

Noboru Kobayashi, Historical Critique in *Wealth of Nations*: A Perspective on Books III and IV

Translated by Robert Chapeskie and Masaharu Hattori

Introduction by Masaharu Hattori

The late Noboru Kobayashi's "Historical Critique in *Wealth of Nations*: A Perspective on Books III and IV," translated here into English, was originally published in Japanese in Fukushima University's *Shōgaku Ronsyū* (*The Journal of Commerce, Economics and Economic History*), Vol. 41, No. 5, 1973, and reprinted in Volume 2, which is indicated as 《Ⅱ》 in this translation, 1976, of *The Works of Kobayashi Noboru on the History of Economic Thought*, 11 Volumes, 1976–1989, Tokyo: Miraisha. The "Historical Critique" of the title of this article has a double meaning when it comes to its content. In one sense, it refers to Smith's criticism of history that goes against the natural progress of opulence and has been seen in Europe "after the fall of the Roman Empire" that is described in Book III of *Wealth of Nations*. In another sense, it refers to Kobayashi's criticism of the defect inherent in Smith's historical understanding. When it comes to the latter, Smith did not sufficiently recognize the historical fact that the mercantilist protectionism of the Government of the civil revolutions (particularly the Glorious Revolution) in Britain protected and fostered the development of domestic industrial capital, bringing about the bi-polar separation of independent producers that advanced the development of the primitive accumulation of capital and eventually led to the establishment of the capitalist system. Kobayashi's historical critique can thus be summarized as pointing out Smith's flawed understanding of the historical significance of mercantilism.

Kobayashi's main research topics were British mercantilism (especially

James Steuart and Josiah Tucker), Adam Smith, and Friedrich List. For him these topics were not independent subjects but integrated into a single theme. By examining the national and historical characters of Britain's and Germany's economics, he tried to elucidate the structures of their economies from the viewpoint of the generation of modern productive power. On the significance of Kobayashi's entire body of work, please see Masaharu Hattori's "Noboru Kobayashi and His Study on the History of Economic Thought: National and Historical Characters in the Making of Economics" in *The History of Economic Thought*, Vol. 54, No. 1, 2012.

Kobayashi published some of his own research in English and German. On mercantilism and the connections between Steuart, Smith and List, see *James Steuart, Adam Smith and Friedrich List*, Tokyo: The Science Council of Japan, Division of Economics, Commerce and Business Administration, 1967. On List, see "Friedrich Lists System der Sozialwissenschaft: von einem japanischen Forscher betrachtet," *Studien zur Entwicklung der ökonomischen Theorie*, X, Schriften des Vereins für Sozialpolitik, Band 115/X, Berlin, 1990. On Steuart, see "Introduction, Section 2: The First System of Political Economy," in Andrew Skinner ed., contributing editors, Noboru Kobayashi and Hiroshi Mizuta, *An Inquiry into the Principles of Political Oeconomy by Sir James Steuart*, Vol. 1, London: Pickering & Chatto, 1998. These are representative examples of his writings in English and German, but there has been no translation of his writings on Smith alone. As its translators, we hope this text provides readers with a good introduction to this other side of Kobayashi's study of Smith and its rich historical insights.

〈Explanatory notes〉

1. Regarding citations from Smith's *Wealth of Nations*, while Kobayashi himself used the Cannan Edition (Methuen, 1930), we refer here to the Glasgow Edition of *Wealth of Nations*, 2 Vols. (edited by R. H. Campbell and A. S. Skinner, Oxford: Clarendon Press, 1976).
2. Text in [] in quotations was inserted by Kobayashi. Text in [] in Kobayashi's writing was inserted by the translators.
3. A note in the original text on the translation of the term "primitive accumulation" into Japanese has been omitted from this translation.

I

"Adam Smith's *Wealth of Nations* versus mercantilism" is a topic that has already been discussed a great deal in both the fields of the history of economic thought and economic policy. It is well known that the word "mercantilism" is

used with a diverse array of meanings in these discussions, but even in *Wealth of Nations* itself, the primary text upon which they have been based, the broadness of its definition has been an impediment to its conceptualization. What is referred to as the “system of commerce” or “mercantile system” in *Wealth of Nations*, expressed in the terms found in the Introduction to Book IV, is the *modern* system in political economy, the “system” that European countries—especially *Great Britain*—had adopted from the establishment of absolutism until the time Smith was writing.¹ Smith considered this mercantilism to be (a position in support of) the various regulations that served the monopolistic interests of “merchants and manufacturers” and positioned it in contrast to his own “system of natural liberty” (p. 687),² but he was not always sufficiently mindful of the intricate and important converging and contrasting relationships between the *controls* (regulations) or *monopolies* and *liberty* in the mercantilism he posited. In other words, an understanding of the extent to which the ways that political *liberty* and economic *control*, or indeed domestic economic *liberty* and the *control* of foreign trade, were bound together and combined differed within the do-

1 Absolute monarchy is considered the final form of feudal governance, but of course it was under this form of governance that modern liberty gradually developed. When it comes to Smith’s era, therefore, modern society can be understood as not only having begun with the formation of absolutism, but generally speaking as having developed in parallel to it. See, for example, the writings of James Steuart, another Scottish thinker of Smith’s era. “The great alteration in the affairs of Europe *within these three centuries*, by the discovery of America and the Indies, the springing up of industry and learning, the introduction of trade and the luxurious arts, the establishment of public credit, and a general system of taxation, have entirely altered the plan of government *every where*. From feudal and military, it is become free and commercial. . . . Now every industrious man, who lives with oeconomy, is free and independent under most forms of government.” (James Steuart, *An Inquiry into the Principles of Political Economy*, 2 Vols., 1767.—*The Works, Political, Metaphysical, and Chronological, of the Late Sir James Steuart* . . . (6 Vols.), Vol. I, 1805, pp. 13–14). Steuart uses phrases such as “free society,” “free modern government,” “civil liberty,” and “free nations” in regard to this kind of society. (See my *Sutyuuato “Genri” no Kokuseki ni tsuite* [*On Nationality in Steuart’s “Principles”*], Ôtsuka Hisao *Kyôjyu Kanreki Kinen Ronbunshû III “Shihonshugi no Shisôkôzô”* [*Collected Writings to Commemorate the 60th Year of Professor Hisao Ôtsuka III “The Structure of Capitalist Thought”*], 1968 《V》, p. 107). Emphases in the quote from Steuart have been added by the author.) Smith states that the biggest accomplishment of commerce and manufacturing has been leading society from a state of war and slavery toward one of order, liberty, and security, and while acknowledgment of this fact can only be found in Hume (David Hume, *Political Discourses*, 1752), putting aside whether this historical understanding was right or wrong, here the same understanding is being presented in the same era.

2 Citations refer to the volume and page in the Cannan edition of *Wealth of Nations*. [See Translators’ Explanatory Notes]

main of what Smith called “mercantilism” depending on the era and country in question is not clearly demonstrated in *Wealth of Nations*.

