I. KARL MARX'S APPRAISAL OF ADAM SMITH

Karl Marx's appraisal of Adam Smith contains a dialectical approach that assimilates into his own theory the enduring insights of Smith into the nature of capitalism and economics, while criticizing those aspects of Smith's work that are, in Marx's view, mere ideology: ideas that reflect the institutional arrangements, behavior, and ideas of the status quo, or that construct an illusory and fanciful model of the real world that legitimizes the interests of the ruling class. The ideas of the dominant class become the dominant ideas of the age, Marx believed, and in his view Adam Smith expressed and systematized the ideas on economics and capitalism, science and human nature of the rising and eventually triumphant bourgeoisie. Smith was not, however, for Marx a crass apologist whose ideas were constructed explicitly to defend the interests of the industrialist class. Rather, he saw Smith as a conscientious theorist who expressed the leading ideas of his age, saw deeply into its fundamental tendencies, and fell prey to its illusions. No one can transcend the limits of his age, and Adam Smith could not foresee the problems that the developing capitalist system would produce that began to surface during Marx's life. Marx's complex critique/appreciation of Smith is cogently summarized in a passage in the second volume of *Theories of Surplus Value*:

political economy had achieved a certain comprehensiveness with Adam Smith; to a certain extent he had covered the whole of its territory, so that Say was able to summarize it all in one textbook, superficially but quite systematically. The only investigations that were made in the period between Smith and Ricardo were ones of detail, on productive and unproductive labor, finance, theory of population, landed property and taxes. Smith himself moves with great naïveté in a perpetual contradiction. On the one hand he traces the intrinsic connection existing between economic categories or the obscure structure of the bourgeois economic system. On the other, he simultaneously sets forth the connection as it appears in the phenomena of competition and thus as it presents itself to the unscientific observer just as to him who is actually involved and interested in the process of bourgeois production. One of these conceptions fathoms the inner connection, the physiology, so to speak, of the bourgeois system,

*This article was previously unpublished.*
whereas the other takes the external phenomena of life, as they seem and appear and merely describes, catalogues, recounts and arranges them under formal definitions. With Smith both these methods of approach not only merrily run alongside one another, but also intermingle and constantly contradict one another. With him this is justifiable (with the exception of a few special investigations, such as that into money) since his task was indeed a twofold one. On the one hand he attempted to penetrate the inner physiology of bourgeois society but on the other, he partly tried to describe its externally apparent forms of life for the first time; to show its relations as they appear outwardly and partly he had even to find a nomenclature and corresponding mental concepts for these phenomena, i.e. to reproduce them for the first time in the language and in the thought process. The one task interests him as much as the other and since both proceed independently of one another, this results in completely contradictory ways of presentation: the one expresses the intrinsic connections more or less correctly, the other, with the same justification—and without any connection to the first method of approach—expresses the apparent connections without any internal relation. Adam Smith’s successors, in so far as they do not represent the reaction against him of older and obsolete methods of approach, can pursue their particular investigations and observations undisturbedly and can always regard Adam Smith as their base, whether they follow the esoteric or the exoteric part of his work or whether, as is almost always the case, they jumble up the two.¹

In this passage Marx appraises Smith as the great explorer who charted for the first time the unexplored terrain of political economy and who formulated much of the language in which later discussions would take place (and ideological battles would be fought!). Smith is lauded for his comprehensiveness, his penetration of the “inner physiology of bourgeois society,” and his grasp of important connections between economic categories (and the structures of the capitalist system). But Smith is criticized for a certain naivety in which he accepts some of the appearances of bourgeois society at face value (“as they seem and appear”) and merely “describes, catalogues, recounts, and arranges . . . under formal definitions . . . the external phenomena of life.” Hence Marx believes that Smith’s work contains an “esoteric” and “exoteric” method of approach that at once superficially mirrors some aspects of the bourgeois society while it profoundly and correctly conceptualizes other aspects of the society. Much of the development of Marx’s own economic theory would consist of a critique of Smith’s work and a correction of its inadequacies through constructing an alternative theory.

Marx must have also appreciated the practical-political thrust of Smith’s work, which like the Marxian project wanted not only to interpret but to change the world. For Smith believed that an answer to the question of the source of the wealth of nations was of crucial importance for political practice; indeed the very well-being of the nation depended on devising an economic policy based on a correct solution to the problem of maximizing wealth and productivity. Smith, of course, believed that industrial labor and industry were the source of the wealth of nations and that the free functioning of the market without state intervention would provide maximum opulence and human well-being. Although Marx would totally oppose this political position, he could appreciate Smith’s
attempt to use theory to influence practice and could thus approve the attempt to unite theory with practice in Smith's work.

Marx continually applauded the comprehensiveness of Smith's stupendous work. Both Marx and Smith were engaged in a Faustian attempt to gain an overview of the development and mechanisms of the modern world, to lay bare the structure of the present society, and to chart its future course. Although Smith lacked the Hegelian categories of totality and mediation, he at least attempted to picture the main features of historical development and to uncover the main-springs of the economic process that was revolutionizing the world. Both Marx and Smith were iconoclasts who were attacking the received wisdom and dominant theories of the time. Marx, following Engels, labeled Smith the Luther of political economy. For Smith believed exchange was the fundamental human activity and argued that labor—human productive activity—was the source of wealth, rejecting the views of his "Catholic" "fetishist" predecessors that the source of wealth lay outside of human activity (in gold, land, bullion, and so on). Hence Smith brought the essence of economics (exchange, labor, commodity, property) into human activity, just as Luther brought the essence of religion into individual religious activity (faith, praying, and so forth). But if Smith was the Luther of political economy, Marx was its Kierkegaard, exploring the manifold alienations that ruptured and fragmented the human being caught in the thralls of the capitalist system.

