

Christian Economy Versus *Capitalism* and Versus *Socialism*

January 2009 Well, here we go again into The Great Depression. Or, rather, into the **Not So Great** Depression, since *The Great Depression* has already come and gone. I suppose the 1930s have a copyright on it.

That is the trouble with throwing **GREAT** around without carefully considering the consequences. Since World War I was *The Great War*, what can World War II be labeled? *The Really Great War*? *The Great War Mark II*?

No living Irish harp player can ever be **great** so long as Turlough O'Carolan [+ 1738] is billed as *the last of the great Irish harp players*.

So now we are left to struggle through a Depression without even the consolation of knowing that it was a Great Time in its way.

A more ominous consideration is this: the only way that America finally got out of The Great Depression of the 1930s was through World War II. Which raises the possibility, if history repeats itself, that the only way out of this Depression is through World War III.

Well, let us **HOPE** there is an alternative. And maybe we should try to find one. Especially those of us who have not placed ALL OUR HOPE with the current occupant of the White House. Those of us who are only half-heartedly lip-synching the national chorus:

*Barack Obama, he's our man !
if he can't save us, no one can !*

The Last Time Around

Some people describe Roosevelt's New Deal as *socialism*. Others say that he *rescued capitalism*. But was it not basically *militarism* that ended the depression ?

Despite all the *socialist* or *capitalist-saving* measures of the New Deal, America was still mired in depression in the late 1930s. Then Adolph Hitler revived the German economy by rearming Germany. Then he launched World War II which revived the economy of the world. The lesson seems to be that we need another mad man with a vision of world conquest to get the wheels of commerce and industry rolling again. By launching **The Great War, Mark III**, or *The Great War Rides Again* !

Militarism is the most ancient form of *socialism*, if by that we mean the government taking over the economy. Maybe it is the only successful form of socialism. So called

conservatives, who supposedly hate *socialism*, love *militarism*, which is socialism on steroids. They call for smaller government, while supporting the growth of the military, which is the primary cause of gigantic government. 13 peculiar colonies, armed with a few muskets, became **The New Empire of the West** by deploying armies and navies around the world. That's how we got here. America became independent because the British Empire went broke paying for its world wide *militarism*.

The Federal Government spent 5 times as much money on World War II as it had spent on the relief measures of the 1930s. All the unemployed men wound up in the army. And, for one reason or another, most of them never again showed up on the unemployed rolls. All the women found work in the new war industries. And inaugurated the modern era in which women are expected to make lots of money and have very few babies.

Roosevelt, as Commander in Chief, was given powers he would never have been given otherwise. In 1944, when Sewell Avery, the chief executive officer of Montgomery Ward, defied the attempts of the **War Labor Board** to force recognition of a union, Roosevelt ordered his arrest and had two soldiers carry him out of his store. Montgomery Ward's inability to compete with non union shops like Wal Mart may be dated from this piece of patriotic theater.

The Detroit Auto Makers were ordered to produce military vehicles and their entire production was bought by the government. Since the vehicles and the planes were immediately exported to Europe and Asia and used up in battle, the production lines kept rolling.

That could be the answer to the current troubles of General Motors and Chrysler. I. Order them to make military vehicles II. The Federal Government will buy the entire production III. Export them to all parts of the world, whether they want them or not, and get them blown up. *Capitalism* has failed us and *Socialism* has failed everybody, but good old *Militarism* will rescue us once again.

[Later Note: the 3 billion dollar so-called *Cash for Clunkers* program adds up to the same thing: **destroying good cars at government expense**. It illustrates the basic necessity of the economy: **Waste** to get rid of **Over Production**.]

What we need now is a mad man with a vision of world empire. Where are Adolph and Joe when we need them ? Where are the Napoleons and the Alexanders ? Are the glory days of the human race behind us ? Where is Osama ? Why doesn't Obama send him some money ? A trillion or so. At least he won't just sit on it like the bankers are doing.

The Financial Flu Epidemic

I have tried hard to understand the current economic crash and I have done my home work. But even the learned columnists who appear in the *Business* section of the newspaper admit that they don't really understand what has happened. It seems like

anyone who claims to understand the economy, especially the international financial system, is fooling himself.

Why did Swiss Banks buying *financial instruments* like *bundled mortgage securities* and *credit default swaps* put millions of people out of work in America and erode the retirement savings which millions of others had invested in *IRAs* and *401ks* ? Why have we become dependent upon the charity of the Chinese ? Didn't they used to depend upon us ? Somehow, *toxic assets* most of us never encountered have become a financial flu epidemic against which we have no vaccines.

The wonders of the Global so-called *Free Market* have turned into an International House of Horrors. Copper miners in Africa are out of work. They are sleeping in the parks in Tokyo, living in tents in California. People in the Ukraine, who were prospering a few years ago, are losing their homes and businesses.

Can *capitalism* save us ?

Adam Smith's Creed

A while back, I took Adam Smith's *Wealth of Nations* out of the library and kept it out for more than a year while I waded through it. I skipped through some of it, but I carefully read most of it. And made 300 pages of notes on it--on economic and social questions it raises. I also looked at a couple of biographies of Smith.

My aim was to educate myself so that I might do a better job of bashing the false faith of all those Secular Christians who believe in *Capitalism* as *God's System of Economy*. And I still mean to do that. But, meanwhile, I am forced to try and rescue Smith from all the critics and all the disciples who have neglected to read what he actually wrote. I am forced to rescue him from all the dogs yapping at his heels and all the cats caterwauling in admiration so that he can be properly hung, as befits the dignity of a gentleman who spent 25 years of his life writing a 900 page tome that has become the foundation of *Political Economy* as a *Science*. So they claim.

Adam Smith did not believe in *capitalism*. He was not familiar with the word, which was invented by 19th century *socialists* as a label for the new industrial economies of Europe. Actually, it was the socialists who believed in *capitalism* as the necessary foundation for socialism. They expected *socialism* to arrive first in the most advanced industrialized countries, not in the least developed countries like Russia and China. Whatever their faults, they never imagined the horrors of Stalin's Russia and Mao Tse Tung's China.

Smith believed in a *System of Natural Liberty* which was the alternative to the *Mercantile System*. It was supposedly a *NATURAL* and *FREE* alternative *SYSTEM* to one in which the *Merchants and Manufacturers* per\$\$\$uaded Parliament to pass all sorts of laws that restricted trade, or imposed tariffs, or conferred *bounties*--subsidies--thereby insuring the profits of these *Merchants and Manufacturers*.

My Creed--or Lack of it

I am going to argue that this *System of Natural Liberty* was purely imaginary at the time that Smith wrote. Neither did it exist in 19th century America in *The Gilded Age of Capitalism*. Neither is it going to exist any time soon--like ever. Because it is purely imaginary--it has no basis in reality. Because it is incompatible with **fallen human nature**. Because the empire has no room for it.

I am going to argue that **The Economy** is NOT an independent *System*. More like a *conglomerate*--a mouldy mess. Which is inextricably intertwined with the empire and with the government of the empire. Left to their own devices, *The People* are criminally foolish and / or foolishly criminal. Then the government steps in and makes it worse.

I am going to argue that the economy of the empire is **ARTIFICIAL**, not *Natural*. Men themselves have made it and neither God nor Nature are to blame for it. Men have made it, and they are usually the worst of men, not the best of men. And they have made it in their own image.

I am going to argue that the closest thing in human society to a **SYSTEM** is *militarism*. Which is the actual historical foundation of both the empire and the economy of the empire. Which requires **complete coercion** to work properly and which is therefore fundamentally incompatible with *liberty* or *freedom*. As soon as you allow *liberty*, the *system* breaks down. As soon as you have a *system*, *liberty* disappears. When the soldiers and sailors are given **liberty** for the week end, the *system*--the men in identical uniforms, marching in lock step--is no where to be found. The Lieutenant is liable to get a glass of beer in his face if he tries to restore it before Monday morning.

I am going to argue that Adam Smith was no more a *scientist* than was Karl Marx, the founder of *scientific socialism*. Both of them claimed to be *scientists*, and their followers still echo that claim, but it is bogus. Both of them launched secular religions. False faiths which have merged with other false faiths to produce a Grand Synthesis of False Faith and Foolishness which is at least partly responsible for the Unholy Mess we are in.

