

# Economics and a Free People

*Discussion Colloquium*

*Sponsored by the Institute for Humane Studies*

**Reader Abstract:** This reader is designed to offer point-counter-point readings for and against capitalism. The focus is on foundational writings on each topic from classic works, and the focal ideas are the division of labor, individualism and collectivism, protectionism, and general laissez-faire philosophy.

## **Session 1: *Division of Labor* (36 pages)**

Smith, Adam. *An Inquiry into the Nature and Causes of the Wealth of Nations, Volume I*. Edited by Edwin Cannan. London: Methuen, 1904.

- Book I, Chapter 1, "Of the Division of Labour," pages 36-41.
- Chapter 2, "Of the Principle which gives occasion to the Division of Labour," pages 42-44.
- Chapter 3, "That the Division of Labour is limited by the Extent of the Market," pages 45-48.

Marx, Karl. "The Real Basis of Ideology." In *The German Ideology: Part One, with selections from Parts Two and Three, together with Marx's "Introduction to a Critique of Political Economy,"* 68-81. Edited by C. J. Arthur. New York: International Publishers Company, 1970.

**Session Abstract:** Both the Smith and Marx readings deal with the division of labor. Smith presents the division of labor as a means of increasing the productivity of society and allowing each person to contribute to society through the pursuit of self-interest. Marx presents the division of labor as the basis for class division and exploitation.

## **Session 2: *Production and the Disposition of the Laborer* (28 pages)**

Smith, Adam. *The Theory of Moral Sentiments*. Edited by Dugald Stewart. London: Henry G. Bohn, 1853.

- Part VI, "Of Virtue."
  - Section I, "Of the Character of the Individual, so far as it affects his own Happiness; or of Prudence," pages 310-318.
  - Section II, Chapter 1, "Of the Order in which Individuals are recommended by Nature to our care and attention," pages 319-333.

Marx, Karl & Friedrich Engels. Excerpt from Part I, "Economic and Philosophic Manuscripts of 1844." In *The Marx-Engels Reader*, 66-81. Edited by Robert C. Tucker. New York: W.W. Norton and Company, 1972.

**Session Abstract:** Again, Smith and Marx present counterviews of society. Smith starts with the individual and demonstrates how society is composed of various aggregations of individuals. Marx contests Smith's view of community with the notion of "productive forces," exploitation of works by

capitalism, and the “alienation of labor.” Building on the first session, Smith presents the notion that cooperation is the natural dynamic in capitalism, while Marx presents the idea that the natural dynamic is conflict.

### **Session 3: *Free Trade vs. Protectionism* (25 pages)**

Bastiat, Frédéric. *Economic Sophisms*. Edited by Arthur Goddard. Irvington-on-Hudson: Foundation for Economic Education, 1996.

- Chapter 7, “A Petition,” pages 56-60.
- Chapter 9, “An Immense Discovery!” pages 63-66.
- Chapter 10, “Reciprocity,” pages 67-69.
- Chapter 17, “A Negative Railroad,” pages 94-95.

List, Friedrich. “Private Economy and National Economy.” In *The National System of Political Economy*, 132-140. Edited by J. Shield Nicholson. Translated by Sampson S. Lloyd. London: Longmans, Green, and Co., 1909.

**Session Abstract:** Building upon the previous two sessions, the readings here deal with international trade and the relationship between the individual and the international divisions of labor. The Bastiat readings all present arguments against economic protectionism, leaning heavily on comparisons to transportation obstacles. The Friedrich List reading argues that the international division of labor should not be conflated with the individual division of labor, and that protectionism is a vital component of nationalism.

### **Session 4: *Laissez-Faire* (25 pages)**

Hayek, Friedrich A. “The Use of Knowledge in Society.” *The American Economic Review* 35, no. 4 (1945): 519–530.

Keynes, John Maynard. “The End of Laissez-faire (1926).” In *The Collected Writings of John Maynard Keynes, Volume 9: Essays in Persuasion*, 310-322. Edited by Elizabeth Johnson. Cambridge: Cambridge University Press, 1972.

**Session Abstract:** The final readings bring the reader full circle by presenting a general argument against economic intervention and another in favor of it. Hayek’s essay demonstrates the dangers of trying to centrally plan the allocation of resources, while the Keynes essay attempts to get the best of both capitalism and socialism by prescribing specific economic plans dictated by government, such as the control of saving and spending and population control.