When *Wealth of Nations* was published, Great Britain was the only country that had experienced civil revolutions, and this fact gave Smith a direct experience and awareness of the superior degree of political liberty that existed in his country. Smith also did not fail to acknowledge the existence of a “general liberty of trade” (p. 610) in Great Britain following these revolutions. Moreover, when it came to Britain’s economic development and prosperity and its rapid progress in accumulation, Smith saw this in his nation’s increasing wealth and the “progressive state” in which its society had been placed, and was entirely positive in his portrayal of the fact that workers who would be faced with harsh conditions to come were now able to obtain relatively high wages. Nevertheless, without attempting to acknowledge the *three-way* correlation and *conjunction* of Britain’s political (civil) liberty, economic liberty, and prosperity, while on the one hand emphasizing that even after its civil revolutions Britain remained under the same “system” of economic interventions and monopolies as it had in the past, on the other hand Smith attempted to maintain a consistent stance by explaining that the nation’s prosperity was entirely based on its political liberty, and had been realized in spite of these interventions and monopolies, casting them aside. This indicates his understanding that the civil revolutions had not brought about a fundamental change in either economic thought or policy. In other words, he asserted that there was a great deal of consistency in the “systems” found in both absolutism and the early stages of modern civil governance.

That Smith’s perspective and assertions outlined above were difficult to accept, even if one emphasizes the aristocratic/oligarchic structure of the government and parliament formed by the civil revolutions, is a fact easily understood today if we assume that Britain’s civil revolutions—the “Puritan” and “Glorious” revolutions—were indeed civil revolutions against which opposing movements ultimately did not succeed, and that within any civil revolution there of course exist the subjects who carry it out. My referring to the economic policy system after the civil revolutions in particular as “proper mercantilism” to be distinguished from Smith’s “mercantilism” and attempting to understand it as a consistent ideal type³ is, of course, not purely my own original approach but rather

3 I originally referred to the policy system after the British civil revolutions as “mercantilism in a narrow sense” (*Furiidorihhi Risuto Kenkyū* [*Friedrich List Studies*], 1950, Essay IV, “*Furiidorihhi Risuto no Jyūshōshugi* [*Friedrich List’s Mercantilism*]” 《VI》), but later came to call this “proper mercantilism” (*Jyūshōshugi Kaitaiki no Kenkyū* [*Studies on the Period of the Dissolution of Mercantilism*], 1955, Essay I, “Adamu Sumisu to Jyūshōshugi [Adam Smith and Mercantilism]” 《II》). However, these two conceptions have the same meaning.

one based on the conscious and unconscious critiques⁴ of the concept of mercantilism in Smith that have been made by previous scholars.

But when the “interpretation⁵” of mercantilism, and the understanding of Smith’s concept of mercantilism, is fleshed out by focusing mainly on the debate over how to define the mercantile system (later referred to as “mercantilism”), it is easy for it to acquire certain limitations. This is the case because mercantilism is an assemblage of theories and a system of policies, not a fundamental process itself, and there is thus a chance that the discourse will become merely verbal arguments over the history of its theory/policy lacking any understanding of fundamental processes. Wary of this possibility, we are reminded of Smith’s own entreaty: “But we must in all cases attend to the nature of the thing, without paying any regard to the word.” (p. 524).⁶

The fundamental process that must be addressed in this case, it goes without saying, is the process of primitive accumulation (ursprüngliche Akkumulation) as the “prehistory of capital and modes of production corresponding to capital.” As the “historical process of separation of producers and means of production” (Marx) that occurs at the dawn of capitalism, it was entering its final stage only in Britain where it was unfolding before Smith’s eyes in its typical form (industrial revolution); in other European nations this development was only in its initial stages. How does *Wealth of Nations*, which constructs a general theory of capitalistic accumulation, understand this process of primitive accumulation? To what extent does it recognize the differences in the patterns and

4 The oldest of these is the criticism of Smith by Friedrich List. They also include the distinction between “royal mercantilism” and “parliamentary mercantilism” made by historian William Cunningham and Max Weber’s distinction between “städisch-monopolistischer Merkantilismus” and “nationaler Merkantilismus.” For examples in Japan, see the works of Hisao Ōtsuka and Chang Han-yu.

5 My first publication as a scholar of the history of economics was “Jyūshōshugi no Kaishaku ni tuite [On the Interpretation of Mercantilism]” (*Furiidorihhi Risuto Josetsu* [An Introduction to Friedrich List], 1942 《III》), but later I began to avoid using the word “interpretation” because I thought the expansion of perspective that can be obtained by pursuing the facts and theories themselves was more important. (See my reflections on this debut work in the Afterword to 《II》)

6 Taking a different stance from that of Smith, James Stuart writes as follows in the preface to his major work mentioned above.

“The imperfection also of language engages us frequently in disputes merely verbal; and instead of being on our guard against the many unavoidable ambiguities attending the most careful speech, we place a great part of our learning when at school, and of our wit when we appear on the stage of the world, in the prostitution of language. . . . In general, we familiarize ourselves so much to words, and think so little, when we speak and write, that the signs of our ideas take the place of the images which they were intended to represent” (James Stuart, op. cit., Vol. I, pp. xii–xiii).

stages of this process in various nations? How does it understand the relationship between this process and mercantilism? How is the significance of civil revolutions—having been carried out in Smith’s native Britain almost a century before the publication of *Wealth of Nations*, and at that point looming in France’s near future—identified and assessed? Examining these questions will presumably provide an important key to understanding Smith’s mercantilism and capturing the distinct character of the *Wealth of Nations*. This is the case because Smith’s conception of the “mercantile system” is a set of theories and policies developed on the basis of the fundamental process of primitive accumulation, existing in a close relationship with this process but at the same time interacting with it in various and in some cases *conflicting* ways.

II

Book III of *Wealth of Nations*, in which Smith develops his historical critique in advance of his critique of mercantilism, begins with the following passage.

“The great commerce of every civilised society is that carried on between the inhabitants of the town and those of the country. It consists in the exchange of rude for manufactured produce, either immediately, or by the intervention of money, or of some sort of paper which represents money. The country supplies the town with the means of subsistence and the materials of manufacture. The town repays this supply by sending back a part of the manufactured produce to the inhabitants of the country. The town, in which there neither is nor can be any reproduction of substances, may very properly be said to gain its whole wealth and subsistence from the country. We must not, however, upon this account, imagine that the gain of the town is the loss of the country. The gains of both are mutual and reciprocal, and the division of labour is in this, as in all other cases, advantageous to all the different persons employed in the various occupations into which it is subdivided. The inhabitants of the country purchase of the town a greater quantity of manufactured goods, with the produce of a much smaller quantity of their own labour, than they must have employed had they attempted to prepare them themselves. The town affords a market for the surplus produce of the country, or what is over and above the maintenance of the cultivators. . . . The greater the number and revenue of the inhabitants of the town, the more extensive is the market which it affords to those of the country; and the more extensive that market, it is always the more advantageous to a great number” (p. 376). This opening paragraph then concludes as follows. “Among all the absurd speculations that have been propagated concerning the balance of trade, it has never been pretended that either the country loses by its commerce with the town, or the town by that with the country which maintains it” (p.

377).