Versus the *Merchants and Manufacturers*

Adam Smith is usually thought of as **pro business**. But he does not have a nice word to say about the *Merchants and Manufacturers* that he blamed for the *Mercantile System*: they bribed Parliament to pass all sorts of laws which enriched them at everyone else's expense--

It cannot be very difficult to determine who have been the contrivers of this whole mercantile system; not the consumers, we may believe, whose interest has been entirely neglected; but the producers, whose interest has been so carefully attended to; and among this latter class our merchants and manufacturers have been by far the principal architects. In the mercantile regulations, which have been taken notice of in this chapter, the interest of our manufacturers has been

most peculiarly attended to; and the interest, not so much of the consumers, as that of some other sets of producers, has been sacrificed to it. [Wealth of Nations, Book IV, chapter VIII, page 626 of the Modern Library Edition 1937, edited by Edward Cannan circa 1904]

But the cruellest of our revenue laws, I will venture to affirm, are mild and gentle, in comparison of some of those which the clamour of our merchants and manufacturers has extorted from the legislature, for the support of their own absurd and oppressive monopolies. Like the laws of Draco, these laws may be said to be all written in blood. WN 612-613

The English manufacturers of woolens got Parliament to pass laws which prohibited the export of live sheep and of wool. That secured for them a steady supply of wool at a minimal price. Under Elizabeth, there were harsh penalties, including death, for exporting sheep or wool. This was followed up by a whole series of laws aimed at the illegal export of wool by smugglers. *It cannot be loaden on any horse or cart, or carried by land within five miles of the coast, but between sun-rising and sun-setting, on pain of forfeiting the same, the horses and carriages.* It had to be registered within 15 miles of the sea. WN 614

mean rapacity

In other places, Adam Smith sounds like a Marxist in blaming what we would now call *the capitalist class* for the wars of Europe: *Commerce, which ought naturally to be, among nations as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity. The capricious ambition of kings and ministers has not, during the present and the preceding century, been more fatal to the repose of Europe, than the impertinent jealousy of merchants and manufacturers. The violence and injustice of the rulers of mankind is an ancient evil, for which, I am afraid, the nature of human affairs can scarce admit of a remedy. But the mean rapacity, the monopolizing spirit of merchants and manufacturers, who neither are, nor ought to be, the rulers of mankind, though it cannot perhaps be corrected, may very easily be prevented from disturbing the tranquility of anybody but themselves.* WN 460

anti-social self-interest

Smith baptized *self interest* as one of the *natural laws* of economy. And argued that we benefit others by pursuing our own self-interest. But he takes quite a different view of the self-interest of the *Merchants and Manufacturers*. Although he describes *those who live by profit* as one of the *three great, original and constituent orders of every civilized society*, Smith also says that their *interest* does not coincide with that of the *general interest of society*:

Whereas *the interest of the proprietors of land [those who live by rent] is inseparably connected with the general interest of society, as is the interest of those who live by wages, the interest of those who live by profit . . . has not the same connexion with the general interest of the society as that of the other two. In fact, the interest of the dealers . . . in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public because the rate of profit does not, like rent and wages, rise with the prosperity, and fall with the declension, of the society. On the contrary, it is naturally low in rich, and high in poor countries, and it is always highest in the countries which are going fastest to ruin. [WN 248-250]*

pernicious profits

So the profit of these *Merchants and master manufacturers* does not coincide with the prosperity of the rest of the country. In fact they profit from that which ruins others. Mr. Smith in effect denies the doctrine once put forth by *Engine Charlie Wilson* that *What is Good for General Motors is Good for the Country*. To which might be added the observation that what was good for the United Auto Workers was not so good for General Motors or for the rest of the country--especially Detroit. What is good for the Teamsters Union is not so good for the rest of us. The Big Corporations have often joined forces with the Big Unions to skewer the public. When they end up skewering themselves, it is not so easy to sympathize with them.

Smith says that *the dealers, by raising their profits above what they naturally would be, . . . levy, for their own benefit, an absurd tax upon the rest of their fellow-citizens. The proposal of any new law or regulation of commerce which comes from this order, ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men, whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it. WN 250*

Our merchants and master-manufacturers complain much of the bad effects of high wages in raising the price, and thereby lessening the sale of their goods both at home and abroad. They say nothing concerning the bad effects of high profits. They are silent with regard to the pernicious effects of their own gains. They complain only of those of other people. WN 98 Our merchants frequently complain of the high wages of British labour as the cause of their manufactures being undersold in foreign markets; but they are silent about the high profits of stock. They complain of the extravagant gain of other people; but they say nothing of their own. WN 565

extortion of the legislature

But Adam Smith was less than forthcoming in accounting for the laws of the *Mercantile System*, which *the clamour of our merchants and manufacturers has extorted from the legislature*. He had many acquaintances among the Members of Parliament and he was unwilling to state bluntly that this *extortion*, circa 1776, was effected by substantial payments to Members of Parliament. If we fast forward to 1876 in America, the great age of *Free Enterprise*, we find Jay Gould and Cornelius Vanderbilt buying the New York Legislature, paying off the New York City Council, and bribing the American Congress with shares of railroad stock. Gould even \$\$\$educed President Grant to help him corner the gold market.

And, if we fast forward to 1976, the state legislatures, the city councils and the U.S. Congress are still surrounded by lobbyists who get what they want by similar *extortion*. Our defenceless senators and representatives are cornered by mean corporate bullies and forced to let cash and checks be deposited in their pockets and their bank accounts. Instead of their lunch money being taken, they are forced to accept lunch money, enough to pay for the French Restaurant. The *Mercantile System*--which might be called the *French Restaurant System*--is still with us 200 years after Smith denounced it. [See the New York Times for Wednesday December 9th 2009 A36, **In Albany, a Legislature Resists Ethics Oversight**, for a little portrait of the perennial corruption of the legislature.]

By being less than candid as to how the system actually worked, Smith never realistically worked out how it could be changed. How were the Members of Parliament to be persuaded to refuse the \$\$\$ they needed to buy elections and live in a manner befitting an MP ? How were the *merchants and manufacturers* to be dissuaded from offering the funds which would lead to the legislation and other favors they needed to insure their continued prosperity ? Smith seems to have assumed that the MPs would read his book and be converted to putting the public interest ahead of their own self-interest. Which, as his own book points out, was not very likely to happen. His basic fallacy came from his refusal to acknowledge that the Mercantile system served the **self interest** of the Members of Parliament as well as the **self interest** of the Merchants. And it is obvious that the combined power of these two groups would be very hard to challenge. The standard assumption of *conservative* arguments is that *government* is the **nemesis** of *business*. The historical truth is that the two have always worked in tandem to enrich one another. Most of the *Wealth of Nations* winds up in their hands, because of their mutual cooperation. The *merchants and manufacturers* may complain about the government doing anything which reduces their profits, but they have no objection to the government absorbing their losses. As the bail outs of 2009 illustrate once again.

standard motives

It is of course a standard claim by those who run for political office that they are motivated by the desire to *serve the people*. And we know from the TV and the newspaper that anyone who joins the army is motivated by the desire to sacrifice himself for his country. Or her country. Like the single mom who left her 5 children with her

mother and went off to Iraq. Whereas capitalism is energized by self-interest and socialism is driven by **class interest**. In theory. Mao Tse Sung said that *The great proletarian cultural revolution is aimed precisely at destroying selfishness*. Ayn Rand made selfishness the highest of virtues in her utopian capitalist creed. It is only the Christians who persist in believing in altruism, however soft-hearted and weak-minded it appears to others. So they send \$ 5 to the charitable organization. Which spends it at the French Restaurant.

As a matter of accurate history, it is obvious that Adam Smith's *System of Natural Liberty* has never yet managed to escape from the laws extorted from the legislature by the larcenous *merchants and manufacturers* and the bankers and brokers and lawyers and corporate farmers etc. who have such a large role in the modern economy. Along with all the other *interest groups*. The same old *Mercantile System* has perpetuated itself even while *Free Market* and *Free Enterprise System* rhetoric are invoked as camouflage. *Free Enterprise* works best with the help of a bought Congressman or two. Is it not just *human nature* when legislators are *naturally inclined* to serve best that part of *the public* which can best reward them for their services ? A *manufacturer*--or an Association of Manufacturers--with a million dollars to distribute, has in effect a million votes which the Congressman must honor.

the government payroll

The primary ailment of a modern democracy is that so many people are now in a position to demand favors from the government. So long as a relatively small class of privileged people received all the government favors, the *nation* could afford it, even though it came at the expense of the public. But the attempt to put everyone on the government payroll is doomed to fail. The actual difference between *capitalism* and *socialism* is whether the few or the many are receiving the favors. *Capitalism* shades into *Socialism* as more and more lobbies show up at the legislature.