An examination of Marx's "Economic and Philosophic Manuscripts of 1844" discloses the crucial importance of Adam Smith's work for his own project. After being convinced by Engels' ground-breaking essay, "Outlines of a Critique of Political Economy," that the development of capitalism and industry was the key to the physiognomy of modern society, and that the nature of the rising society was most clearly revealed in the economic theory of Adam Smith, Marx began his own critique of political economy. The first important formulation of Marx's theory is found in his Paris Notebooks of 1844, in which he divides his manuscript into three columns—"The Wages of Labor," "The Profit of Capital," and "The Rent of Land"—thus reproducing Smith's tripartite division of political economy. Marx cites Smith's views on these topics and develops his own theory by critiquing the dominant views of Smith and other writers on economics. Hence Smith was a decisive influence on the development of Marx's theory and from the beginning to the end of his intellectual labors, Marx's vocabulary, problems, and systematic intentions were highly influenced by Smith's work. But Marx's Auseinandersetzung with Smith was always critical and took the form of a critique of political economy. In the rest of this paper we shall examine that critique.

II. MARX'S CRITIQUE OF SMITH

Marx continually developed a methodological/metatheoretical critique of Smith's work. Smith's error, in Marx's view, was assuming that a given social system—capitalism—was a natural, rational, and universal system that would eternally endure as it corresponded to the being of human nature and had constructed a market system that was self-regulating, self-correcting, and thus crisis-resistant. In assuming that capitalism could endure indefinitely, Smith fell prey to the
illusion that Marx felt was the cardinal sin of bourgeois thought: the tendency to universalize the status quo and thus to suppress history and contradiction. That is, Smith, Locke, Kant and the other architects of the dominant philosophy and science of the eighteenth century failed to see that the present system and ideology was a product of a historical matrix and that history consisted of conflict, change, and development. In the Marxist theory of history, every system, institution, and idea is transitory; a product of its age that must eventually give way to a new socioeconomic system, set of institutions and social relations, and ideas and ideologies as the totality of social and economic conditions mature and develop. Change takes place, in the Marxist view, through contradiction, conflict, and struggle. Each historical system generates contradictions embodied in conflicting classes, political parties and ideologies, and this struggle produces historical change, eliminating institutions, ideas, and relations that are no longer adequate to the needs and potentialities of the age. From this standpoint, Smith failed to see that capitalism was a transitory system that was full of contradictions that would result in conflict, crisis, and its eventual demise. Marx's project was to ferret out these contradictions and to chart the course of historical development and the passing away of capitalism overlooked by Smith. Smith's work helped Marx see into the nature of capitalism and Marx saw his work as a corrective that surpassed the deficiencies and limitations of Smith's work.

Underlying the differences between Marx and Smith were conflicting theories of history and methodology. Marxian dialectics is both a theory of history and society and a philosophic-scientific methodology. Marxian dialectics sets out the fundamental categories that describe the totality of social relations in a given society and describes the dynamics of historical movement. Because the central dialectical categories of contradiction and negation are missing in Smith's theoretical apparatus, he was able to assume that capitalism was a smoothly functioning, contradiction-free system, devoid of explosive structural contradictions or agents of revolution. Although Smith's *The Wealth of Nations* contains numerous historical interludes tracing out stages of historical development from the society of hunters and shepherds to the industrialist pinmakers and candlemakers of his day, Smith lacks insight into the logic of historical change (explained by Marx in his theory of contradiction and class struggle) and is instead guided by the Enlightenment philosophy of history, which viewed historical development as a process of evolutionary perfectionism leading to the heavenly city and self-regulating market of eighteenth century capitalist-bourgeois society. History thus revealed in Smith's telling phrase, "the natural progress of opulence." Although Smith's "invisible hand" that guides this process anticipated Hegel's "cunning of reason," it lacked the turbulent dialectic of negation and contradiction found in Hegel and Marx, and instead posited a magical coincidence between private vice and public benefit as the motor of historical change. In the famous passage in Book III of *The Wealth of Nations*, Smith describes the transition from feudalism to capitalism as follows:

A revolution of the greatest importance to the public happiness was in this manner brought about by two different orders of people who had not the least intention to serve the public. To gratify the most childish vanity was the sole motive of the great proprietors. The merchants and artificers,
much less ridiculous, acted merely from a view to their own interest, and in pursuit of their own peddler principle of turning a penny wherever a penny was to be got. Neither of them had either knowledge or foresight of that great revolution which the folly of the one, and the industry of the other, was gradually bringing about.  

In Smith's fanciful theory of the transition from feudalism to capitalism, blind self-interest is the (unconscious) agent of revolution! One might compare Marx's account of this process, which stresses class conflict and the brutal exploitation of the working class upon whose suffering the capitalist system was brought into the world. Indeed, in the passage we have just cited, Smith does not even mention the working class as a participant in the modern age's monumental economic revolution. Critiquing Adam Smith's concept of primitive accumulation, Marx writes in *Capital*:

Within the capitalist system all methods for raising the social productivity of labor are brought about at the cost of the individual laborer; all means for the development of production transform themselves into means of domination over, and exploitation of, the producers; they mutilate the laborer into a fragment of a man, degrade him to the level of an appendage of a machine, destroy every remnant of charm in his work and turn it into a hated toil; they estrange from him the intellectual potentialities of the labor-process in the same proportion as science is incorporated in it as an independent power; they distort the conditions under which he works, subject him during the labor-process to a despotism the more hateful for its meanness; they transform his life-time into working-time, and drag his wife and child beneath the wheels of the Juggernaut of capital. But all the methods for the production of surplus-value are at the same time methods of accumulation; and every extension of accumulation becomes again a means for the development of these methods. It follows therefore that in proportion as capital accumulates, the lot of the laborer, be his payment high or low, must grow worse. The law, finally, that always equilibrates the relative surplus-population, or industrial reserve army, to the extent and energy of accumulation, this law rivets the laborer to capital more firmly than the wedges of Vulcan did Prometheus to the rock. It establishes an accumulation of misery, corresponding to the accumulation of capital...capital comes dripping from head to foot, from every pore, with blood and dirt.