At the end of Book IV, in which Smith turns to the critique of economic systems, *Wealth of Nations* employs the observation about the fundamental importance of the division of labour between agriculture and manufacturing made above once more, applying it to the critique of agricultural systems.⁷ Here it is pointed out that suppressing the manufacturing industry and restricting foreign trade with the aim of respecting and protecting the agricultural industry ultimately leads to a rise in the price of manufactured goods and a relative decline in the price of agricultural goods, and thus that “whatever, besides, tends to diminish in any country the number of artificers and manufacturers, tends to diminish the home market, the most important of all markets for the rude produce of the land, and thereby still further to discourage agriculture” (p. 686). Following the passage from Book III cited above, it is then pointed out that the production of the means of subsistence in the country comes before industry in the town, with the increase of surplus produce in the former preceding the development of the latter, but this passage from Book IV views the development of manufacturing as a condition required for the development of agriculture. In this way, from the perspective of both the provision of goods and the creation of trade outlets,⁸ the social division of labour is understood as the foundation of the formation of markets and therefore of the internal development of the national economy.

I present this argument made by *Wealth of Nations* as the first key to the topic I am addressing, and from here will follow Smith in his historical analysis, but there are two or three points I need to make before moving on.

Firstly, as is widely known, *Wealth of Nations* begins its narrative with the division of labour, and in its first three chapters develops a rich theory of the division of labour within workplaces and within society as a whole, but here the social division of labour is defined only abstractly as “[an individual exchanging] all that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men’s labour as he may have occasion for” (p. 28. cf. pp. 31–32), and the fundamental significance of the division of labour between agriculture and manufacturing is not identified. Book I attempts to move from the analysis of exchange value into

7 Here Smith’s critique is not a critique of physiocracy, but rather a critique that addresses the policies of ancient states such as Egypt, particularly the policies of the republics of ancient Greece and Rome.

8 In the broad world of *Wealth of Nations*, even the problem of markets, which has been rejected on principle, receives attention in a few passages such as this. It can be read as a supplement to the main thrust of my *Adamu Sumisu ni okeru Chingin* [*Wages in Adam Smith*] 《II》. Other relevant passages will be discussed later.

genuine theoretical development, but even the opening paragraph of Chapter 4, positioned as an intermediary link connecting the chapters addressing the former to those taking up the latter, the division of labour between agriculture and manufacturing, which ought to be the central pillar of the social division of labour, is quite carefully hidden in the shadow of an abstract image of society. Smith writes, “When the division of labour has been once thoroughly established, it is but a very small part of a man’s wants which the produce of his own labour can supply. He supplies the far greater part of them by exchanging that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men’s labour as he has occasion for. Every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society” (p. 37).—This approach taken by Smith in grasping the social division of labour is as follows: the development of the division of labour between agriculture and manufacturing goes hand in hand with the development of the division of labour within each of these sectors (internal circulation), and the extreme state of this movement is the target of *theoretical analysis*; here the particular social-historical fundamental process of the separation of manufacturing from agriculture is seen as having already been completed. It is precisely for this reason that this process is treated as an object of *historical analysis*, and its significance is first (once again) emphasized at the start of Book III. It is here that the difference in the stage of theoretical development in the history of economic thought between *Wealth of Nations* and the attempts of Smith’s contemporary predecessors David Hume and James Steuart—particularly Steuart—to construct an analysis of this process as their own theoretical system is to be found. If this separation of manufacturing from agriculture, namely, the process of separating an industrial population from agriculture, is understood historically as a process of separating producers from the means of production/process of the formation of capital, while Hume and Steuart attempted to construct a theory of primitive accumulation, by establishing the concept of a “commercial society” cited above Smith can presumably be said to have consciously laid the groundwork for a theory of capitalist accumulation that would surpass their efforts.⁹

Secondly, in establishing the theory of capitalistic accumulation as a gen-

9 Regarding the particular qualities and significance of the concept of “commercial society” in *Wealth of Nations* and the difference between the theoretical stage of this work, which takes the proposition of a “commercial society” as its starting point, and that of Steuart’s *Principles*, see my *Kokufuron Taikei no Seiritsu: Adamu Sumisu to Jeimuzu Sutyuaato* [*Formation of the Wealth of Nations System: Adam Smith and James Steuart*] (1973) 《I》. This essay is premised on this earlier work and is also intended to supplement its seventh and eighth chapters.

eral theory for the first time, Smith began by separating the category of profit from that of wages, positioning capital and wage labour, that is, capitalists and the proletariat, as being in conflict with each other, and explicating the roots of the class structure in capitalist society (*Wealth of Nations*, Book I, from Chapter 6 onward). He then took capital as the object of his analysis and developed his arguments concerning the structure of accumulation (Book II), and eventually conducted a critical analysis of history based on investment efficiency theory, a theory of the natural order of capital investment that will be discussed later and forms a part of the accumulation theory mentioned above (Book III), beginning this analysis with the phrase “the great commerce of every civilised society is that carried on between the inhabitants of the town and those of the country” quoted above. Therefore, while the division of labour between agriculture and manufacturing is the target of historical analysis, the process of separating manufacturing from agriculture that developed this division, unlike in the cases of Hume and Steuart, is being viewed by an individual who has already undertaken an analysis and attained an understanding of capital, and this leads to the process of separating manufacturing from agriculture described above, that is, the process of separating producers from the means of production, being depicted *exclusively* as the history of capital investment—in concrete terms, the step-by-step history of the development of individual areas of investment. On the flip side of this, the history of the formation of the proletariat, the history of the proletarianization of independent producers, is not consciously described in *Wealth of Nations*. So when it comes to understanding primitive accumulation in *Wealth of Nations*, we cannot go beyond the scope of examining the question of how primitive accumulation is to be understood *in terms of the facts* in this classic work.

Thirdly, this limitation in Smith’s understanding of primitive accumulation created a gap in his awareness when it came to the interaction between mercantilism and primitive accumulation. Moreover, according to Smith’s understanding, in a “commercial society” in which each person is a producer and at the same time a merchant, in other words, in a society of commodity production comprised entirely by independent producers, when independent producers of commodities build up small amounts of capital through labour and parsimony¹⁰ this capital will naturally be supplied the wage labourers it demands—albeit with the proximal source of supply likely being the so-called unproductive class

10 This is the so-called “previous . . . accumulation” (p. 277) described in *Wealth of Nations* and is not yet accompanied by the emergence of the proletariat. The words “previous” and “accumulation” are not directly combined in Smith’s original phrasing; the phrase “previous accumulation” was coined by Marx to describe primitive accumulation.

of domestic servants (menial labourers)—and to this extent the “Old Testament” era of the history of capitalism does not require a “Genesis” at its start. As a result, *Wealth of Nations* is suffused by the understanding that the initial accumulation of capital managed to realize itself in spite of all of the interventions of political power in economies, and therefore also *in spite* of *all* of the controls imposed by mercantilism.¹¹ Owing to its one-sided nature, however, this understanding cannot avoid bringing with it a certain sort of misapprehension regarding historical facts. As we have just seen, Smith states that *even in* mercantilism, or what he refers to as “all the absurd speculations that have been propagated concerning the balance of trade,” the significance of the division of labour between agriculture and manufacturing has never been denied, and indeed far from denying this significance the mercantilists in fact emphasized it. In particular, James Steuart, as the last mercantilist and “the first Briton [Scottish] to expound a general system of bourgeois economy” (Marx), took the process of development of the division of labour between agriculture and manufacturing to be the process of the economic development of modern society, and attempted to achieve a theorization of this process through the construction of his own system.¹² The stance of rejecting the division of labour between agriculture and manufacturing, in contrast, was in fact already being taken before Steuart by a group of agrarian fundamentalists who were against the policies of protecting and fostering the growth of industry advocated by mercantilism—in other words, the camp that sought to prevent the destruction of an agrarian society and impede the attainment of primitive accumulation.¹³

As the above is a preliminary discussion, a certain degree of abstractness in the argumentation remains unavoidable. Next, I would like to examine Smith’s historical understanding of primitive accumulation based on what is said in *Wealth of Nations*.