An arrangement in which 10 per cent of the population owns 90 per cent of the land and capital can be remarkably durable over a long period of time so long as the army and the police can be relied upon, as Smith points out in one of those candid remarks he tends to bury at the end of paragraphs: *Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all.* [WN 674]

That is historically true although Smith neglects to point out that it was the **military government**--the Norman Conquerors of England--which made the original distribution of property that the *Civil government* perpetuates through its Sheriffs and its Courts. Smith allows the vague assumption that it was Nature or Providence which ordained the few to be Dukes and the many to be serfs and churls. If it was Providence that gave half the county to the Duke, then his property right must be regarded as *sacred*. If it was King William who did it, after the massacre of the Saxons, his right is not so sacred. It may arguably be an *injustice* if it is taken from him, but how much *justice* was there in the way

he got hold of it in the first place ? If you refrain from complaining when the king takes an estate from someone else and gives it to you, what moral standing do you have to complain when a later king takes it away from you to give it to a new favorite ? Whether it is an emperor or a king or a more or less democratically elected legislature, the practice is an ancient one. It is the foundation of all government.

The *Invisible Hand*

This picture of the **Merchants and Manufacturers** hardly squares with Smith's basic principle that men pursuing their own self interest create a good economy which benefits all of us, thanks to the *INVISIBLE HAND*--

every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. . . . 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. [WN 423 IV.2.9]

This principle is not compatible with the recognition by Smith that a large class of men of wealth--the *MERCHANTS AND MANUFACTURERS*--regularly pursue their *SELF INTEREST* in the lobby of the legislature where the legislators are **Led by a Visible Handshake, With Something Hidden In The Hand** into a course which is quite contrary to *THE PUBLIC INTEREST*.

In his earlier big book, *The Theory of Moral Sentiments*, Adam Smith also deployed this *LED BY AN INVISIBLE HAND* image to argue that somehow Nature or *Providence* works it all out--

The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their own conveniency, though the sole end which they propose from the labours of all the thousands whom they employ, be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. They are LED BY AN INVISIBLE HAND to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants. When Providence divided the earth among a few lordly masters, it neither forgot nor abandoned those who seemed to have been left out of the partition. These last too enjoy their share of all that it produces. In what constitutes the real happiness of human life, they are in no respect inferior to those who would seem so much above them. In ease of body and peace of mind, all the different ranks of life are nearly upon a level, and the beggar who suns

himself by the side of the highway, possesses the same security which kings are fighting for. [TMS 184-185]

Somehow the *rich* are **LED BY AN INVISIBLE HAND** to *divide with the poor*. Which would be news to those who died from the famines in Ireland and India around this time, or who emigrated to Australia and America to avoid debtors' prison. Smith displays a similar complacency about the situation of *the beggar who suns himself by the side of the highway*. Who may not feel so easy in body and mind, after the sun goes down and the rain begins and he remembers that he hasn't eaten for a while. Maybe *The Best Things In Life Are Free* but it usually requires at least bus fare to get to where they are being distributed. Food isn't always free, unless you like grubs.

Faith in *Nature*

The unfounded optimism and the childish Faith in Nature which regularly crop up in the writings of Adam Smith have been perpetuated in the illusions of his followers. Allan Greenspan, the Chairman of the Federal Reserve, and a follower of Ayn Rand's version of the Capitalist Faith, was still giving out rosy prognostications as runaway *free market capitalism* plunged over the cliff. Smith was one of the models for *Doctor Pangloss: everything is for the best in this best of all possible worlds*. Despite his willingness to grapple with real facts and figures, there is a foolish faith built into the foundation of his economic vision.

What can he possibly mean by asserting that *The rich . . . consume little more than the poor* ? It may be that the quantity of food they consume isn't more than what a labourer consumes--it may well be less since he has worked up an appetite and they haven't. But there is hardly any equality of consumption in the larger sense. The Duke owns half the County while the landless labourers on his estates are employed only for the season and then turned off to crowd into London's East End with the rest of the paupers. Pierre, the hero of *War and Peace*, inherits millions of money, a dozen great estates and 40,000 serfs upon the death of his father Count Bezuhof. He buys every kind of luxury and gambles away the revenues that his serfs produce, while they receive a subsistence wage doing hard labor on those estates which he rarely even visits. In fact, **CONSPICUOUS CONSUMPTION** is the common characteristic of the rich. Thomas Jefferson and his many guests drank up the ship loads of French wine he imported to maintain his lavish hospitality. Upon his death, his 200 slaves had to be sold to pay up the bills he left behind. Did he not in effect drink up the life's blood of those people in the fine wine he poured ?

In fact Smith concedes at the outset of *The Wealth of Nations* that *a great number of people do not labour at all, many of whom consume the produce of ten times, frequently of a hundred times more labour than the greater part of those who work*. Though he persists in denying that this produces any serious deprivation for the rest. [WN lviii]

The rich--those who have capital to invest--later made the discovery that *the thousands whom they employ* could be a great nuisance. And these *thousands* were let go when they found other ways to invest their money. The Dukes got rid of their troublesome tenants and replaced them with sheep. Similarly, the big corporations of the 20th century *down-sized* their work force when they could figure out something to do with their money that did not require all those hired hands.

The characteristic of the modern financial market is the trillions of dollars of investment money looking for a home. A place which is secure and profitable and trouble free. They steer away from actually owning anything or producing anything or hiring anyone in favor of *financial instruments*--gilt-edged pieces of paper which are as good as gold. Which were even better than gold until the wind got hold of them and blew them away. Why employ a lot of demanding and unreliable real people to produce something you then have to sell ? When you can instead instruct your broker to buy and sell oil paintings or barrels of oil or pieces of paper which are rapidly increasing in value ? For a while. Money can be a lot of trouble. Modern financial establishments promise to take care of the trouble so you can just enjoy the money, like the old Dukes of England. But they don't always keep the promise. [This international fund of *homeless* capital increased from 35 trillion to 70 trillion in just 6 years, from 2000 to 2006 because of the accumulation of capital in formerly impoverished nations like China and India. A lot of it wound up hostage to *bundled mortgage securities* tied to grossly over priced American real estate. Of course the inflation was largely due to the pressure of all those trillions seeking a home.]

Notice the assumption that *Providence divided the earth among a few lordly masters*. In *The Wealth of Nations* the assumption seems to be that *Nature* has decreed that the Dukes should own all the good land. A freshman study of English History shows that it was actually the first Norman King, William the Conqueror, who re distributed all the land of England, among his nobles and knights, after the Normans defeated the Saxons at the Battle of Hastings in 1066 A.D. That was the origin of the great estates. Adam Smith was well educated and it is safe to assume that he was familiar with this fact. So why does he ignore it and make these assumptions about *Nature* or *Providence* being responsible ? That illustrates Mr. Smith's bad habit of replacing real history with *philosophical history*.

William had the sanction of the Pope when he led the invasion of England. So maybe that is how *Providence* gets into it. But Smith, who was very anti Catholic, would hardly have conceded this. Which points up that the division of the land was *artificial*--man made--and that it was due to *militarism* = success in war. Neither *Nature* nor *Providence* was to blame.

Hail to the Duke

One major reason that Smith was comfortable with *Providence* dividing *the earth among a few lordly masters* is that they did *divide with the poor* at least in the case of relatively *poor* Adam Smith. Smith gives a pass to *the proprietors of land, who live by rent*, even though he admits that their *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*, and that they are too much inclined to an *indolence, which is the natural effect of the ease and security of their situation*. They are off to Paris and Italy while the revenue from their estates is deposited in the bank by the Farmer who leases the land and employs the Labourer. [WN 248-249]

As Smith knew first hand. He accompanied the young Duke of Buccleuch for three years as his tutor on a continental tour. And was rewarded with a life time pension. Later, through the Duke's patronage, he was appointed to an *easy money* sinecure as a Commissioner of Customs, where he strolled in when he felt like it and received a substantial salary for enforcing the trade restrictions which he deplors in *The Wealth of Nations*.

Smith is inclined to be partial to the Dukes, who were his patrons all his life. His first position as a Professor at Glasgow University came to him on the recommendation of the Duke of Argyll and Lord Hyndford. Like his father before him, he relied upon the patronage of the Dukes and was loyal to them. Somehow his *System of Natural Liberty* in the economy is perfectly compatible with the Dukes owning large estates inherited from *NATURE* or *PROVIDENCE*--inherited from ancestors who served the Norman Kings. Smith offers a very diplomatic account of the collapse of the Ayr Bank in which his patron, the Duke of Buccleuch, was left holding a large empty bag which had been looted by the financiers and speculators. Somehow, he and his partners wound up loaning out money at 5 per cent which they had to borrow at 8 per cent. Smith points out that *they were losing more than 3 % on 3/4th of their circulating capital*. [WN 299] The Duke should have stuck with fox hunting and stayed out of banking.