Marx stresses class conflict as the key to the transition to capitalism and stresses the terrible costs to the working class involved in this historical process. Adam Smith, on the other hand, smooths over class opposition and assumes a harmonious balance and coincidence of interests among all classes. This is not to say that Adam Smith was totally oblivious to the fact of class conflict or conflicting class interests, but he believed that class conflicts could be resolved and class interests harmonized within the confines of the existing capitalist system. Indeed, "conflicts," or Smith's favored term *competition*, would in the long run strengthen rather than weaken the system. Hence we see that Smith lacks the crucial categories of historical change found in Marx's theory of contradiction, negation, and class struggle.
Underlying differences in their theories of history and methodology are different views of human nature. The motor of Smith’s self-regulating market that harmonizes class interests is the dual propensity of human nature to barter and exchange and the relentless drive to pursue one’s self-interest. I shall now attempt to show the role of Smith’s theory of human nature in his theory of political economy. Very often a thinker’s concept of human nature is a key element and constitutive of his or her political, economic, or social theory, and this is dramatically the case with Adam Smith. Let us recall that before Smith became the founder of political economy he was a philosopher whose theory of human nature in *Theory of Moral Sentiments* provided the foundation for an ethical theory. Smith was continually concerned with human motivation and the “well-springs of human action.” While working on his economic theory, Smith was constantly dealing with human nature and often explained human behavior in its intercourse with its social-economic environment in terms of his theory of human nature. After all, economics is concerned with some very basic and fundamental human activities—producing, buying, selling, consuming—and it is natural that the theory of a philosopher vitally concerned with the nature of the human species would be informed and shaped by his theory of the economic animal, *homo faber*, who both Smith and Marx distinguished from other species by the human’s productive activity.

It is arguable that Smith’s economic studies led him to modify his theory of human nature set forth in *Theory of Moral Sentiments* in the direction of postulating a more relentless and consistent theory of egotism, self-interest, and bartering as the primary wellspring of human action, which involved an increasing de-emphasis on benevolence, sympathy, and the social sentiments that he stressed in his earlier work. Possessive individualism triumphed in political economy, just as it did in political theory. The point I wish to stress is that Adam Smith’s theory of human nature was the basic prop/support for his theory of the self-regulating market (“the invisible hand”), for his theory of competition and laissez faire, and indeed crucially influenced the construction of his entire theoretical edifice. Smith’s theory of human nature is, I shall attempt to show, totally at odds with the theory of Karl Marx, and perhaps Marx’s most powerful critique of Smith lies in the implicit/explicit assault on the concept of human nature that played such a fundamental role in Smith’s theory and subsequent political theory. I shall now offer a reading of *The Wealth of Nations* to support the claim that Smith’s theory of human nature plays a major role at key intervals in the development of his political economy, and shall then outline Marx’s critique.

**A. The Theory of Human Nature in *The Wealth of Nations***

First, let us note that Smith makes human nature the driving force of historical and economic development. The division of labor, which is the source of society’s opulence, is for Smith the “gradual consequence of a certain propensity in human nature . . . the propensity to truck, barter, and exchange one thing for another.” The human being is uniquely dependent on other humans for its well-being and is forced to appeal to the self-interest of other humans.
to ensure its survival and improve its well-being. The underlying assumption of this position—and of Smith’s whole theory—is that the human being is uniquely, deeply, and fundamentally motivated by self-love/egotism. This is expressed in unparalleled candor and even charm in a passage in *The Wealth of Nations* that exposes a clear turn to the primacy of self-interest in Smith’s theory of human nature, and devaluation of the role of benevolence, fellow-feeling, and sympathy from Smith’s earlier theory in *The Theory of Moral Sentiments*. Note the appeal to *self-love* at two crucial junctures in this passage:

Man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favor, and show them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves not to their humanity, but to their self-love, and never talk to them of our own necessities, but of their advantages. (*WN*, p. 14)

Smith then argues, “As it is by treaty, by barter, and by purchase that we obtain from one another the greater part of those mutual good offices which we stand in need of, so it is this same trucking disposition which originally gives occasion to the division of labor” (*WN*, p. 15). In Smith’s nursery rhyme of the tribe of hunters and shepherds, John L makes bows and arrows and exchanges them for cattle or venison with Jean-Jacques R. John L finds that it is in his own self-interest to solely make bows and arrows because he can get much more meat, clothes, and beer by exchanging his produce with others than if he tended the cattle, raised crops, and brewed beer himself. Moreover, the hunters benefit from John L’s production of bows and arrows in that it saves them the trouble of having to make their own tools and implements; hence they can devote their energies to their speciality, producing game for a hungry public. Hence everybody comes out ahead! In Smith’s idyllic fable, which has lulled to sleep the critical faculties of countless generations and still provides the self-satisfied punch line for countless economics lectures and chamber of commerce meetings, there is a remarkable coincidence between self-interest and public interest in an exchange society. By following one’s own interest one contributes to public well-being. Moreover, it induces one to develop one’s own talents and abilities: “The certainty of being able to exchange all that surplus part of the produce of his own labor, which is over and above his own consumption, for such parts of the produce of other men’s labor as he may have occasion for, encourages every man to apply himself to a particular occupation, and to cultivate and bring to perfection whatever talent or genius he may possess for that particular species of business” (*WN*, p. 15).

The process of exchange and the emerging market that develops from this “original state of things” (*WN*, p. 64) produces an increasing division of labor and
simultaneously an increased variety of "natural talents" and "dissimilar geniuses." These differences are harmonized in the market where "the most dissimilar geniuses are of use to one another; the different produces of their respective talents, by the general disposition to truck, barter, and exchange, being brought as it were into a common stock, where every man may purchase whatever part of the produce of other men's talents he has occasion for" (WN, p. 16). In the exchange society, "Every man thus lives by exchanging or becomes in some measure a merchant and the society itself grows to be what is properly called a commercial society" (WN, p. 22). The introduction of money facilitates exchange and becomes the measure of value in the commercial society and the social bond that ties the society of egotists together (WN, pp. 25ff.). In Smith's magical and imaginary world, self-interest, money, and the "haggling and bargaining of the market" creates that "sort of rough equality which though not exact is sufficient for carrying on the business of common life" (WN, p. 31). Hence the exchange society is supposed to maximize the individual's freedom and equality. Marx brilliantly summarizes Smith's theory in the Grundrisse before demolishing it (see p. 82):

