University Press, 1993. © Oxford University Press. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.

- “In searching for best use of capital “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 society”.
- “First every individual endeavours to employ his capital as near home as he can, and consequently as much as he can in the support of the domestic industry; provided always that he can thereby obtain the ordinary or not a great deal less than the ordinary profits of stock.”
- “Upon equal or only nearly equal profits therefore every individual naturally inclines to employ his capital in the manner in which it is likely to afford the greatest support to domestic industry and to give revenue and employment to the greatest number of people of his own country.”

Smith, Adam. In *An Inquiry into the Nature and Causes of the Wealth of Nations: A Selected Edition*. Edited with an introduction and commentary by Kathryn Sutherland. Oxford University Press, 1993. © Oxford University Press. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.

From Smith, *Wealth of Nations*, pg. 291-92 (different paragraphs)

SMITH on taxes pg. 451

“The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities, that is, in proportion to the revenue which they respectively enjoy under the protection of the state. The expense of government to the individuals of a great nation, is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate.”

Smith, Adam. In *An Inquiry into the Nature and Causes of the Wealth of Nations: A Selected Edition*. Edited with an introduction and commentary by Kathryn Sutherland. Oxford University Press, 1993. © Oxford University Press. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.

What did “free trade” mean for Smith in his historical context?

What is his critique of mercantilism?

Communist Manifesto

- 1) What are the two broad classes that Marx sees society as dividing into? Why are they dividing in this way?
- 2) What is work life like for industrial workers? Why?
- 3) How does industry under capitalism differ from “modes of productions” in other historical epochs? What makes it distinctive? Is profit legitimate for Marx?
- 4) What kinds of relationships between different parts of the world does capitalism encourage?
- 5) What does Marx see as the political outcome of the logics and contradictions of capitalism?

“The bourgeoisie has played a most revolutionary role in history...wherever it has got the upper hand, has put an end to all feudal, patriarchal, idyllic relations. It has pitilessly torn asunder the motley feudal ties that bound man to his “natural superiors,” and has left no other bond between man and man than naked self-interest, than callous “cash payment.”

In one word, for exploitation, veiled by religious and political illusions, it has substituted naked, shameless, direct, brutal exploitation.” Pg. 11

“The bourgeoisie cannot exist without constantly revolutionizing the instruments of production, and thereby the relations of production, and with them the whole relations of society.....

All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face with sober senses his real conditions of life and his relations with this kind.”

pg. 12

On state:

“...the bourgeoisie has at last, since the establishment of modern industry and of the world market, conquered for itself, in the modern representative state, exclusive political sway. The executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie.” pg. 11

On work:

“These laborers, who must sell themselves piecemeal, are a commodity like every other article of commerce, and are consequently exposed to... all the fluctuations of the market...” pg. 15

“Owing to the extensive use of machinery and to division of labor, the work of the proletarians has lost all individual character, and, consequently, all charm for the workman. He becomes an appendage of the machine...” pg. 16

On relationships among geographic regions:

“The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country...All old-established national industries have been destroyed or are daily being destroyed...They are destroyed by new industries [that draw on] raw material from the remotest zones...

...In place of the old wants, satisfied by the production of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. “ pg. 12

- On revolution:

“What the bourgeoisie therefore produces, above all, are its own grave-diggers. Its fall and the victory of the proletariat are equally inevitable.”

Marx, Karl, and Friedrich Engels. *The Communist Manifesto*. International Publishers Co., 2014. © International Publishers Co.. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.

Fredrich Engels (from preface):

“In every historical epoch, the prevailing mode of economic production and exchange, and the social organization necessarily following from it, form the basis upon which is built up, and from which alone can be explained, the political and intellectual history of that epoch;...

Marx, Karl, and Friedrich Engels. *The Communist Manifesto*. International Publishers Co., 2014. © International Publishers Co.. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.

Fredrich Engels (cont.): ...that consequently the whole history of mankind...has been a history of class struggles, contests between exploiting and exploited, ruling and oppressed classes; that the history of these class struggles...the proletariat cannot attain its emancipation from the sway of the exploiting and ruling class – the bourgeoisie – without at the same time, and once and for all, emancipating society at large from all exploitation, oppression, class distinctions, and class struggles.”

What kind of society does each one see capitalism as creating?

Key Topics:

- division of labor
- value
- exchange/production
- profit/surplus value
- relationship between Europe and rest of world
- conceptions of history and society

DEBATE QUESTION:

IS CAPITALISM A BENEFICIAL WAY OF
ORGANIZING SOCIETY?

WHY OR WHY NOT?

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21A.461 What is Capitalism?
Fall 2021

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