The imaginary *System of Natural Liberty*

versus

the actual **System of Artificial Coercion**

which is the foundation of the Empire *on which the sun never sets*

Adam Smith displays a peculiar blindness in the way that he writes about the *natural* and *free* economy of England as if it could somehow be looked at apart from the economy of *Great Britain* and apart from the economy of *The British Empire*. He manages to almost ignore the very large fact of the British Navy and the British Army which had secured all of the enormous economic opportunities of America, Canada, the West Indies, Australia and India for the British Empire and its citizens. To which was later added, Ceylon, Hong Kong, Kenya, South Africa etc.

He gives the reader the feeling that, if Parliament will only rescind a few *mercantile* regulations, there is nothing to prevent the *natural* and *free* economic system of jolly old England from re-appearing from the nearest woods in which it has been hiding: *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.* [WN 651]

Milton Friedman's *Free to Choose* video series depicts Adam Smith as a Scotsman wearing a kilt and speaking with a heavy Scotch brogue. It is a safe bet that Smith never wore such an outfit in his life. The national dress of Scotland was banned by law after the last Scottish rebellion was crushed in 1745 while Smith was a student at Oxford, learning to speak English with an Oxford accent. He got his first job as a lecturer to young Scotsmen who learned to speak proper BBC English without any socially unacceptable Scotch accent so that they would have a better chance of succeeding in a society and an economy now dominated by the vengeful and snooty English.

Like his father before him, Smith conformed to the English conquest of Scotland. And he avoids even mentioning the gruesome social and economic effects of it in his writings. The lucky ones died in the rebellion or escaped to exile in France. There are few situations more miserable than living--trying to live--in a country which has been conquered by a hostile invader.

Similarly, Smith never discusses the Irish Famine and the other terrible consequences of the English conquest and occupation of Ireland. In one place he observes that potatoes must be a healthy diet judging from the appearance of the Irish labourers and the Irish prostitutes to be seen in London. [WN 160-161] He does not ask nor answer the question as to why so many Irish women wound up working as London prostitutes. Cromwell's army massacred the Irish circa 1642-1652 and sent 60,000 of them as slaves to the British sugar plantations in the West Indies. One fifth of the Irish population is estimated to have perished in the winter of 1739 in a famine for which the English occupiers were responsible.

Towards the very end of the book, when arguing for a Union between England and Ireland, he obliquely admits that the Irish suffer from an *oppressive aristocracy* of another race and religion. [WN 897] To say the least. In the 1840s a million Irish starved and a million more were driven into exile, basically because of the *oppression* of the English *aristocracy*. They didn't starve because of the *potato blight* but because they had no money to buy any of the other food raised in Ireland, which the landlords continued to export.

A famine in British occupied India in 1770 swept away a third of the population. The natural cause was drought, but the real cause was the failure of the British to take effective relief measures. Famines are almost always greatly aggravated by the political and military situation even when they aren't entirely caused by it. Another Indian famine in 1876-78 killed an estimated 5 million people. Meanwhile, Queen Victoria was

proclaimed the *Empress of India* in 1877. The government did spend a lot of money on famine relief this time. But there is an obvious question as to how much India had been impoverished by the relentless looting of the government chartered **East India Company** and the perpetuation of the petty princes of India by military alliances with the British.

A recent biography of Mao Tse Tung says that 70 million Chinese starved because he exported all the food to fund a nuclear weapons program. It illustrates how lethal *Imperialism* is to common humanity--how people with too much power and property tend to be lethal to people who have too little. Whatever the hazards of nature, people are liable to starve when they are Dependent upon an oppressive aristocracy, or an oppressive Company, or an oppressive government.

There is no *scientific* justification for Smith's attempt to present the economy of England as if it could be studied apart from the history of the *United Kingdom*--England plus Scotland--and *Great Britain*, which had been created by the conquest of Ireland by the English. Nor is there any *scientific* excuse for the narrow focus which ignores that **British Empire** upon which *the sun never set*. And which minimizes the Very Large Facts of the British Navy and the British Army which established and maintained that Empire.

The Imperial System

The economy of England was surrounded by the economy of Great Britain which was surrounded by the economy of the British Empire. And the economy of the British Empire entirely depended upon the success of the British Navies and the British Armies. That is, it depended upon *militarism*. It depended upon a **SYSTEM OF ARTIFICIAL COERCION**. What else would you call it? The sugar plantations of the West Indies, the tobacco plantations of Virginia, the tea plantations of Ceylon, the sheep stations of Australia, the trade of Hong Kong and Singapore, the opportunities to make a fortune in India--all of it depended upon the continuing success of the military. When America broke away, thanks to the money and the military forces of the French Empire, some 2.25 billion acres of prime real estate passed from the grasping hands of the British Parliament into the grasping hands of the American Congress. But the British could console themselves with Canada, Australia and India etc. In fact, their men of means continued to speculate in American real estate much as they had before. They bribed the Congress instead of bribing the Parliament.

It is a matter of history, which leaves little room for that *philosophical history* in which Smith and his contemporaries indulged themselves. Irish and Scotch soldiers in the British army were sent to India where many of them died young because of the hot climate and the diseases to which they were especially susceptible. Some of them were conscripts but many were volunteers because, like poor men then and poor men now, they could find no other employment. That is, they were forced into the army by the law, or by the **economic coercion** which followed the English conquest and occupation of Scotland and Ireland.

laissez faire in America =
the government let me have it

And, you only have to look a little further to see that the American Empire was built upon the very same *system*. Accompanied by a similar pretence and **ILLUSION**--that there was anything resembling economic **FREEDOM** in its foundation. Mister Jefferson's 10,000 acre plantation was established on land from which the natives had been driven by **military force** and it was worked by 200 slaves brought in chains from Africa. That cannot be squared with any concept of *freedom* or *liberty* in the foundation of the American economy.

The inability to see that constitutes a form of moral madness which undermines any attempt to discover how we might arrive at a moral economy. Contra the sillies, it will not happen by a return to the *Original American Values*. Which are the foundation of our present distress. The pursuit of wealth without work, the unscrupulous and even criminal character of that pursuit, and the reckless speculation which becomes a kind of madness, are all basic characteristics of the American economy.

When people arrive at wealth without working for it, and become accustomed to it, they cross a moral threshold. It is not surprising that the gambling fever gets hold of them. The roll of the dice, the turn of the wheel, the fall of a card, the rise of a stock, the inflation of real estate--mesmerize people and push them into that reckless speculation, fueled by false faith, which always ends in a crash. When you work hard to earn your money or when it is the gift of someone who loves you, it has a value which it does not otherwise have. Money which is easily gotten or obtained by a kind of fraud is something we instinctively spend and waste and lose by speculation. *Easy Come, Easy Go*. Stolen money is usually mis-spent because we want to get rid of it and the taint which attaches to it.

All of the fortunes of all of the founding fathers depended upon the corrupt colonial governments with which they were so closely connected for the whole of their lives. Patrick Henry's frontier Leatherwood Estate came to him through 1) the government of Virginia to which he belonged 2) the success of the British and American military in expelling the natives from this area 3) the Sheriff and his men expelling the low class white *squatters*--those who mistakenly presumed that they were *free* to claim their share of *nature*, once they had helped run off the *savages*. That is, his estates came to him thanks to 1. the government 2. the army 3. the police.

Whatever his talents, Benjamin Franklin's success as a printer and his appointment as postmaster came to him mainly through his connections, and especially through the Freemasons who had a major influence in both the British government and the American colonial government.

Free Land

Unlike the estates which the Dukes had received from *Nature* in the prehistoric times of the Norman Conquest--it is *prehistoric* if you refuse to read the history--the estates of the founding fathers are not hard to locate historically. Peter Jefferson, Thomas Jefferson's father, received his estate as part of an 800,000 acre grant to the Loyal Company which is described as *a present that the leaders of the legislature, with the governor participating, made to themselves*. George Washington's father owned 6 plantations mainly because his grandfather, Colonel John Washington, had been in the Virginia House of Burgesses--the source of most of the boodle.

Those who weren't military men, employed by the government, like George Washington, were lawyers and politicians like Thomas Jefferson, James Madison, John Adams and Patrick Henry. Without the favors of the corrupt government they would not have acquired their fortunes. Without the success of the military, they would not have gotten their great estates. Without the Sheriff enforcing the laws of slavery, their plantation work force would have walked away and left them to hire *free* labourers at a time when labour could demand and get high wages in America. Two shillings a day was high wages. Obviously, not one of them could afford to believe in any *system of natural liberty*, whatever their rhetorical pretensions. Their fortunes depended upon slavery and the military and the law. That is, their fortunes depended upon maintaining a **system of artificial coercion**.