11 Smith holds the basic idea that a strong body can grow even if to some extent care for its health is neglected (cf. p. 466, p. 674), which is combined with assertions such as that even the worst governance cannot stop progress brought about by the abundance of good land (cf. p. 570), and that Britain’s colonial trade developed in spite of monopolies (cf. p. 610).

12 See Chapter 3 of my *Keizaigaku no Keisei Jidai* [*The Formational Period of Economics*] (1961), Chapter 3, Section 4 of my *Genshichikusekiki no Keizaishoriron* [*Economic theories of the Period of Primitive Accumulation*] (1965), and Chapter 2 of my *Kokufuron Taikei no Seiritsu* [*Formation of the Wealth of Nations System*]. All of the above are included in *Ⅰ*.

13 Robert Wallace, *A Dissertation on the Numbers of Mankind in Ancient and Modern Times*, 1753; William Bell, *Dissertation on the Causes which Principally Contributed to Render Nations Populous, and on the Effects of their Populousness on their Trade*, 1776, etc.

III

Book III of *Wealth of Nations*, as is evident from the passage quoted at the beginning of the previous section, asserts that the division of labour between agriculture and manufacturing is the fundamental economic factor in civilized societies and attempts to critically describe the history of the development of this division of labour in Europe; to Smith history remains an object of critique as long as the “system of natural liberty” described above has not yet been sufficiently realized. It is entitled “Of the Different Progress of Opulence in Different Nations,¹⁴” but it does not describe the economic history of each nation separately; the history of the individual nations of Europe, including Britain, is taken as a whole, their various internal deviations presented like different colour values in a single *tableau*, so to speak, and pointed out here and there as the author sees fit. This is what makes it difficult to understand the position Book III occupies. Further difficulties are introduced by the large gap between the accepted wisdom of today’s economic history, and the concepts and terms that undergird it, and that possessed by Smith. I would like to bring an outline of Smith’s understanding of the process of primitive accumulation out of the darkness of this murkier world.¹⁵

It is well known that the critical discussion in Book III takes as its premise and basis the theory of the natural order of capital investment presented at the end of Book II (Chapter 5). Chapter 1 of Book III summarizes the conclusions of this theory once more. “According to the natural course of things, therefore, the greater part of the capital of every growing society is, first, directed to agriculture, afterwards to manufactures, and last of all to foreign commerce. This order of things is so very natural that in every society that had any territory it has always, I believe, been in some degree observed. Some of their lands must have been cultivated before any considerable towns could be established, and some sort of coarse industry of the manufacturing kind must have been carried on in those towns, before they could well think of employing themselves in foreign commerce” (p. 380). This summary then continues in the following paragraph, and brings Chapter 1 to a close. “But though this natural order of things must have taken place in some degree in every such society, it has, in all the modern states of Europe, been, in many respects, entirely inverted. The foreign commerce of some of their cities has introduced all their finer manufactures, or

14 Book III, Of the Different Progress of Opulence in Different Nations.

15 Even today, the explication of Book III of *Wealth of Nations* in Zenya Takashima’s *Genten Sumisu “Kokufuron” Kōgi* [*Lecture on the Original Text of Smith’s “Wealth of Nations”*] (1st ed., 1953) remains a useful guide to this world.

such as were fit for distant sale; and manufactures and foreign commerce together have given birth to the principal improvements of agriculture. The manners and customs which the nature of their original government introduced, *and which remained after that government was greatly altered*, necessarily forced them into this unnatural and retrograde order” (ibid., emphasis added by the author).

Here there is presumably no need to explain in detail the fact that the theory of the natural order of capital investment in *Wealth of Nations* itself is hardly tenable. Smith states that this order is an order determined by criteria such as the degree of safety of the invested capital, the number of productive labourers each unit of capital puts to work, the number of times each unit of capital is turned over, *and so on*, but putting aside for the time being—but just for time being—the criterion of safety, it is difficult to recognize the other criteria in the real world. In particular, the weakness of Smith’s theory becomes apparent when we observe that from his mistaken perspective in which the criterion of the amount of capital turnover ultimately converges with the criterion of the number of labourers put to work by each unit of capital, he asserts as part of his theory that there is a natural order of capital investment in which home trade comes before direct foreign trade which in turn comes before carrying trade. Comparing the turnover of capital invested in agriculture to that invested in home trade will presumably never give rise to the claim that the former puts more productive labourers to work than the latter. We must therefore conclude that this theory of Smith’s is not, as a theory, successful. As is shown in the passage quoted above, however, Smith believed that “this order of things is so very natural that in every society that had any territory it has always . . . been in some degree observed,” concluded that this “natural course of things” had been reversed in a history shaped by political power, and set out to demonstrate the laws of this natural order that had been occluded by history in order to elucidate it. He then goes on to describe in detail this history he has adjudged to be retrograde.

This history that is retrograde in relation to the natural order is, in Book III, seen as an almost comprehensive history of “all the modern states of Europe” (above cited) “after the fall of the Roman Empire” (a phrase used in the titles of Chapters 2 and 3). It is therefore a process that includes the entire period of feudal systems, the period of absolute monarchies in which these systems were greatly “reformed,” and 18th century Britain—Smith’s present day—in which the “modern system” of mercantilism was seen as having realized, even after the civil revolutions, economic control policies that overemphasized foreign trade. Within this overall process, two epochs (the formation of absolute monarchies and the civil revolutions) that divide the three stages described above are then

understood by Smith as follows.

