

WHAT ADAM SMITH KNEW: MORAL LESSONS ON CAPITALISM

DISCUSSION COLLOQUIUM

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Otteson, James R. *What Adam Smith Knew: Moral Lessons on Capitalism from Its Greatest Champions and Fiercest Opponents*. New York City: Encounter Books, 2014.

**Reader Abstract:** This reader is designed to offer point-counter-point readings arguing for and against capitalism. The focus is on foundational writings dealing with the basic economic, philosophical, and political perspectives.

**Session I: Capitalism – For and Against (50 pages)**

- Smith, Adam. *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776)
  - Book I, Chapter 1, “Of the Division of Labour,” pages 70-77.
  - Book I, Chapter 2, “Of the Principle which gives Occasion to the Division of Labour,” pages 78-81.
  - Excerpt from Book IV, Chapter 2, “Of the Restraints upon the Importation from Foreign Countries of such Goods as can be Produced at Home,” pages 81-85.
  - Excerpt from Book IV, Chapter 9, “Of the Agricultural Systems, or of those Systems of Political Economy which Represent the Produce of Land as either the Sole or the Principal Source of the Revenue and Wealth of Every Country,” pages 85-87.
- Marx, Karl and Friedrich Engels. *Manifesto of the Communist Party* (1872)
  - Part I, “Bourgeois and Proletarians,” pages 88-99.
  - Part II, “Proletarians and Communists,” pages 99-108.
- Marx, Karl. *Capital* (1867)
  - Part I, Chapter 1, Section 4, “The Fetishism of the Commodity and Its Secret,” pages 252-262.

**Session Abstract:** This session introduces the students to the origins of the debates for capitalism and socialism respectively. The first reading outlines the starting-point for Adam Smith’s arguments regarding the division of labor. The subsequent readings outline Marx’s perspective on Communism and the basis of his economic reasoning, the labor theory of value.

**Session II: Justice and Liberty (21 pages)**

- Locke, John. *Second Treatise of Government* (1689)
  - Excerpt from Chapter 2, “Of the State of Nature,” pages 9-11.
  - Excerpt from Chapter 3, “Of the State of War,” pages 11-13.
  - Excerpt from Chapter 4, “Of Slavery,” pages 13-14.
  - Excerpt from Chapter 5, “Of Property,” pages 14-18.
  - Excerpt from Chapter 8, “Of the Beginning of Political Societies,” pages 18-19.

- Excerpt from Chapter 9, “Of the Ends of Political Society and Government,” pages 19-20.
- Smith, Adam. *The Theory of Moral Sentiments* (1759)
  - Part II, Section II: Of Justice and Beneficence
    - Excerpt from Chapter 1, “Comparison of those two Virtues,” pages 21-24.
    - Excerpt from Chapter 2, “Of the sense of Justice, of Remorse, and of the consciousness of Merit,” pages 24-27.
  - Part IV: Of the Effect of Utility upon the Sentiment of Approbation
    - Chapter 2, “Of the order in which Societies are by nature recommended to our Beneficence,” pages 68-69.

**Session Abstract:** The readings in this session present the natural rights philosophical basis for property rights, and the manner of societal and political organization that such a theory would imply.

### Session III: Critical Perspectives (41 pages)

- Taylor, Charles. “What’s Wrong with Negative Liberty (1985),” pages 36-55.
- Cohen, Gerald A. *Why Not Socialism?* (2009)
  - Chapter 1, “The Camping Trip,” pages 109-111.
  - Chapter 2, “The Principles Realized on the Camping Trip,” pages 111-121.

**Session Abstract:** The two readings in this session present the basic tension between philosophical liberalism and philosophical socialism.

### Session IV: Capitalism and Social Order (51 pages)

- Hayek, Friedrich A. “The Use of Knowledge in Society (1945),” pages 151-163.
- Schumpeter, Joseph. *Capitalism, Socialism, and Democracy* (1942)
  - Part II, Chapter 7, “The Process of Creative Destruction,” pages 145-150.
- Thaler, Richard H. and Cass R. Sunstein. *Nudge* (2009)
  - “Introduction,” pages 181-196.

**Session Abstract:** The final readings offer different perspectives on how economists have attempted to deal with economic problems. The Hayek piece makes the case against central planning as a requirement for the optimal coordination of resources. The Schumpeter piece embraces some of the ideas of Marx about the progression of history, but offers a counterview of the necessary “growing pains” of an upward progressing economy. The final reading introduces the idea of “libertarian paternalism” as a potential compromise between liberty and planning through behavioral economics.