The establishment of the *Land of Opportunity*--The American Empire of Opportunity--came about because of success in war. The armies and navies of the British Empire displaced the Dutch and the French. By way of returning the favor, the French displaced the British from what is now the eastern seaboard. The further expansion of the United States was accomplished by the forcible displacement of the Spanish from Florida and the forcible displacement of Mexico from Texas and California. *Militarism* is the foundation of the American Empire just as it was the foundation of the British Empire.

Freedom through Force

The *freedom of opportunity* given to those who settled the West, was brought about by the successful *militarism* of the U.S. cavalry which rounded up the former inhabitants and confined them to reservations. The *free* land given to all comers under the Homestead Acts, was secured by the **force** of the army. The government had the *right* to give this land away, because the army had put it within the *power* of the government to do it. In the **Wild West**, in the **Days of the Pioneers**, Mr. Smith's *System of Natural Liberty* needs an asterisk: * *God Bless the Cavalry for making it possible !*

There is a peculiar illusion and self-deception, especially common in America, that Freedom and Force somehow go hand in hand. Is *free* compatible with **force** ? The groom *freely* consents to a shotgun wedding ? The soldiers kick down the doors in Iraq as part of *Operation Iraqi Freedom*. That Indian baby that Meriwether Lewis wrapped in an American flag belonged to the last generation that would be born in freedom. That flag marked the end of their freedom. The cavalry was on its way.

The army cleared the way for the railroad companies who were granted *immense land subsidies*, fully *one fifth of the territory of the states of Wisconsin, Iowa, Kansas, North Dakota and Montana and vast stretches of land in Washington, Minnesota, Nebraska, California and Louisiana*. [Thomas Kessner, *Capital City* page 100] The members of Congress who voted these grants were given stock in the companies. Public lands became private property by the fiat of government. It was *Free Enterprise* in the sense of *free* land to the railroads and *free* stock to the Congressmen, who also refrained from passing any nuisance safety regulations which might have slowed the pace of railroad construction. Some 1200 Chinese labourers were killed building the Central Pacific railroad through the Sierras after the Civil War. There was a similar toll among the Irish canal and railroad workers. Hundreds of them died building a right of way through southern Pennsylvania in the early 1880s, blasting tunnels through solid rock and setting bridge piers in the Susquehanna River. It later became the Pennsylvania Turnpike.

Science or Religion ?

In his *Free to Choose* videos, Milton Friedman describes Adam Smith as the founder of economics as a *science*. The faith that Economics is a Science has been badly eroded among millions of people who have seen their life savings disappear as the Dow has fallen from 14,000 to 8000 in the past 18 months. The *economists* who reassured people about the safety of their investments in the fall of 2007 should be sued for malpractice, if not put in jail. At the least, they should stop pretending that economics is a *science*.

In the time of Adam Smith, *SCIENCE* had already acquired the prestige which it has enjoyed ever since. And Smith saw himself as doing for economy what Sir Isaac Newton had done for astronomy and physics--discovering the *Natural Laws* which governed it. Such as the *Division of Labour* and the motor of *Self-Interest*.

But Adam Smith violated the number one rule of real science, which is that theories must be based upon facts, not vice versa. The writer of the eb9 essay on *Political Economy* says: *there is another vicious species of deduction which . . . seriously tainted the philosophy of Smith, in which the premises are not facts ascertained by observation, but the same a priori assumptions, half theological half metaphysical, respecting a supposed harmonious and beneficent natural order of things which we found in the physiocrats*. [Encyclopedia Britannica 9th Edition **political economy** XIX 366b]

The French *physiocrats* who preceded Smith and influenced him, were called that because they believed in the Rule of Nature, as did Adam Smith. *This theory is, of course, not explicitly presented by Smith as a foundation of his economic doctrines, but it is really the secret substratum on which they rest*. Smith believed in the **Harmonious Natural Universe** of the old pagan Stoics. His economic theory is based on metaphysics, not *SCIENCE*, as he and his followers claimed. He was no more a *scientist* than Karl Marx, the founder of *scientific socialism*. Who cast **History** in the role which Smith had assigned to **Nature**.

The eb9 writer further says: *Yet whilst such latent postulates warp his view of things, they did not entirely determine his method. His native bent towards the study of things as they are preserved him from extravagances into which many of his followers have fallen.* There is a ton of information in Adam Smith's *Wealth of Nations* as there is in Karl Marx's *Capital* and that provides some basis for the claim that these gentlemen were producing *science*. But an historical novel is not *history*, just because it incorporates actual history into the plot. Neither is a book a work of science just because it includes what might pass for *scientific* data.

Smith assumed that he knew all about *human nature*. He didn't. He simply proceeded upon a set of assumptions about *human nature* which are 1) contrary to the teaching of the Christian religion; 2) contrary to common sense; 3) contrary to any systematic and *scientific* attempt to understand *human nature* by actually observing and studying it; 4) contrary to any sustained and serious study of history; 5) contrary to the remarkable insights into *human nature* which can be found in the great novelists. Smith winds up plugging a mechanical man into the machinery of his hypothetical *System of Natural Liberty*.

There are mechanical men who march over the cliff in lock step on the command of Der Fuhrer, but their behavior is not explained by *self-interest* or *division of labour* and there is nothing *natural* or *free* about it.

The primary objection to Adam Smith's assumptions about the fundamental goodness of Nature and the basic reliability of *human nature* isn't just that they are *metaphysical*, but that they are silly. They are **bad theology**. Good theology teaches us that there is something seriously wrong with *human nature*. That basic insight from revelation and tradition is validated by any *scientific* survey of humanity worthy of the name. The events of the 20th century or just the raw facts of World War II are all the proof that any sensible person requires.

The Division of Labour

Smith imagines that he knows about *human nature* as it plays out in the economy. He relies upon *philosophical history* to imagine the economy of primitive men and then he deduces the laws of economics from what he imagines. He shows the same curious defect of imagination that he shows in respect to the role of military violence as the foundation of the Imperial British economy. He imagines primitive men peacefully trading back and forth and agreeing on a *division of labour*. I agree to be the Duke and take off for Paris. You agree to be the labourer digging out the manure pit for 1 shilling per 13 hour day.

We can imagine the farmer trading a bag of corn for a string of fish from the fisherman. But, after reading some real history, we learn that the *fisherman* is more likely to be a Viking raider. Who returns after dark with his companions, knocks the farmer in the head, and carts away his goods and his wife and daughter. Real human history isn't just

occasionally marred by violence, it is continually shaped and re-shaped by it. The victor gives the vanquished the choice of digging his own grave or someone else's. So he agrees to be a slave. Routine, persistent and perennial violence is built into the very foundation of human society, however much it may be dressed up in blue uniforms or brown uniforms or black judicial robes. As a Supreme Court Justice once noted in a candid observation: *law is what is at the end of the policeman's club*. Smith assumes that the distribution and exchange of property can somehow be *free* when the distribution of power is the reverse of free. It is a fundamental historical fact that political power is generated by the sword or the gun. And property always accompanies power.

Whole classes of men and women are born into a condition of servitude and poverty which originated in military violence. The poverty is just as intrinsically violent as the servitude. As Gandhi once wrote, *poverty is the worst form of violence*. It isn't that the better off invariably *exploit* the worse off. Much of the time they discard them. Push them into exile. Move away from them. English landlords of the 19th century paid for one way passage to America as the cheapest way to get rid of their Irish tenants. In the 1950s, the Southern welfare system consisted of buying bus tickets to Chicago or Los Angeles for black labourers they no longer needed. *Urban Renewal* in American Cities is usually **Negro Removal**. Whole sections of the inner city are bulldozed to get rid of the lower class humanity that once lived there. Buildings that once housed the least affluent are replaced by housing designed for the most affluent.

The immediate violence which lower class people suffer comes from other lower class people, rather than from the upper class who have distanced themselves from this battle as they have distanced themselves from the inner city slums. But the worst violence is built into the structure of society.