Out of the act of exchange itself, the individual, each one of them, is reflected in himself as its exclusive and dominant (determinant) subject. With that, then, the complete freedom of the individual is posited: voluntary transaction; no force on either side; positing of the self as means, or as serving, only as means, in order to posit the self as end in itself as dominant and primary (übergreifend); finally, the self-seeking interest which brings nothing of a higher order to realization; the other is also recognized and acknowledged as one who likewise realizes his self-seeking interest, so that both know that the common interest exists only in the duality, many-sidedness, and autonomous development of the exchanges between self-seeking interests. The general interest is precisely the generality of self-seeking interests. Therefore, when the economic form, exchange, posits the all-sided equality of its subjects, then the content, the individual as well as the objective material which drives towards the exchange, is freedom. Equality and freedom are thus not only respected in exchange based on exchange values but, also, the exchange of exchange values is the productive, real basis of all equality and freedom.14

Further, Smith claims that each individual solely following his own self-interest will not only improve his own condition but that of the public and nation as a whole—despite clumsy and harmful state intervention: "The uniform, constant, and uninterrupted effort of every man to better his condition, the principle from which public and national as well as private opulence is originally derived, is frequently powerful enough to maintain the natural progress of things toward improvement, in spite of both the extravagance of government, and of the greatest errors of administration. Like the unknown principle of animal life, it frequently restores health and vigor to the constitution, in spite, not only of the disease, but of the absurd prescriptions of the doctor" (WN, p. 326). That the root of opulence is found in an innate tendency of human nature is starkly expressed in the following passage: "But the principle which prompts to save is the desire of bettering our condition, a desire which, though
generally calm and dispassionate, comes with us from the womb, and never leaves us till we go into the grave” (WN, p. 324).

After tracing in broad historical panorama “the natural progress of opulence” and championing the commercial society, Smith then comes to his famous passage where he explains how each individual following his self-interest “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, p. 423). Commentators have noted that Smith’s “invisible hand” metaphor was influenced by mechanistic concepts of society, a deistic idea of Divine Providence, and natural law thought. These metaphysical theories might well have influenced Smith but his arguments for the self-regulating market governed by the “invisible hand” more obviously reveal the visible hand of Mandeville’s private vices/public benefit argument. In all the passages we have cited there is no metaphysical natural law talk, let alone whispers of Divine Providence, but rather the position that following one’s self-interest (that is, obeying the basic law of human nature) would harmonize public and private interests and make possible a self-regulating market system. Thus underlying Smith’s theory of the self-regulating market is his theory of human nature. As we have seen, the market arises out of individual drives and inclinations that are deeply engraved upon the human heart from cradle to grave; Smith’s Enlightenment belief in “the natural progress of things toward improvement” is rooted in his postulate of a “uniform, constant, and uninterrupted effort of every man to better his condition”; the wealth of a nation grows from the division of labor that grows out of an innate disposition to barter grounded in the propensity to pursue one’s self-interest; “the system of perfect liberty” and free competition requires that each individual relentlessly follow his own self-interest and presupposes that it is a law of human nature that he will; and Smith’s laissez-faire politics rests on the assumption that the society of egoists can best maximize their well-being by pursuing their own interests without state interference. In other words, social stability for Smith derives from the rational pursuit of one’s self-interest (and not from the State, the system of laws, or constitution as previous political theorists would have it). This summary of Smith’s theory should show that his elaborate edifice rests on his theory of human nature.

Hence there has been a tremendous exaggeration of the market mechanism in Smith’s theory and an underestimation of the importance of human nature in making it all work. In the passages we have examined where Smith discusses the mechanisms of the capitalist market, what plays the key role is his concept of human nature and not the law of supply and demand, competition, free enterprise, or the like, as our capitalist ideologues would have it. The reason that for centuries there has been a primary stress on the market mechanism in Smith is that capitalist apologists want to posit the existence of a self-regulating crisis-free market as the producer of the wealth of nations, and then want to posit a harmony between human nature and capitalism. In our reading of Smith, one can find the second position in Smith but will find upon closer examination of The Wealth of Nations that the success of the market is a product of the working
out of human nature (and not of its own inner, self-regulating, self-contained mechanisms). Moreover, when Smith does construct a model of the capitalist market it is based on the idyllic society of hunters and fishermen, thus grounding his theory of capitalism in a fanciful myth of simple accumulation—as Marx clearly saw. In fact, I believe that Smith’s theory of the market is based on a replay of Mandeville’s private vice/public benefit argument, which he strips of its moralistic overtones and from which he traces out the “unintended social consequences” that follow from a sustained pursuit of self-interest that is the source of the wealth of nations. Mandeville’s discussion of industry, free trade, opulence, and “private vice” (self-interest) had, I believe, a major and generally unappreciated impact on Smith. Although Smith viciously denounced Mandeville’s views in TMS as “licentious” and termed him a “pot-house philosopher,” I believe that Mandeville’s ideas haunted Smith and finally won him over in WN—as they reflected the reality of the emerging bourgeois society whose outlines were becoming increasingly clear to Smith as capitalism dramatically developed.