To begin with, the introduction of commerce and manufacturing in Europe brought with it “order and good government, and with them, the liberty and security of individuals, among the inhabitants of the country, who had before lived almost in a continual state of war with their neighbours and of servile dependency upon their superiors” (p. 412). These were the greatest fruits of commerce and manufacturing. In the concrete process of this transformation, as commerce and manufacturing gradually drew feudal great proprietors (manor lords) into the commodity economy, causing them to give up directly supporting numerous retainers and dependents and turning their income toward the purchase of commodities, tenancies were targeted for restructuring, greatly reduced, and replaced with long-term tenancy contracts that aimed to secure and increase rent, with the remaining tenant farmers becoming independent. In this way, great proprietors’ direct control over various dependents, and the prevalence of endless warfare between feudal lords, weakened authority of the nation’s king, and “violence, rapine, and disorder” (p. 418) in the countryside it caused, gradually came to an end, the hierarchy with the nation’s king at its summit, which in the midst of this process had only been recognized formally through the introduction of feudal law, was reorganized to exclude interveners, and here “regular government” (p. 421) was established. This was “a revolution¹⁶ of the greatest importance to the public happiness” (p. 422) that was realized both by the vanity-driven desire for consumption of the great proprietors and the efforts of merchants and artificers to satisfy it for their own benefit, without either possessing any foresight, and this process itself was of a “silent and insensible” (p. 418) nature. Through this kind of revolution of fundamental processes, absolute monarchies came into being as modern nations.¹⁷ In his depiction of this “revolution,” however, Smith does not provide an account of the historical fact of peasant revolts, the driving force that led from the transformation of fundamental processes to political revolutions, nor does he give any indication of its significance.

There are two noteworthy points regarding Smith’s understanding of the formation of absolute monarchies described above. First, as we have just seen,

16 The term “a revolution” appears in the passage quoted above, and later in the same paragraph Smith uses the even stronger expression “great revolution” (p. 422).

17 Smith’s contemporary James Steuart, too, in a passage quoted above (Note 1, Section 1), states that political liberty—“under most forms of government”—arose in the nations of Europe after the so-called commercial revolution, and in the following paragraph describes this phenomenon as “the revolution in the political state . . . of Europe” (cf. J. Steuart, *op. cit.*, Vol. I, p. 14). We should be cognizant of the historical conception of this issue in Smith’s era.

when Smith proposes *the vanity of great proprietors* and the self interest of merchants and artificers—the latter dryly expressed as the “pedlar principle of turning a penny whenever a penny was to be got” (p. 422)—as driving forces behind historical “revolutions,” he is indicating that a kind of “invisible hand”—although he does not use this phrase—is at work there. And where this “invisible hand” is at work, the “folly” of the great proprietors becomes significant in its consequences. If this is the case, then within the progress of history, even when the “natural course of things” is not directly realized, another profound law, which might be described as the “cunning of reason (List der Vernunft),” is still functioning. In other words, Smith is pointing out that a function working towards the realization of natural liberty is hidden within the retrograde “foreign trade → manufacturing → agriculture” order of capital investment itself, and we must be aware of this complex, dual-layered construction possessed by his deistic world. Smith’s recognition of the economic significance of vanity and self-interest also demonstrates a tenuous link to Mandeville when it comes to their theories of the history of economics, a link that can be seen in the second point presented below.

Second, we should also note that the discussion of the process that reduces great proprietors’ direct control of other people cited above includes a description of the relationship between consumption and employment, something of an exception within the system of *Wealth of Nations*, a text that is essentially lacking monetary analysis. “In a country where there is no foreign commerce, nor any of the finer manufactures, a man of ten thousand a year cannot well employ his revenue in any other way than in maintaining, perhaps, a thousand families, who are all of them necessarily at his command. In the present state of Europe, a man of ten thousand a year can spend his whole revenue, and he generally does so, without directly maintaining twenty people, or being able to command more than ten footmen not worth the commanding. Indirectly, perhaps, he maintains as great or even a greater number of people than he could have done by the ancient method of expense. For though the quantity of precious productions for which he exchanges his whole revenue be very small, the number of workmen employed in collecting and preparing it must necessarily have been very great. Its great price generally arises from the wages of their labour, and the profits of all their immediate employers. By paying that price he indirectly pays all those wages and profits and thus indirectly contributes to the maintenance of all the workmen and their employers¹⁸” (pp. 419–20). In this case, however, even if the total number of these maintained employees and the total number of their employers is the same or greater than the total number of servants in the past, producers are no longer reliant on payment from a single customer and are therefore able to preserve personal independence.

In any case, the elimination of direct control over human beings, the liberation of serfs, the substantial independence of farmers, and the general expansion of the class of producers all arise after retrograde historical development. Smith views this period as being simultaneously the period of the formation of “regular government” and the period of the establishment of absolute monarchies. This is first demonstrated by the formation of the Tudor dynasty in Britain in the second half of the 15th century, during which time, premised on the de facto elimination of serfdom and widespread emergence of independent farmers, undertakings such as the disbanding of groups of feudal retainers, dissolution of monasteries, and enclosure of pastureland were carried out, developments that were connected to the emergence of rural manufacturing and capitalist tenants in the following century. The period during which the Tudor dynasty was formed also saw the discovery of the New World and shipping routes to East India. Regarding the colonial trade that thereby arose, *Wealth of Nations* comes to the conclusion that while this trade had harmful effects because of its monopolies, these detrimental effects were more than offset by the benefits of the trade itself (cf. pp. 607–09).

Next, the second epoch to arise following the formation of absolute monarchies within the history of Europe “after the fall of the Roman Empire” and before Smith’s present day—albeit one only seen in Britain at the time *Wealth of Nations* was published—was that of the civil revolutions (the Puritan Revolution and the Glorious Revolution), with the Glorious Revolution in particular serving as a starting point that spurred the development of proper mercantilist policies. It is difficult to find, however, any active attempt to evaluate the historical significance of the British civil revolutions in *Wealth of Nations*. This is because Smith did not think of them as great “revolutions” like the formation of absolute monarchy. British empiricism prior to Smith had attempted to gradually cover over these revolutions (particularly the Puritan Revolution) as scars of the past. *Wealth of Nations* only mentions these revolutions once, and then only to point out, in the course of examining the security of standing armies, the historical fact that Cromwell’s standing army evicted the long parliament (p. 706).

18 See Note 8. See also the discussion of *Wealth of Nations* (pp. 180–81) in Part II of Tadatashi Uchida’s “Sumisu Taikei no Shinkōsatsu [A New Consideration of Smith’s System]” (Gaku-shuin University Economics Association *Keizaironshū* 8–2). This is an extension of the conception Macfie identified as a “consumption based economic theory” in Smith’s *The Theory of Moral Sentiments* (cf. A. L. Macfie, *The Individual in Society; Papers on Adam Smith*, 1967, p. 124). This conception or theory is not consistent with Smith’s productive and unproductive labour theory (see my “Adamu Sumisu ni okeru Chingin [Wages in Adam Smith]” 《II》 Chapter 3), but Smith’s most vivid presentation of this conception in his discussion of history, as in the passage I quote here, compels our attention for its elucidation of the significance of luxury consumption in the process of primitive accumulation.

While Smith only mentions the Glorious Revolution once, he sees it as having perfected a British legal system that aimed to establish civil liberty.—“That security which the laws in Great Britain give to every man that he shall enjoy the fruits of his own labour is alone sufficient to make any country flourish, notwithstanding these and twenty other absurd regulations of commerce; and this security was perfected by the revolution much about the same time that the bounty was established” (p. 540). The term “bounty” here refers to “the 1st of William and Mary, the act which established the [corn] bounty” (p. 537), so it follows that the term “revolution” refers to the Glorious Revolution as a political revolution. At the same time, however, we must also note that in this passage the policy system of proper mercantilism, which was put into place by the Glorious Revolution, carries, in the rhetoric of *Wealth of Nations*, a negative connotation.