There is a pecking order or a food chain built into human society and the larcenous financier, however bad his character, is not the cause of the structure of society which he exploits. In defense of Jim Fisk it was said that: *He found legislatures corrupt and he purchased them; he found judges venal and he bribed them*. [Thomas Kessner, Capital City 158]

pin making by 18 men

At the very outset of *The Wealth of Nations*, Smith launches into an exposition of *The Division of Labour* as a primary law of a natural and free economy and a primary cause of the increase of *wealth*. He uses pin manufacture to illustrate how *Division of Labour* greatly increases productivity--

But the way in which this business is now carried on, not only the whole work is a peculiar trade, but it is divided into a number of branches, of which the greater part are likewise peculiar trades. One man draws out the wire, another straightens it, a third cuts it, a fourth points it, a fifth grinds it at the top for receiving the

is, the great body of the people, must necessarily fall, unless government takes some pains to prevent it. WN 734

Unless government takes some pains to prevent it ! So it is **Up to the Government** to somehow deal with the fact that *all the inferior ranks of people* have become *as stupid and ignorant as it is possible for a human creature to become*. Because of that wonderful *division of labour* upon which the Wealth of Nations depends ! Smith does not explain why it is up to the government. Why can't the economy--the *System of Natural Liberty*--provide work that isn't mind numbing drudgery ?

Smith's only remedy is that the State should educate working men to alleviate the effects of their limited occupations. After snipping pins for 13 hours, the workman can attend a course on economics and learn why the *division of labour* is such a grand thing. Not surprisingly, most of them prefer to head for the tavern where they exchange their *torpor* for a stupor. But at least it provides some emotional relief from going **snip snip snip** for 13 hours.

By contrast, *It is otherwise in the barbarous societies, as they are commonly called, of hunters, of shepherds, and even of husbandmen in that rude state of husbandry which precedes the improvement of manufactures and the extension of foreign commerce. In such societies the varied occupations of every man oblige every man to exert his capacity, and to invent expedients for removing difficulties which are continually occurring. Invention is kept alive, and the mind is not suffered to fall into that drowsy stupidity which, in a civilized society, seems to benumb the understanding of almost all the inferior ranks of people. WN 735*

But why is it necessary to go back to a *barbarous* society to find an alternative ? Smith himself concedes that a *rude state of husbandry* may also provide the alternative. By which he means a society in which the land is worked by those who own it and live on it. Instead of the *Civilized System* in which the idle Dukes own the land and lease it to Farmers who hire labourers to do repetitive jobs. Is it not obvious that you could promote such a society by a wider distribution of the land ? As in early America where there were many independent farmers working their own land. But modern America has more and more come to resemble England when the Dukes owned the land. Like Pierre, the owners and stock holders of big corporate farms live in Manhattan and collect farm subsidies for land they sometimes visit.

It is curious that Smith seems to be conceding the point that Ruskin made about the degradation of work by industrialism. The degradation of the workers was one of the major indictments of industrial capitalism by many 19th century observers, the socialists and others, who did not adopt their supposed remedies. It is even more curious that *The System of Natural Liberty* has no remedy for it. Why isn't it up to the economy to provide people with work that does not leave them mentally and emotionally stunted ?

Men become Machines

Division of Labour was a major fact of the industrial revolution. By breaking a job down into a series of jobs it increased the efficiency of production. But, as Smith belatedly concedes, the side effects were appalling. Men become the parts of a machine.

Breaking complex productive tasks into a series of simpler tasks facilitates the substitution of unskilled or semi-skilled labor for skilled labor. The assembly line does not need the skilled craftsman, it can make do with cheaper labor given minimal training. Henry Ford could hire men off the street and replace anyone on the line with a minimum of training. These men became replaceable cogs in an industrial machine.

The next step is to invent a machine which will allow the company to dispense with human labor. And of course that soon happened with pin making. Pin making machines were invented by 1817 and dominated the industry by 1836. A machine which put the pins into a paper was also invented. *By 1890 50 million pins a day were manufactured in the United Kingdom.* [eb9 XIX 97-98]

The usual breezy assurance is that all those put out of work by machines go on to better jobs as producers of these machines or service men for these machines. But the machines would not have been installed unless they led to a substantial reduction in labor costs. The factory owners had no interest in replacing cheap semi-skilled labor with expensive skilled labor. The basic historical fact is that many laid off workers go on to worse jobs or no jobs at all. That false assurance reflects a Smithian complacency that Providence or Nature will work it all out--will take care of the workers you put out on the street. They will join the beggar sunning himself by the side of the road, share a bottle, and sing a song together--*I've got plenty of nuthin, and nuthin is plenty for me.*

A Question of Efficiency

No doubt the pin making machine is more *efficient*, but the question of *efficiency* has to be refined: efficient at doing what ? Producing far more than the market can absorb ? Producing more income for the owners and the stock holders while the workers are laid off ? Farmers tied to the market produce more than can be consumed. Meanwhile, one family in Canada farms a tract of land that used to be home for 25 families. If *efficiency* means *providing a home and a livelihood*, this is 1/25th as efficient as the old arrangement.

In fact, an independent farmer can master the several dozen skills necessary for the operation of the farm. He may need someone to help with this task or that. Someone else may be better at shoeing horses. But the thesis that efficient production requires that farms be turned into Agri Business is false.

The Missing Motive

Aside from the mind-numbing effects and the *carpel tunnel syndrome* which are the result of being stuck at a boring and repetitive task all day, a major defect of this kind of production is that it leaves little room for those motives which are the source of good quality work and efficiency of production. Smith says the pin makers could produce a large quantity of pins when they exerted themselves. Which means when the boss was watching. As soon as the supervisor leaves the floor, the assembly line slows down and production falls. Whether governmental or private, large bureaucracies perennially tend to gross inefficiency because of the loss of labor discipline. When a man is working his own farm or business for himself and his family, he is self motivated. He will work 10 times as hard as any one could make him work.

Smith believes in **Self Interest** as a primary engine of economic activity. But he seems not to recognize that **Self Interest** would never motivate a man to spend 13 hour days in a pin factory unless raw **Economic Coercion** forced him to do it, and he would never work hard at it unless the foreman kept an eye on him. His **Self Interest**--preserving his sanity--pushes him to produce as few pins as he can get away with producing, and to come late and leave early if he can. It is astonishing how completely work discipline can break down in industrial enterprises. In the waning days of the Steel Industry, grossly over paid workers came to work with a pillow, while the execs were off playing golf on Company time.

division of labour Voluntary and Involuntary

Your wife and you wash the windows, she on the inside, you on the outside. Or you plant the garden together: You use the hoe while she puts in the plants. You add fertilizer while she waters. How does that compare with a man who comes in 78 hours a week to snip the wire in a pin making factory ? He does it for 30 years until arthritis stops him. Or until the new pin making machine is installed. From which it becomes obvious that the **division of labour** does not really explain how the pin factory came about. It did not come about via *natural freedom*, it came about because the labourer **had been deprived of freedom**. He had **no good alternative** to spending 78 hours a week snipping wire.

And what **skill** is involved ? In fact all of his skills have been left undeveloped. Whatever abilities he might have as a craftsman or launching his own business are stifled by his job and the difficulty of finding an alternative when all the land and capital is owned and controlled by a class of people from which he is effectively excluded. Can he play a musical instrument ? Is he good at carving wood ? Does he write poetry ? If he does any of these things, he does them during his few hours of leisure. The rest of his life is consumed by this pin making operation.

Is it not essentially similar to and derived from the creation of the army ? The *natural man* fights when he has to. And tribesmen might join together to repel an invader. But the establishment of a permanent army in which men specialize in fighting and spend years away from home grows out of an organization which is beyond the *natural* interest of any man and beyond his control. The organization of England into great estates, and

the establishment of a privileged order founded upon *militarism*, preceded the organization of commerce and shaped the development of industry. The foundation of the pin factory is a pattern taken from the ancient militarized social order.

Smith *imagines* a set of *natural* principles from which he **deduces** how the economy operates. Meanwhile, he neglects to notice the British Empire and how it was actually built. When his *system* is in place, he picks and chooses his *examples* to illustrate it. Whatever else it is, it is not **science**.

working for yourself

If men are free to work for themselves, they have 10 times the energy and enthusiasm they have when they are working for others. The same thing is true of warfare in which self-motivated partisans, actually defending their homes, are much better fighters than the conscripts of the imperial army. The peasant tends his own garden much more attentively than he works in the landlord's field, especially when the landlord is off in Paris. He takes care of his own horse to the neglect of the landlord's horse.

Smith refuses to recognize that the *division of labour* is controlled by the privileged classes, and suits their purposes as it does not suit the purposes of those who are coerced and controlled to accept whatever is decreed. Just as they are conscripted into the army. Or they *volunteer* for the army because they have no good alternative. Smith's Major Mistake is that he persists in seeing *Natural Liberty* where it does not exist. He persists in ignoring the **Artificial Coercion** which is the actual basis of British society. Which is as conspicuous in the economy as it is in the rest of society.