There are some unarticulated premises of Smith’s theory of human nature and model of how a society of egoists will act and much subsequent social theory consisted of a series of attempts to bring the underlying premises to light and to then draw the appropriate political consequences. The different evaluations of Smith’s egoistic man and society of egoists resulted in the conflicting liberal and conservative traditions that accepted many of the premises of Smith’s theory of human nature and the market society, but differed as to their evaluation of what the egoist would do in a free market society, unfettered from previous feudal-absolutist shackles, and differed over what role the state should consequently play to protect the market society (that is, private property) and to ensure social harmony. In this context, I might suggest that the main difference between conservatives and liberals is derived from their theories of human nature and consequent theories of the state. Both assume the existence of an atomized individual with an innate, fixed, unchanging human nature that is primarily egoistic, driven by self-interest and competitive instincts. The conservative is frightened and pessimistic about this state of affairs, believing that the aggressive and destructive aspects of human nature must be kept in check by a strong state and authoritarian system of law and order (this is the common thread running through the conservative theories of Plato, Hobbes, de Tocqueville, Freud, Hitler, Dragnet, and SWAT). The liberal, on the other hand, has a more beneficent and optimistic view of human nature and believes a society that gives free reign to human nature will best develop human potentialities and well-being. Hence the liberal is not afraid, as is the conservative, that human beings will run amok, wreak havoc on one another, and produce chaos and disorder. Rather, the liberal believes—and here Adam Smith is a classic liberal—that all the egoists will smoothly mesh into a market society that at once enables them to give full play to their self-interest and harmoniously resolves all conflicts. This analysis suggests that The Wealth of Nations—and subsequent liberalism—presupposes the theory of human nature in Smith’s The Theory of Moral Sentiments, which stresses the more social, benevolent, and fellow-feeling sides of human nature, for the smoothly running market presupposes that the egoists will play by the rules, respect the law and the other’s rights to pursue their self-
interest, and will not utilize crime or violence to pursue their ends. Occasionally the view of human nature in *The Theory of Moral Sentiments* surfaces in *The Wealth of Nations*, as in the passage where Smith discusses justice: "Envy, malice, or resentment are the only passions which can prompt one man to injure another in his person or reputation. But the greater part of men are not very frequently under the influence of these passions; and the very worst men are so only occasionally. As their gratification, too, howsoever agreeable it may be to certain characters, is not attended with any real or permanent advantage, it is in the greater part of men commonly restrained by prudential considerations. Men may live together in society with some tolerable degree of security, though there is no civil magistrate to protect them from the injustice of those passions" (*WN*, p. 670).

This issue raises the old Adam Smith Problem concerning the relationship between Smith's earlier *TMS* and *WN*. It has been hotly debated for two centuries whether the views of human nature in Smith's two major works are completely contradictory, or are compatible and even harmonious. In my view there are both continuities and discontinuities in the relations between Smith's works, but the inconsistencies and contradictions are dominant. It has been argued that there is a harmony between *TMS* and *WN* in that self-interest is operative in *TMS* and that sympathy is operative in *WN*—hence the principles of self-interest and sympathy are said to be operative in both works and to provide complementary and reciprocal aspects of human nature. Let us examine this position a minute. One argument is that exchange in *WN* requires sympathy: putting oneself in the other's place, identifying with his self-interest, discerning as an impartial spectator what are the other's needs and fancies. It is also suggested that exchange elicits a process of mutual approbation in which both participants attempt to win each other's approval by presenting themselves to each other in a sympathetic manner that takes account of the other's self-interest. Hence it is claimed that exchange in *WN* requires sympathy, mutuality, fellow-feeling, reciprocity—central themes in *TMS*—ergo the continuity in Smith's works. But, is not the "sympathy" operative in exchange-relations much different from the *moral sympathy* operative in social-moral relations in *TMS*? Is not the "sympathy" in *WN* completely subordinate to economic self-interest? I put myself into another's place in the exchange-relation precisely so that I can best profit from the deal, get the highest price and the lowest cost, or perhaps even mislead, deceive, or exploit the other person. The approbation I seek to win from sympathetic behavior is often a mask for crude self-interest: the hypocritical smile, calculated handshake, and pseudo-friendliness of the salesman. Is not the motor of exchange thus self-interest in its most asocial, egotistic guise? Smith in fact was not so naive as to believe that the sort of sympathy, fellow-feeling, or the like that he portrayed in *TMS* played a major role in exchange. In a passage in *WN* he cynically—and accurately—noted the primacy of a self-interest that has no regard for the public good—and by implication for the other person: "By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it." (*WN*, p. 423). Economics triumphed in
Smith over morality, reducing it to a pale specter of idealism weakly confronting the triumphant materialism of capitalism. Smith thus profoundly shifts the operation of sympathy, making it a means to the end of profit and self-interest, rather than a self-subsistent end in itself. Capital, Marx tells us, transforms everything it touches, and in Smith's theory we see sympathy metamorphosed from a profoundly social-moral virtue in TMS to an aspect of capitalist business practice in WN. Morality and moral sympathy were a weak counterforce to the juggernaut of capital and gave way time and again to the primacy of material self-interest. This fact of capitalist society is perhaps reflected in the change in emphasis from TMS to WN.

Unfortunately, Smith, unlike most writers, refused to comment on the relation between TMS and WN, burned his papers before his death, and left no (known) evidence as to whether he perceived or constructed a change in his theories; nor, as far as I know, have any of his intimate contemporaries thrown any light on the topic. To clarify the issue, I would suggest that there is not only a metamorphosis of sympathy in the shift from TMS to WN but that there is a changed emphasis from social-moral sympathy to self-love as the motor of human behavior in Smith's writings. It seems reasonable to interpret this shift as a response to the developing capitalist economy that was conceivably changing human behavior before Smith's very eyes, as industry grew, wealth accumulated, cutthroat competition intensified, and economics played a dramatically increasing role in all areas of public and private life, becoming, in Marx's words, the religion of everyday life. A sensitive observer of human behavior with strong empiricist leanings who was writing the first great treatise on capitalism could hardly fail to notice the "great transformation" taking place, and would no doubt take account of this thoroughgoing revolution in his theory. In any case, Capital triumphed in eighteenth century social theory and both the classical liberal and conservative agreed—and this is the basis of their consensus—that a capitalist market economy would maximize opulence, human freedom, and individual well-being and that capitalism—and this is the point I am going to attack—was in tune with the stuff of human nature. Marx of course saw through this ideological fraud and it was his critique of political economy and theory of the alienation of labor that undermined the foundation of the liberal-conservative consensus, first, by uncovering the failings of the capitalist market from a purely technical or economic point of view, and, second, by showing that capitalism was totally at odds with and hostile to human nature and was thus at its core an alienating and inhuman system. It is this latter claim that I shall develop in the remainder of this paper.