IV

According to *Wealth of Nations*, the cultivation of land in Europe “after the fall of the Roman Empire” was first conducted by slaves (→ villains), then by metayers who, being provided all of the means of production by great proprietors = manor lords, halved the harvests with these proprietors, and then eventually by “farmers properly so called” who cultivated with their own means of production (produced with their own stock) and paid a fixed rent to their manor lord. When it comes to these stages seen in the relations of production in agriculture, while the pace of their development differed from country to country, the stage of farmers properly so called, as we have just seen, had already been widely ushered in by the introduction of foreign trade and sophisticated manufacturing. The lease of these farmers, however, “was long extremely precarious, and remains so in many parts of Europe” (p. 392). Great proprietors could easily and unilaterally revoke tenant rights when it suited them.¹⁹ Even in France, the extension of the terms of leases from nine to twenty seven years was the result of the assertions of the physiocrats—in spite of the discussion at the beginning of Book IV, Chapter 9, *Wealth of Nations* did indeed acknowledge to a certain extent the political influence of physiocracy (see Part V below)—and was therefore to Smith a “recent” occurrence (cf. p. 393, p. 678). Moreover, farmers were burdened with private and public labour and taxes. These circumstances were a longstanding impediment to farmers investing their own capital in the land they occupied and improving it, or, in other words, to the realization of the natural order of capital investment in its initial stage.

19 Smith also uses the term “tenant at will” regarding villains under the old feudal system who could be bought and sold along with the land they worked (cf. p. 386).

In Britain (England), however, the situation was different. In this country, which was an advanced nation in terms of its civil institutions, metayers had already long been abolished (p. 389), and the class of farmers properly so called who stood at the next stage of development, that is, the yeomanry, had, during the reign of Henry VII, that is, during more or less the period of the establishment of absolute monarchy, already come to possess, through the acceptance of the “action of ejectment,” leases that afforded them almost the same security as landowners, and had even, on this basis, obtained the right to select members of parliament.²⁰ If political order, that is, peace and individual liberty and security, depends, as is asserted above, on the extinction of direct rule by manor lords and the independence of farmers, then “those laws and customs so favourable to the yeomanry have perhaps contributed more to the present grandeur of England than all their boasted regulations of commerce [mercantilism] taken together” (p. 392). Scotland, too, while it allowed steel-bow tenants, the equivalent of metayers, to remain locally, had already imported laws ensuring long-term leases from England as early the middle of the fifteenth century, and the circumstances of the yeomanry were later markedly improved following the abolition of all forced service in the Act of 20 George II. Here the pre-history of primitive accumulation presumably drew to a close, and the development of primitive accumulation itself began. Smith’s depiction of the circumstances of the emergence of the class of independent producers (mainly independent farmers), in which this bi-polar separation fostered the growth of capital and capitalistic relations, was fundamentally accurate. Here we must note that there is no direct connection between this emergence of the class of independent farmers and the situation Smith himself describes in which “manufactures and foreign commerce [involving goods fit for distant sale] together have given birth to the principal improvements of agriculture” (above cited), that is, the result of *investment from the town to the country*. Even in Britain, this outcome on the contrary preceded the formation of the class of independent farmers.

To Smith, however, the yeomanry and the laws and customs of Britain that had given rise to it were *in themselves* contributing to “the present grandeur of England;²¹” the laws and customs of England had not established a perfected

20 “In England, besides a lease for life of forty shillings a year value is a freehold, and entitles the lessee to vote for a Member of Parliament; and as a great part of the yeomanry have freeholds of this kind, the whole order becomes respectable to their landlords on account of the political consideration which this gives them” (p. 392) and “Great Britain is, I believe, the only monarchy in Europe where the oppression of purveyance has been entirely abolished. It still subsists in France and Germany” (p. 394).

21 We should note that independent, self-employed farmers were still quite common in the era of *Wealth of Nations*.

“commercial society,” that is, capitalism, in this country by eventually aiding in the bi-polar separation of the yeomanry. In Smith’s judgement, among feudal large-scale landowners (“great proprietors”), independent farmers (“small proprietors”), and modern operators of large-scale farms (“rich and great farmers”)—the last of which were most numerous in England, although also considered of great importance in Holland and the Republic of Berne in Switzerland—independent farmers possessed the greatest productive power, and modern “rich and great farmers” were ranked behind them as improvers (cf. p. 386, p. 395). Regarding manufacturing, Smith maintained that “nothing can be more absurd, however, than to imagine that men in general should work less when they work for themselves, than when they work for other people. A poor independent workman will generally be more industrious than even a journeyman who works by the piece” (p. 101), and from this perspective argues for the “benefit of the workman” (p. 644) in the following terms: “It is the industry which is carried on for the benefit of the rich and the powerful that is principally encouraged by our mercantile system. That which is carried on for the benefit of the poor and the indigent is too often either neglected or oppressed” (ibid.) In this way Smith’s perspective of the “great body of the people” (p. 523) emerges.²² When it comes to the manufacturing sector, however, it is obvious that the productive power of independent workers cannot reach that realized by manufacturers and the division of labour within factories, or, in other words, the productive power organized and created by “the owner of the stock which employs a great number of labourers” (p. 104) or the “undertaker of some great manufactory” (p. 287). But Smith points out that in the agricultural sector the development of the division of labour and improvement of machinery cannot easily be carried out (cf. p. 676). This is why his policy assertions emphasize *the prevention of the bi-polar separation of the yeomanry*. As Book III of *Wealth of Nations* comes to a close, he writes as follows. “The law of England, however, favours agriculture not only indirectly by the protection of commerce, but by several direct encouragements. Except in times of scarcity, the exportation of corn is not only free, but encouraged by a bounty. In times of moderate plenty, the importation of foreign corn is loaded with duties that amount to a prohibition.

22 Smith articulates this most explicitly in the following well-known passage. “Servants, labourers, and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe, and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed, and lodged” (p. 96).

The importation of live cattle, except from Ireland, is prohibited at all times, and it is but of late that it was permitted from thence. *Those who cultivate the land*, therefore, have a monopoly against their countrymen for the two greatest and most important articles of land produce, bread and butcher's meat. These encouragements, though at bottom . . . altogether illusory, sufficiently demonstrate at least *the good intention of the legislature to favour agriculture*. But what is of much more importance than all of them, the yeomanry of England are rendered as secure, as independent, and as respectable as law can make them. No country, therefore, . . . can give more encouragement to agriculture than England" (pp. 424–25, emphasis added by the author). But as England's agriculture was nevertheless still underdeveloped, with a lot of land remaining uncultivated, "What would it have been *had the law given no direct encouragement to agriculture* besides what arises indirectly from the progress of commerce, and had left the yeomanry in the same condition as in most other countries of Europe?"²³ (ibid.)—In other words, what is required here is *the protection of the yeomanry*, and the policy of the protection and encouragement of agriculture, which forms one of the pillars of proper mercantilism, is misunderstood as *an extension of this in its intention*. In this case, unlike other elements of the mercantilist policy system, policies for the protection of agriculture, while ineffective, were seen as the manifestation of good intentions on the part of Parliament.

