

HANDOUT on Adam Smith “Wealth of Nations” (1776) and Karl Marx “Communist Manifesto (1848)

Adam Smith –

- the wealth of nations is linked to the ability to create more goods and commodities that is in turn linked to the division of labor
- the ability to divide labor into smaller tasks and to share tasks among a group (rather than each individual making one item), leads to the ability to create more and more goods
- the ability to have a more and more differentiated division of labor is in turn linked to the size of the available market – if there is a large market, it makes more sense for individuals to focus on increasingly specialized tasks
- the belief that even poor peasants in Europe have a higher standard of living than “princes” in Africa because of this greater availability of goods made possible by a highly differentiated division of labor and larger markets
- focus is on the act of market exchange through individuals
- the idea that people don’t act out of benevolence but rational self-interest
- but that even though unplanned, the act of following one’s self-interest contributes to the greater social good in that, out of self-interest, those involved in commerce will stimulate domestic economies which will contribute to the greater wealth of a nation that will ultimately benefit all its members (the “invisible hand” of the market)
- the idea that the ultimate value of a commodity comes from the work that was put into it, but that profit is legitimately based on a someone being compensated for the risk of providing their capital to produce goods
- the idea that market exchanges flow naturally from human tendencies to truck and barter or to exchange things

Karl Marx –

- the focus is on the social relations of production or how goods came to be produced rather than on market exchanges
- that it’s misleading to focus simply on market exchanges – including those involving the selling of one’s labor – because this sidesteps the question of why some people have more assets or own more property than others (which Marx postulates comes from “primitive accumulation or the historical taking of such assets by force)
- the idea that history is a series of class struggles
- that capitalism will lead to increasing differentiation into two classes – the owners of capital (or bourgeoisie) and the laborers (or proletariat)

- the idea that the value of a commodity comes from the labor that went into creating it (like Smith) but that profit is not legitimate but rather than extraction of “surplus value” from workers and inherently exploitative
- a focus on the division of labor (like Smith) but greater emphasis upon how the division of tasks into ever smaller bits in manufacturing leads to “alienation” from the work itself
- the idea that capitalism is based on internal contradictions (such as the tendency towards overproduction) that will ultimately cause the downfall of capitalism
- that workers will eventually recognize their common interests with other workers and become conscious of themselves as a class and stage a violent revolution against capitalists
- that history moves in an evolutionary fashion (a strongly 19th century assumption)
 - that history has developed from a historical social stage of “primitive communism” where property was shared in common to greater exploitation with the rise of private property to an unstable system of capitalism and, eventually post-revolution, to a utopian communism

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