B. Marx's Critique of Smith's Theory of Human Nature

Marx points out that the view of human nature in Smith (and other bourgeois producers of ideas) is at best an ideological reflection of the personality type that was coming to be dominant in the rising capitalist society. Smith's bartering animal reflected the nature of the rising merchant-industrialist class for whom business was the center of life. The calculating man of self-interest reflected, Marx said of Bentham, the eighteenth century English storekeeper. The illusion
of Smith and his ilk was their belief that the sort of personality gaining ascendency in their society was identical with human nature at large. This incredible egotism and naive projection of their own personality traits onto a human essence was for Marx evidence of how ideology covered over the facts of the human condition and provided a mystified consciousness that served the interests of the ruling class. For if the human being is primarily egotistical, motivated by self-interest, enamored by self-love, driven to bartering and haggling as one’s fundamental propensities, then capitalist society—a market society—is most in tune with human nature and can best satisfy the human demands and fulfill human strivings. Adam Smith’s concept of human nature thus provides an ideological defense of the capitalist economy and legitimation of capitalist practice as being in fundamental harmony with human nature.

Marx’s attack on this point of view is devastating. Human beings are not by nature like the egotistical creatures freely consenting to capitalist acts in the texts of political economy and the marketplace of bourgeois society. Rather, we became this way through the development of capitalism, which rewarded and reinforced the relentless pursuit of self-interest; which forced the pursuit of profit and wealth on those who would rule, dominate, and prosper; which created new needs for wealth and luxury that required capital accumulation, bartering, and self-motivated haggling. “Consciousness is from the very beginning a social product,” Marx writes, “and remains so as long as human beings exist at all.”20 In Marx’s view, one’s language, values, ideas, and consciousness develop in an intimate interaction with one’s social environment. As he puts it in The German Ideology:

The production of ideas, of conceptions, of consciousness, is at first directly interwoven with the material activity and the material intercourse of men, the language of real life. Conceiving, thinking, the mental intercourse of men, appear at this stage as the direct efflux of their material behavior. The same applies to mental production as expressed in the language of politics, laws, morality, religion, metaphysics, etc. of a people. Men are the producers of their conceptions, ideas, etc.—active men, as they are conditioned by a definite development of their productive forces and of the intercourse corresponding to these, up to its furthest forms. Consciousness can never be anything else than conscious existence, and the existence of men is their actual life-process. . . . Life is not determined by consciousness but consciousness by life.21

Marx denies that there is a human essence inhering in all human beings at all times throughout history; rather, each single individual is the “ensemble of social relations.”22 Marx argues that the social relations of production of a given society produce a certain dominant personality type. In his view human behavior does not spring from an innate human essence but is shaped and molded by a given society. Smith naively assumed that the bartering, acquisitive, competitive animal of his emerging market society was identical with the human essence as such, whereas actually Smith was merely describing an emerging personality type that would become dominant in bourgeois society. Hence the harmony between capitalist society and human nature was an ideological fiction.
Moreover, Marx did not think too much of the bourgeoisie’s image of human nature, which for Marx reflected their own enslavement to money, commodities, and business and provided but a stunted, fragmented, and alienated view of human nature. Indeed Marx’s crucial criticism is that Adam Smith and the political economists had an incredibly one-sided, reductionistic, and impoverished concept of human nature that did violence to the full wealth of human potentialities. The human being, Marx tells us, is a many-sided being with a wealth of needs, potentialities, desires, and possibilities for individual and social development: “Man, much as he may therefore be a particular individual (and it is precisely his particularity which makes him an individual, and a real individual social being) is just as much the totality—the ideal totality—the subjective existence of thought and experienced society present for itself; just as he exists also in the real world as the awareness and the real enjoyment of social existence and as a totality of human life-activity.”

Adam Smith’s egotistical barterer, primarily motivated by self-interest directed at the market, possession, consumption, or the accumulation of capital, falls prey to a “one-sided gratification—merely in the sense of possessing, of having.” Marx contrasts the total, whole, well-rounded human being who cultivates a wealth of human potentialities and relations to the world—“seeing, hearing, smelling, tasting, feeling, thinking, being aware, sensing, wanting, acting, loving”—to the one-sided acquisitive activity of capitalist man who is characterized by “an estrangement of all human senses and attributes,” a reduction of human wealth to mere financial gain. In short, Marx believes that “private property” has made Adam Smith’s egotistic higgler “stupid and one-sided,” a partial, impoverished human being. Marx wants to put “in place of the wealth and poverty of political economy the rich human being and rich human need. The rich human being is simultaneously the human being in need of a totality of human life-activities—the man in whom his own realization exists as an inner necessity, as need.”

“Political Economy,” Marx ironically writes—and he is referring to Smith and his definition of self-interest in terms of frugality, accumulation, and so on—“this science of wealth is therefore simultaneously the science of renunciation, of want, of saving. . . . This science of marvelous industry is simultaneously the science of asceticism, and its true ideal is the ascetic but extortionate miser and the ascetic but productive slave. . . . Self-renunciation, the renunciation of life and of all human needs, is its principal thesis. The less you eat, drink, and buy books; the less you go to the theater, the dance hall, the public house; the less you think, love, theorize, sing, paint, fence, etc., the more you save—the greater becomes your treasure which neither moths nor dust will devour—your capital. The less you are, the more you express your own life, the greater is your alienated life, the more you love; the greater is the store of your estranged being.”

Smith’s view of human nature was also deficient in that he failed to perceive the crucial role of labor in producing a humanized world, in fulfilling human needs, and in developing human potentialities. Labor for Marx was productive, creative activity par excellence, and the human species was distinguished by its capacities for producing out of its imagination, out of its aesthetic sense, out of its freedom and creativity. Smith had an impoverished concept of the human significance of labor, and thus of the very central core of human being. As Marx puts it in the Grundrisse:
In the sweat of thy brow shalt thou labor! was Jehovah's curse on Adam. And this is labor for Smith, a curse. "Tranquility" appears as the adequate state, as identical with "freedom" and "happiness." It seems quite far from Smith's mind that the individual "in his normal state of health, strength, activity, skill, facility," also needs a normal portion of work, and of the suspension of tranquility. Certainly, labor obtains its measure from the outside, through the aim to be attained and the obstacles to be overcome in attaining it. But Smith has no inkling whatever that this overcoming of obstacles is in itself a liberating activity—and that, further, the external aims become stripped of the semblance of merely external natural urgencies, and become posited as aims which the individual himself posits—hence as self-realization, objectification of the subject, hence real freedom, whose action is precisely labor. 27