When Smith speaks of Britain's "boasted liberty of the subject" (p. 660), and describes the "general liberty of trade" which includes "the unbounded liberty of transporting them from any one part of our own country to any other without being obliged to give any account to any public office, without being liable to question or examination of any kind" (p. 610), what is being praised is the bourgeois liberty realized in Great Britain, but it was precisely for this reason that the yeomanry, insofar as it provided the starting point of its development, was thought of as the best embodiment of this liberty. But if Smith recog-

23 I include the following passage for the reader's reference. "Through the greater part of Europe the yeomanry are regarded as an inferior rank of people, even to the better sort of tradesmen and mechanics, and in all parts of Europe to the great merchants and master manufacturers. It can seldom happen, therefore, that a man of any considerable stock should quit the superior in order to place himself in an inferior station. Even in the present state of Europe, therefore, little stock is likely to go from any other profession to the improvement of land in the way of farming. More does perhaps in Great Britain than in any other country, though even there the great stocks which are, in some places, employed in farming have generally been acquired by farming [itself], the trade, perhaps, in which of all others stock is commonly acquired most slowly" (p. 395).—But as this passage makes evident, Smith, having himself stated that the investment of capital in the feudal era was in retrograde order, does not demonstrate any faith in the realization of the final stage (investment in agriculture) of foreign trade → manufacturing → agriculture.

nized the independence and liberty of the yeomanry as the underlying source of the grandeur of Britain during his era, and at the same time as the peak of this country's prosperity that arrived after—although not as a result of—the institution of bounties and national debt (p. 540), then how is the process that must presumably exist between these two historical facts, namely, the process by which the emancipation of feudal farmers and investment of capital in agriculture eventually brought about the development of manufacturing and foreign trade, to be explained on the basis of his theory of capital investment? As one might expect, in this case, history is demonstrating the realization of the *natural* order of capital investment in Britain.

V

As I have already pointed out, according to *Wealth of Nations*, while European history has caused the natural order of capital investment to be reversed, this natural order itself has nevertheless in fact been realized, albeit as an undercurrent that has not made itself readily apparent. In other words, in “every society that had any territory . . . some of their lands must have been cultivated before any considerable towns could be established, and some sort of coarse industry of the manufacturing kind must have been carried on in those towns, before they could well think of employing themselves in foreign commerce” (see Part 3). With its market in the local countryside, this “coarse industry” must presumably have played a role in the division of labour between agriculture and manufacturing before finer manufacture was introduced in large towns as a result of foreign trade and began to produce for “distant sale.” In *Wealth of Nations*, however, this historical fact is pointed out not in Europe “after the fall of the Roman Empire” as a whole, but specifically in England after the emergence of the yeomanry, that is, during the period in which the retrograde order of capital investment was ending and the “great revolutions” that gave rise to modern society were beginning to create a new history.

“A taste for the finer and more improved manufactures was in this manner introduced by foreign commerce into countries where no such works were carried on. But when this taste became so general as to occasion a considerable demand, the merchants, in order to save the expense of carriage, naturally endeavoured to establish some manufactures of the same kind in their own country. Hence the origin of the first manufactures for distant sale that seem to have been established in the western provinces of Europe after the fall of the Roman empire. . . . Those manufactures which are fit for distant sale seem to have been introduced into different countries in two different ways. Sometimes they have been introduced, in the manner above mentioned, by the violent operation, if

one may say so, of the stocks of particular merchants and undertakers, who established them in imitation of some foreign manufactures of the same kind. Such manufactures, therefore, are the offspring of foreign commerce, and such seem to have been the ancient manufactures of silks, velvets, and brocades, which flourished in Lucca during the thirteenth century. . . . Such, too, seem to have been the manufactures of fine cloths that anciently flourished in Flanders, and which were introduced into England in the beginning of the reign of Elizabeth; and such are the present silk manufactures of Lyons and Spitalfields. . . . At other times, manufactures for distant sale grow up naturally, and as it were of their own accord, by the gradual refinement of those household and coarser manufactures which must at all times be carried on even in the poorest and rudest countries. Such manufactures are generally employed upon the materials which the country produces, and they seem frequently to have been first refined and improved in such inland countries as were, not indeed at a very great, but at a considerable distance from the sea coast, and sometimes even from all water carriage. An inland country, naturally fertile and easily cultivated, produces a great surplus of provisions beyond what is necessary for maintaining the cultivators, and on account of the expense of land carriage, and inconveniency of river navigation, it may frequently be difficult to send this surplus abroad. . . . Abundance, therefore, . . . encourages a great number of workmen to settle in the neighbourhood. . . . [In this way the division of labour between agriculture and manufacturing is carried out, and overall productive power improves;] manufacturers first supply the neighbourhood, and afterwards, as their work improves and refines, more distant markets. For though neither the rude produce nor even the coarse manufacture could, without the greatest difficulty, support the expense of a considerable land carriage, the refined and improved manufacture easily may. . . . In this manner have grown up naturally, and as it were of their own accord, the manufactures of Leeds, Halifax, Sheffield, Birmingham, and Wolverhampton. Such manufactures are the offspring of agriculture. In the modern history of Europe, their extension and improvement have generally been posterior to those which were the offspring of foreign commerce. England was noted for the manufacture of fine cloths made of Spanish wool more than a century before any of those which now flourish in the places above mentioned were fit for foreign sale. The extension and improvement of these last could not take place but in consequence of the extension and improvement of agriculture, the last and greatest effect of foreign commerce, and of the manufactures immediately introduced by it" (pp. 407–10).

In the passage quoted above, *none* of the cities presented by Smith as sites of manufacturing that is the offspring of agriculture, Leeds and Halifax as centres of the Yorkshire woollen textiles industry, and Sheffield, also in Yorkshire,

and Birmingham and Wolverhampton in the Black Country region of central England as centres of metalworking industries (including iron making), had traditions as large cities in the medieval era; on the contrary, they had instead distinguished themselves as typical modern industrial cities over a period spanning the era of proper mercantilism and the industrial revolution.²⁴ In this passage the investment of capital during the period from the emergence of the yeomanry to the industrial revolution is thus portrayed as a process that, supported by civil liberty, realized the natural order of agriculture → manufacturing → (commerce) → foreign trade; this account understands the process of the bi-polar separation of independent producers and emergence of modern capitalism as the process of the development of rural industries, and from this perspective also addresses the history of primitive accumulation.

With its theory of the natural order of capital investment, the critique of history in *Wealth of Nations*, was, as we have seen, comprised of two stages: a first stage spanning from “after the Roman Empire” to the formation of absolute monarchies, that is, the part of Smith’s critique that criticized this era in which investment of capital was conducted in retrograde order, and a second stage extending from after the formation of absolute monarchies to the start of the industrial revolution, that is, the part of his critique in which Smith identified the period during which the natural order of capital investment was realized in *Britain*. These two stages are then intertwined and developed to form the complex content of Book III of *Wealth of Nations*. In Book IV, however, this two-stage structure is then subsumed within an even larger conceptual schema, particularly with the addition of Smith’s critique of mercantilism. According to Smith, mercantilism, too, through its body of protectionist policies that included the old colonial system, hindered the natural order of the investment of capital, and thus also hindered the full development of manufacturing as an offspring of agriculture.