Smith confuses the *division of labour* and **maximum production** with the development of special skills by the individual. They tend to be three different things. The native bow maker who makes a few bows every month versus the fellow tied to a machine 78 hours a week. My aunt made beautiful *afghans*. It would take her a couple of months to finish one. She did it at her leisure. That is something entirely different from a woman working 12 hour days in a garment factory under pressure to produce the maximum of shirts for a minimum of wages. She may specialize in attaching *cuffs* and *collars*. Which makes the job even more monotonous.

The basic characteristic of 19th century industrial capitalism is that it was built upon the ancient lop-sided division of land and *stock* with the result that only a privileged minority had the chance at anything resembling *economic freedom*. The rest were stuck in a servant and labouring class which had no land and no capital and no real chance to escape from their Dependence upon the privileged class. Smith's belated recognition that there was **something very wrong** with *the labouring poor . . . the great body of the people* arising from the kind of labour they were stuck with, still does not lead him to recognize the **basic economic coercion** which put them in that position.

The Prosperity of Savage Nations

Smith was convinced that *savage nations* are *miserably poor* whereas *civilized nations* had achieved *wealth by division of labour*. But the only *savage nations* he knew anything about were those that had been dispossessed by the armies and navies of *civilized nations* like the British Empire. The original inhabitants of North America, and other places forcibly incorporated into the empire, had lived well enough before they were invaded. They weren't half as miserable as the ex peasants, fenced off the *commons* they once farmed, and forced into the slums of London.

Even before the invasion took place, the iron weapons and the horses introduced into North America had changed the native society. But so long as there were a million buffalo on the great plains, there was no reason for plains Indians to run out of food or clothing or tepee hides. Their **misery** began when the hide hunters exterminated the buffalo and they were rounded up and confined to reservations. Before the native economy was ruined, there was more starvation in the British Empire, like the famines in Ireland and India, than there was among the natives of Africa or America, absent colonial invasions and tribal wars armed and encouraged by the invaders.

Smith says that *the greatest improvement(s) in the productive powers of labour . . . seem to have been the effect of the division of labour*. [WN 3] But the great increase in the supply of food and clothing and shelter really came from ancient inventions in hunting like bows and arrows, and inventions for fishing like spear-fishing and boats and nets. American Indians in Wisconsin paddled into the swamps and collected wild rice in their birch bark canoes. It came from the development of agriculture and the domestication of animals. The invention of the *folsom point* 15,000 years ago enabled primitive men to kill large mammals. Even in the most basic agriculture and flock tending there is a long process whereby fields are cleared, seed is improved, new crops are introduced, ploughs and scythes are invented, ropes for handling livestock, dogs trained to herd them etc. The domestication of horses and oxen multiplied the *productive powers* of the ploughman. The introduction of horses to North America made a major difference in the ability to hunt buffalo of the native Americans. It allowed them to haul tepee poles from distant forests with a minimum of human labor. Absent war, so-called primitive men were already masters of their food supply. And, as Smith later concedes, men in *barbarous societies* learn a variety of skills. It was tribal warfare, not a neglect of the *division of labour*, that eroded the prosperity of native societies. That warfare was encouraged by the new weapons brought by the *civilized* invaders looking for gold or slaves or a passage to the Indies.

Seem to have been is Smith's idea of a *scientific* observation. It is derived from *philosophical history*. He imagines primitive society and draws conclusions from what he imagines. If, instead of doing that, you study the real history of the British Empire or the Roman Empire, you immediately see the **DIVISIONS OF LABOUR** whereby half the population were slaves and two thirds of the rest were soldiers. It is absurd to imagine that this **division of labour** came about by voluntary agreement. Moreover, the soldiers

were at the command of the emperor and were regularly used to coerce that part of the population, neither slaves nor soldiers, which was nominally *free*.

Production of What ?

One obvious difference between *barbarous societies* and *civilized*, is the much higher proportion of productions which are luxurious, useless or harmful. Was the world better off when the Virginians began producing large quantities of tobacco on what had once been corn land ? A lot of farm land now produces cocaine, opium and heroin poppies, marijuana and hash. In the time of the Roman Empire, so much Italian farm land was used for wine grapes that they had to import grain from North Africa to feed the Roman mob. In England and Scotland and Ireland and America, much of the grain is used to make beer and ale and whiskey. How much of Russian agriculture is required to sustain the ridiculous alcoholism of the Russians ? We could feed ourselves and the rest of the world 10 times over just by quitting tobacco and other narcotics and moderating our intake of alcohol.

The most obvious thing about the **increased production of wealth in civilized** societies, is that it was brought about by an increase of violence and an increase of slavery. Slaves were worked to death to produce the gold and silver that the emperor and the kings had to have to wage war. There was an astonishing mortality rate among the slaves who worked in the sugar plantations of the West Indies. Half died before they reached the fields. The sugar cane was turned into rum. The rum was traded for slaves. The eb9 article on **SLAVERY** says that there were 40,00 slaves in Jamaica in 1690. Another 800,000 were imported in the 18th century but only 340,000 slaves were left in 1820. [Encyclopedia Britannica, 9th edition, XXII 138d]

Success in War

Success in War brings about the **greatest improvement**. When the Hebrews came in from the desert and conquered the land of Canaan, they inherited *a land of milk and honey* from those they massacred and forced into exile or enslaved. When the British colonists arrived on the shores of Virginia, they found abundant fish and game and timber and rich soil, which was theirs for the taking, absent a few thousand Indians.

The makers of bows and arrows have long since been displaced by factories which manufacture those land mines that carpet half the world and blow the limbs off those who try to work the fields.

The Basic Fact that Adam Smith fails to recognize is that the increase in production and trade **was not required** to provide basic necessities to a population which had become effective hunters and fishermen and tillers of the soil and keepers of domestic animals thousands of years before. Absent war and the depredations of invaders, they got along fine. Most modern production aims at producing *wealth* for the investors by promoting

the consumption of luxuries and superfluities. Modern war material is a major part of production.

Smith's basic concept of *The Wealth of Nations* implies that England had arrived at *wealth* by some *natural* process such as the *division of labour*. The reality was that the British Empire had arrived at *Wealth* by War. And 90 per cent of that wealth remained with the *wealthy* and left the rest struggling to survive. The increase of wealth for the few was accompanied by the increase of poverty for the many. The soldiers who came back in a basket, if they came back at all, were the means by which the Wealth of the Empire was created.

The Economy of the Empire

There is an **IMPERIALISM** in the economy which is directly connected to the **IMPERIALISM** of the British Empire. Which is driven by the insatiable desire for wealth and power. Adam Smith is blind to the **IMPERIALISM** which drives the Economy of the British Empire. Instead, he **imagines** that he is looking at a *Natural Economy* in which men freely and voluntarily embrace the **division of labour** = *you be the Duke and I'll spend all day cutting pin wire, it just suits me !* Which is necessary to provide *the universal opulence* which was supposedly enjoyed by the inhabitants of the British Isles-- *It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people . . . a general plenty diffuses itself through all the different ranks of society.* WN 11 The beggar sunning himself by the side of the road gets his share, don't worry about how he does it. Let us steal away from this pleasant scene before the sun goes down.

The major fallacy of Smith's presentation of *the division of labour* is his assumption that it had all come about via a peaceful and natural evolution from the time when primitive men agreed to specialize, one making arrows, another building huts etc. Smith didn't actually know any primitive men, but he imagined that this is what had happened. He neglects to notice 1. the division of labour between the conquerors and the conquered. 2. the division of labour between Master and Slave and Master and Servant 3. the division of labour between Commanders and common soldiers. He assumes that the *division of labour* comes about by a voluntary and mutual agreement, by a *natural* and *free* development of the economy. Which assumption is disproven by even a cursory look at real history.

In fact, the positions which men occupy in the economy are arrived at by a minimum of free choice and a maximum of coercion. My dog is free to do what he wants within the strict limits that I impose upon him. And he has a lot more freedom than the men of 18th century England. Are cattle in a corral free to do what they want ? Every direction a man turned in 18th century England there was a fence or a barrier or a policeman or a press gang or a recruiting sergeant. And it isn't all that different today in *the land of the free*.

In early America there was opportunity for common men to get farms of their own because there was such a vast amount of land, more than the wealthy and powerful could control or that they knew what to do with. Washington had to compete with that super abundance of land when he tried to lease the estates he had acquired in the Ohio valley. But the power of concentrated capital eventually prevailed and there has been a constant movement in the direction of larger farms and fewer farmers. More and more *investors* own the land, and fewer families live on farms.