The radical differences in Marx's and Smith's views of human nature are dramatically revealed in their different evaluations of the capitalist division of labor. Smith champions the division of labor as producing tremendous benefits in increased productivity and efficiency that will spill over and produce increased opulence and well-being for all classes of society. At one point, Smith concedes that the worker becomes a commodity and that the increased division of labor may fragment the human being, 28 but on the whole he is a resolute champion of the capitalist division of labor. Smith's primary focus in fact is on exchange and circulation, and the act of production receives little attention from him. Hence he misses the alienation of labor under capitalism that Marx was to make a primary focus of his theory from beginning to end. 29

For Marx, the division of labor constitutes an alienation of the human being in several senses. Marx challenges Smith's uncritical praise of the capitalist division of labor in the very beginning of his critique of political economy in the "Economic and Philosophic Manuscripts of 1844":

The accumulation of capital increases the division of labor, and the division of labor increases the number of the workers. Conversely, the number of workers increases the division of labor, just as the division of labor increases the accumulation of capital. With this division of labor on the one hand and the accumulation of capital on the other, the worker becomes ever more exclusively dependent on labor, and on a particular, very one-sided machine-like labor at that. Just as he is thus depressed spiritually and physically to the condition of a machine and from being a man becomes an abstract activity and a belly, so he also becomes ever more dependent on every fluctuation in market price, on the application of capital, and on the whim of the rich. Equally, the increase in the class of people wholly dependent on work intensifies competition among the workers, thus lowering their price. In the factory system this situation of the worker reaches its climax. . . . The division of labor renders him ever more one-sided and dependent, bringing with it the competition not only of men but also of machines. Since the worker has sunk to the level of a machine, he can be confronted by the machine as a competitor . . . . Whilst the division of labor raises the productive power of labor and increases the wealth and refinement of society, it impoverishes the worker and reduces him to a machine. . . . 30
Marx continues his critique of the alienation of labor under capitalism in the famous passage on alienated labor, which can be read as a direct critique of Smith’s views on human nature, labor, and capitalism:

The estrangement is manifested not only in the result but in the act of production, within the producing activity, itself. How could the worker come to face the product of his activity as a stranger, were it not that in the very act of production he was estranging himself from himself? The product is after all but the summary of the activity, of production. If then the product of labor is alienation, production itself must be active alienation, the alienation of activity the activity of alienation. In the estrangement of the object of labor is merely summarized the estrangement, the alienation, in the activity of labor itself.

What, then, constitutes the alienation of labor?

First, the fact that labor is external to the worker, i.e. it does not belong to his essential being; that in his work, therefore, he does not affirm himself but denies himself, does not feel content but unhappy, does not develop freely his physical and mental energy but mortifies his body and ruins his mind. The worker therefore only feels himself outside his work, and in his work feels outside himself. He is at home when he is not working, and when he is working he is not at home. His labor is therefore not voluntary, but coerced; it is forced labor. It is therefore not the satisfaction of a need; it is merely a means to satisfy needs external to it. Its alien character emerges clearly in the fact that as soon as no physical or other compulsion exists, labor is shunned like the plague. External labor, labor in which man alienates himself, is a labor of self-sacrifice, of mortification. Lastly, the external character of labor for the worker appears in the fact that it is not his own, but someone else’s, that it does not belong to him, that in it he belongs not to himself, but to another. Just as in religion the spontaneous activity of the human imagination, of the human brain and the human heart, operates independently of the individual—that is, operates on him as an alien, divine or diabolical activity—so is the worker’s activity not his spontaneous activity. It belongs to another; it is the loss of his self.31

Adam Smith ignores these alienating conditions of labor under capitalism and derives his much-acclaimed concepts of freedom and equality from an analysis of the exchange relation. All men are in a sense free in a capitalist market society to exchange whatever they can on the market; they are equal before the laws of supply and demand; they are free to pursue gain and their self-interest as they see fit. Moreover, one can theoretically sell his labor power to whomever one chooses and one is free to seek any occupation for which one is qualified. What Smith fails to note, however, is that one class of individuals is much more free and equal than the other class and that the system of labor and exchange produces gross inequality, lack of freedom, and the destruction of individuality. Crucially, in a class society where one class owns the means of production and the other class must submit to domination and exploitation by the possessing class, the deck is stacked from the beginning in a rigged game. Once again, Marx’s critique of Smith is devastating. In a section of the Grundrisse, Marx first summarizes Smith’s position (see the passage I have already cited) and then demolishes it:
If this way of conceiving the matter is not advanced in its historical context, but is instead raised as a refutation of the more developed economic relations in which individuals relate to one another no longer merely as exchangers or as buyers and sellers, but in specific relations, no longer all of the same character; then it is the same as if it were asserted that there is no difference, to say nothing of antithesis and contradiction, between natural bodies, because all of them, when looked at from e.g. the point of view of their weight, have weight, and are therefore equal; or are equal because all of them occupy three dimensions. Exchange value itself is here similarly seized upon in its simple character, as the antithesis to its more developed, contradictory forms. In the course of science, it is just these abstract attributes which appear as the earliest and sparsest; they appear in part historically in this fashion too; the more developed as the more recent. In present bourgeois society as a whole, this positing of prices and their circulations etc. appears as the surface process, beneath which, however, in the depths, entirely different processes go on, in which this apparent individual equality and liberty disappear. It is forgotten, on one side, that the presupposition of exchange value, as the objective basis of the whole of the system of production, already in itself implies compulsion over the individual, since his immediate product is not a product for him, but only becomes such in the social process, and since it must take on this general but nevertheless external form; and that the individual has an existence only as a producer of exchange value, hence that the whole negation of his natural existence is already implied; that he is therefore entirely determined by society; that this further presupposes a division of labor etc., in which the individual is already posited in relations other than that of mere exchanger, etc. That therefore this presupposition by no means arises either out of the individual's will or out of the immediate nature of the individual, but that it is, rather, historical, and posits the individual as already determined by society. It is forgotten, on the other side, that these higher forms, in which exchange, or the relations of production which realize themselves in it, are now posited, do not by any means stand still in this simple form where the highest distinction which occurs is a formal and hence irrelevant one. What is overlooked, finally, is that already the simple forms of exchange value and of money latent ly contain the opposition between labor and capital, etc. Thus, what all this wisdom comes down to is the attempt to stick fast at the simplest economic relations, which, conceived by themselves, are pure abstractions; but these relations are, in reality, mediated by the deepest antithesis, and represent only one side, in which the full expression of the antithesis [that is, between capital and labor] is obscured. 32

This passage encapsulates much of Marx's critique of Smith and returns to my first criticism that Smith often merely describes surface appearances and fails to see the reality of capitalist society; in this case, the extent to which all individuals are dominated by society and that the bourgeoisie's much-touted equality, individuality, and freedom are surface appearances that hide slavery, conformity, and a manifold of societal and class domination. As we have seen, Smith's view of human nature is a superficial reflection of the predominant personality type of the time that hides the full wealth of human nature. In the same vein, his theory of equality and freedom reflects surface appearances that cover over
existing inequality, dependence, exploitation, and wage slavery. Marx's theory of surplus value is intended to call attention to the reality of capitalist exploitation that previous political economists had failed to grasp; Marx conceives his theory of surplus value as one of his major scientific contributions to understanding the workings of the hidden, inner mechanisms of capitalist society, and believes that the major failure of Smith's purely economic theory is a failure to provide an adequate theory of surplus value. Marx's brilliant critique of previous theories of surplus value devotes much interesting material to critiquing Smith's economic theory. These studies show that from the beginning of Marx's development of a critique of political economy to the end, Marx continuously studied and critiqued the works of Adam Smith.

III. CONCLUSION

I should stress in conclusion that Marx's critique of Adam Smith is not limited to demolishing Smith's theory of human nature. In Marx's view, Smith fails to accurately describe many of the realities of capitalist society. Smith's model of the origin of the market society in the society of hunters and shepherds is for Marx an ahistorical myth, an idyll of simple accumulation that covers over the bloody history of capitalism. Smith fails to appraise the fundamental role that monopoly will play in the capitalist economy and fails to see that the state will actively intervene on the side of the monopolists and capitalist ruling class again and again, making a sham out of laissez faire. Smith failed to properly grasp the phenomenon of exploitation and lacked a cogent theory of surplus value. Finally, Smith's mode of the self-regulating market, harmony of class/individual interests, and the invisible hand are in Marx's view but mere myths, ideology concocted to cover over the reality of class conflict, the anarchy of an unregulated market, and a capitalist system full of explosive contradictions that would create periodic crises and bring about eventual collapse.

In the final section of this paper I have stressed Marx's claim that capitalist society is really dreadfully harmful to the human being, that the division of labor, competition, unbridled self-interest, the ubiquity of the market, lust for money and possessions as the end of life, and so forth, are really restrictive of human potentialities and create humanly impoverished, one-sided, alienated human beings. Thus, in Marx's view, rather than being in harmony with human nature, capitalism is profoundly opposed to it. Smith's view of human nature, upon which his theory of political economy rests, was shown to be a mere myth that legitimates powerful and destructive economic interests and that provides ideological support for an alienating and dehumanizing economy. Marx's critique of Adam Smith's concept of human nature, which continues to express the dominant view of capitalist man to this day, is one of his enduring contributions to modern thought and indicates that radical socioeconomic and individual change is necessary to create more human beings and a more humane society.

NOTES

2. The label originates in Engels' "Outline of a Critique of Political Economy," in

3. Engels' early article reveals less respect for Smith than Marx was to show and exhibits excessive moralism that was never present in Marx's work. Engels writes: "Modern economics—the system of free trade based on Adam Smith's *Wealth of Nations*—reveals itself to be that same hypocrisy, inconsistency and immorality which now confront free humanity in every sphere." "Outlines of a Critique of Political Economy," p. 420.


5. It is interesting to note that Hegel—often touted as Marx's chief intellectual influence and source—was himself deeply immersed in Smith's ideas, which he reproduced in his early writings and in *The Philosophy of Right*. Hence Smith's ideas had a twofold impact on Marx: through his direct study of Smith and through his work on Hegel, who had earlier appropriated many ideas and insights from Smith. For a further discussion of this issue, see Herbert Marcuse's *Reason and Revolution* (New York: Beacon Press, 1960), and George Lukács' *The Young Hegel* (Cambridge: MIT Press, 1976), which has been recently translated and explores the theme in detail.

6. Mazlish suggests in the Library of Liberal Arts edition of *The Wealth of Nations* that "Smith reached, although only gropingly and without using the technical term, the notion of the 'dialectic,' and what is more, the dialectic working itself out in economic terms" (New York: Harper and Row, 1961), p. xix. This is absurd because the central dialectical notions of negation and contradiction are missing in Smith's theoretical apparatus.


17. I might note that, although there is the same continuity/discontinuity evident in the relation between the early and late works of Marx, Marx's work presents more consistency and unity in its totality than does Smith's work, where, in my view, the discontinuities are predominant. To fully demonstrate this would require another paper that would flesh out Smith's theories of self-interest and sympathy in *TMS* and *WN*.


22. Karl Marx, "Theses on Feuerbach," *German Ideology*.


24. Ibid., p. 299.

25. Ibid., p. 304.

26. Ibid., p. 309.


28. Marx himself cites this passage in *Capital*, chap. 14, sec. 5.

29. Against the view that the notion of alienated labor was a temporary fancy of the young Marx, one can easily show that this theme is always of central importance to Marx and is a thread running through his work from the "Economic and Philosophic Manuscripts of 1844" to *Capital*. Hence although I shall only cite passages from the early Marx here, there are many passages in the later Marx that also speak of alienated labor. See, for example, the first passage from *Capital* quoted in this chapter.


34. See the introduction to the *Grundrisse* where Marx attacks "Robinson Crusoe" approaches to political economy model-building, and the chapters on "Primitive Accumulation" in *Capital".