Tied to the Market

A major change in farming came about when farmers started specializing in one crop produced for the market. It replaced the small farm which produced most of what the family needed and led to large scale farming promoted by investors. Such **market-dependent farming** was vulnerable to a fall in the market price, often because of manipulations by commodity traders. **Market-dependent farming** seems invariably to lead to over production and a subsequent fall in prices even below production costs. Which then requires government subsidies and price supports. Virginia tobacco has to compete with tobacco raised in North Africa. Coffee plantations are started in Africa and Asia to compete with those of Central America. The new international agreements like NAFTA and WTO (= North American Free Trade Agreement and the World Trade Organization) have had a devastating effect on many farmers. The *free trade* is nominal. American farmers still get billions of dollars in subsidies. The corn farmers in Mexico cannot compete. Under NAFTA, **capital** flows freely across the border to Mexico and **manufactured goods** flow freely back across the border. Meanwhile, **labor** is arrested when it tries to cross the border. Is this *free trade* ?

On the basis of *seems to have been*, Smith states that *the invention of all those machines by which labour is so much facilitated and abridged, seems to have been originally owing to the division of labour.* He presents as an example a boy who discovered that he could tie a string onto a steam engine and thus eliminate his job which would *leave him at liberty to divert himself with his play-fellows.* *One of the greatest improvements that has been made upon this machine, since it was first invented, was in this manner the discovery of a boy who wanted to save his own labour.* WN 9-10 Editor Caanan notes that "This pretty story is largely, at any rate *mythical.*" Aside from being stupefied by 13 hour days, the main reason people don't invent machines to replace them, if they are working for somebody else, is that they thereby become not only free to play but also free to go hungry. If, like many children of the period, this boy was forced to work at an industrial job, he would immediately be made to work at another job and very likely a harder one. Which would teach him the lesson every wage slave and tenant farmer learns about the folly of making improvements on things which do not belong to you. Tolstoy's peasants regularly broke any new farm equipment he bought. It was not in their *self interest* to take care of it. The Master and the Slave define *efficiency* in two very different ways.

It is observable that men work much better when they work for themselves. When they work at something which they have freely chosen and which they like doing. At the other extreme, over seers with whips are necessary to get much work out of the slaves. Men tend to work much harder when they have families to support than when they are single individuals working for subsistence wages. Smith is enthused about **the division of labour**. He isn't enthused about **the division of land and stock [= capital]**. The booming American economy came about because there were so many opportunities. Like men being able to acquire farms for little or nothing. In Texas you could round up wild longhorns and start a herd. In Wyoming, you could borrow some stock from an absentee English landlord. If it is a Good Thing to Divide Labour, why isn't it a good thing to Divide Land and Stock ? *40 acres and a mule* to every man. Plus a few chickens.

Smith does not recognize the basic characteristics of a truly *natural system* of work which is in accordance with human nature. If a man owns his farm or shop, if he loves his wife and kids, he will work steadily. Working at a task which is your own idea, which gives lots of room for your personal creativity, is fun. Working on your own house. Building something you care about. When you work to make a good life for the family you love, you have an entirely different motive from those who work to help the wealthy investors become wealthier. Working for investors you have never met, working for the owner who lives in luxury while you live in poverty, working at some mindless and monotonous task which suppresses your feelings and consumes your life, you naturally do as little as you can get away with doing. That is *human nature*.

Who Owns What ?

Adam Smith does not bring into clear focus the very basic question of who owns what, and who controls his own work. He leaves the reader with the vague idea that **division of labour** means more or less the same thing when applied to 1. a primitive man who makes bows when he wants to or when someone asks him to 2. the village blacksmith and the village carpenter 3. the fellow who works in a factory snipping pin wire 13 hours a day, 6 days a week.

As if they had all freely chosen their occupations. As if it did not much signify whether you own your own shop or work in somebody's factory. There is a day and night difference between owning your own livelihood and being Dependent upon the factory owner or being dependent upon a board of directors and a set of stockholders you have never even met. Who are quite oblivious of you and yours. Smith neglects to make an obvious distinction. Whatever is to be said about the village blacksmith or the carpenter with his own shop, they are in **a very different situation** from those who work for wages in factories.

Freedom and Independence

ECONOMIC FREEDOM is an empty pretence without economic **INDPENDENCE**. It isn't just the government which interferes with that. Being dependent upon the Duke or the Company or the Union negates the economic freedom of the average person. Of course

the government is the patron of corporate wealth and power just as it was once the patron of the Dukes. Every concentration of wealth and power tends to be at the expense of the economic independence of common men. And that is true of the big government backed labor unions of the 20th century which conspired with the corporations to shaft the consumers while forgetting about the workers who were left out of the deal.

A good carpenter has many tools and many wood-working skills. A furniture factory will break down the making of a chair or table into a dozen unskilled or semi-skilled operations, and hire men or women at the lowest possible wage to work at these various tasks. None of them has the satisfaction of making a chair. Very little of the price of the chair goes to those who have made it. Most of it goes to those who have never set foot in the factory, much less done any work there. They *own for a living, instead of working for a living*. Just like the Duke, their *revenue* comes to them *of its own accord*. The Duke opens his mouth and the nectar trickles into it.

Elsewhere, Smith implies that The Duke is part of this Division of Labour. What skill does he contribute ? He may be good at spending money. Smith writes that: *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, it has already been observed, [page 52] 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.* WN 248 Smith concedes that the Duke does nothing whatever to earn his share--*the proprietors of land, who live by rent [whose] revenue costs them neither labour nor care*. The Farmer at least has to manage the farm and hire the labour. But in this Grand Division of Labour and Produce, the fellow who does most of the work gets the smallest share while the fellow who does the least work--like none at all--gets the largest.

There is a fundamental injustice, based upon coercion, in the *division of land*, in the *division of stock [= capital]* and in the *division of labour*. Neither God nor Nature is to blame for it. Men are to blame for it, some more than others. It arises from the militarism which is the foundation of the *nation*--of the *great empire* especially. That is the fundamental injustice built into this *system*, this *un natural* and man made system.

Smith's Deduction:

Labourers are Paid Enough to Support Families

Governor Bradford Discovers the Folly of Communism

And the Wisdom of Piece Work **done**

done see *bradford*

lead in to chapters on Henry George and Karl Marx ?

Adam Smith's optimism about the situation of the labourers was entirely unjustified. It was wishful thinking, not *science*. And it got worse, not better. in the century following the publication of *The Wealth of Nations*.

Henry George

contra the optimism of Adam Smith saw that poverty was not disappearing; still believed there was an answer within the boundaries of the **science of political economy**; contra view of Malthus et al that poor people inevitably multiply and use up their subsistence;

Contra Karl Marx et al, Society has twenty

classes, not two classes

same error as Henry George; change the system; simple fix;

Gustavus Myers

and Capital City notes on 19th century capitalism

Utopian Capitalism

Milton Friedman + Alan Greenspan + Ayn Rand + Ronald Reagan

dueling verses:

Surplus Value

The Merchant calls it *Profit* and winks the other eye
The Banker calls it *Interest* and heaves a cheerful sigh
The Landlord calls it *Rent* as he tucks it in his bag
But the honest old Burglar, he just calls it *Swag* !

The Communist

What is a Communist ? One who hath yearnings
For equal division of unequal earnings
Idler or bungler, or both, he is willing
To fork out his penny and pocket your shilling

Unearned Wealth

*It seems a story from the world of spirits
When any one obtains that which he merits
Or any merits that which he obtains.*

quoted by Henry George in *Progress and Poverty* 1879

preceeding 26 pages put on web site August 10th 2009

from *virginia*:

31 Madison and Jefferson both opposed the creation of a national Bank of the United States in 1791 as unconstitutional; Madison "advocated the reestablishment of a second national bank in 1815 after the nearly disastrous difficulty of financing the War of 1812 without one, and he signed the bill rechartering the bank in 1816."

it shows the basic connection: a national bank allowed the government to borrow to finance a war; rather than have to try and raise the money by new taxes; which is what had cost Louis XVI his throne and his head;

President Madison fled Washington in 1812 just before the British army occupied it;

from *social*:

He cites the Amish as a counter example; while farm families in general declined from 30 million to 3 million between 1900 and 1993, Amish went from 5000 to 150,000; (c) he doesn't say enough here about the reasons--Christian Community, simple living, pacifism;

We must cease to be Dependent Upon those who do not love us. Especially we must cease to be Dependent Upon those who love money.

I just figured it out: the distribution of property follows the distribution of power. Power is always wielded by the few over the many. There is no such thing as *Power to the People* except as an empty slogan. The reality is Huey Newton *Supreme Commander*. And a few of his followers sharing in the power and privilege. So the increase in power leads to a concentration of property. There can be a counter trend. Long periods of peace. To stay in power, the government must bribe the general populace. But there is never enough to go around, especially when the government still has to put out more expensive bribes to the more powerful lobbies.