In Chapter 2 of Book IV of *Wealth of Nations*, “Of Restraints upon the Importation from Foreign Countries of such Goods as can be produced at Home,” or, in other words, in the chapter in which he criticizes protectionist systems,

24 Here I would like to note the presence of Josiah Tucker, a contemporary of Smith’s, as a direct advocate for the interests of industrial capital in the “Black Country” region of the Midlands, which included Birmingham and Wolverhampton, the fact that Tucker engaged in an ongoing debate with Smith’s friend Hume, and that Smith’s library included a comparatively rich collection of Tucker’s works. See the second paper, “Jyūshōshugi no Kaitaiki” [The Dissolution of Mercantilism] 《IV》, in my *Jyūshōshugi Kaitaiki no Kenkyū* [Studies on the Period of the Dissolution of Mercantilism] (op. cit.) and Part 4 of “HIROSHI MIZUTA; Adam Smith’s Library” IX》 in my *Keizaigakushi Hyōron* [Reviews of Works Concerning] the Study of the History of Economics].

Smith begins by defining protectionist systems as “monopolies” concerning the domestic market,²⁵ and then asserts that while the scale of industry in a particular society is inevitably determined by the amount of capital present in the society in question, the greatest effect (efficiency) from the same amount of capital is demonstrated through deference to the free determination of individuals who are most knowledgeable about the usage of their own capital. In this case, “Upon equal or nearly equal profits, every wholesale merchant naturally prefers the home-trade to the foreign trade of consumption, and the foreign trade of consumption to the carrying trade. . . . Home is in this manner the centre, if I may say so, round which the capitals of the inhabitants of every country are continually circulating, and towards which they are always tending. . . . But a capital employed in the home trade, it has already been shown, necessarily puts into motion a greater quantity of domestic industry, and gives revenue and employment to a greater number of the inhabitants of the country, than an equal capital employed in the foreign trade of consumption: and one employed in the foreign trade of consumption has the same advantage over an equal capital employed in the carrying trade. Upon equal, or only nearly equal profits, therefore, every individual naturally inclines to employ his capital in the manner in which it is likely to afford the greatest support to domestic industry, and to give revenue and employment to the greatest number of people of his own country” (pp. 454–55). The capital invested in domestic industry, *to begin with*, is thus necessarily used in such a way that “its produce may be of the greatest possible value” (p. 455).—In this way, capital, in the absence of protectionism = “monopolies,” is invested in the manner that is most secure and most advantageous (ef-

25 Smith refers to guild-type monopolies, monopolies of old-type commercial capital (such as the East India Company), the old colonial system, and protection of the domestic market collectively as “monopolies,” but the first two are fundamentally different from the second two, particularly the protection of the domestic market. The protection of the domestic market through mercantilism was the protection of the *free* domestic market and industrial capital *of the nation in question*. Friedrich List’s critique of Smith zeroes in on this point: “Hence the friends and advocates of freedom feel themselves especially bound to defend freedom in all its forms. And thus the term ‘free trade’ has become popular without drawing the necessary distinction between *freedom of internal trade within the State and freedom of trade between separate nations*, notwithstanding that these two in their nature and operation are as distinct as the heaven is from the earth. For while restrictions on the internal trade of a state are compatible in only very few cases with the liberty of individual citizens, in the case of international trade the highest degree of individual liberty may consist with a high degree of protective policy. Indeed, it is even possible that the greatest freedom of international trade may result in national servitude . . .” (Friedrich List, *Keizaigaku no Kokuminteki Taikei* [*The National System of Political Economy*] translated by Noboru Kobayashi (trans. Sampson S. Lloyd, London: Longmans, Green and Co., 1904, p. 11. Italics appear in the original).

fective) while creating the greatest number of jobs and the greatest amount of income.

The realization of the natural order of capital investment brings, according to Smith, [Britain's] "natural balance . . . among all the different branches of British industry" (p. 604) and the "natural division and distribution of labour in the society" (p. 499), both of which amount to the same thing. In the end, therefore, mercantilism's protection = "monopoly" policies are subjected to severe criticism from the Listian *formation of a national economy* viewpoint described above—the perspective, that is, that seeks the realization of the development of "manufacturing as the offspring of agriculture"—as factors that impede its progress.²⁶ The theoretical core of this criticism is ultimately expressed in Smith's assertion that "the private interests and passions of individuals naturally dispose them to turn their stocks towards the employments which in ordinary cases are most advantageous to the society. . . . All the different regulations of the mercantile system [, however,] necessarily derange more or less this natural and most advantageous distribution of stock" (p. 630). In this way, mercantilism and its various regulations derange the natural order of capital investment, even if they do not reverse it. The corn bounty, for example, presumably forced some part of the capital invested in commerce to be directed into the corn trade (cf. p. 505), limited the growth of the population, and reduced capitalists' employment capacity by increasing the price of corn, thereby curtailing domestic industry, and in so doing reduced the scale of agriculture itself (cf. pp. 508–09).

Equipped with his theory of the natural order of capital investment, Smith's historical critique, in the manner described above, addressed history from "after the fall of the Roman Empire" to his own era, in other words, *all eras* of history, including both the epoch of "great transformation" of absolute monarchies and the epoch of civil revolutions in Britain. Throughout all of these eras, the natural order existing within economies was constantly deranged or disturbed. However, firstly by the deeply rooted disposition towards frugality possessed by the great body of the people, and secondly by the cunning of reason [List der Vernunft]—which can also be described as the "invisible hand" (mentioned above)—guiding the self-interest of feudal great proprietors and merchants/artisans and bringing about social revolutions, a new era of absolute monarchy arose in the midst of this overarching history, and particularly in England a class of ten-

26 *Wealth of Nations* thus clearly contains a theory of the formation of a national economy. It is identical to the theory of "a division of labour and a confederation of the productive powers on a national scale" = "a balance and harmony of agriculture, manufacturing, and commerce" found in List. But while this led List to endorse a system of national protection, Smith on the contrary rejected it. In this case Smith did not understand that proper mercantilism was a fundamental part of the Listian perspective.

ant farmers permitted to secure the fruits of their own labour—the yeomanry—emerged at the same time; from that point on “nature” had essentially been realized. But the artificial policies of mercantilism continued to derange this “nature” by giving “monopolies” to “merchants and manufacturers” hostile to the great body of the people. Mercantilism hampered the process of separating manufacturing from agriculture, impeded the full development of “manufacturing as the offspring of agriculture,”²⁷ held back, through the “monopolies” of the domestic market created by its system of protection, the maturation of this overwhelmingly important market (cf. p. 536), and in so doing continued to stand in the way of the maximal realization of the accumulation of capital and prosperity of the citizenry.

Nevertheless, it was no longer the feudal era. “Manufacturing as the offspring of agriculture” was expanding energetically. “But a great part of all the different branches of our woollen manufacture, of our tanned leather, and of our hardware, are annually exported to other European countries without any bounty, and these are the manufactures which employ the greatest number of hands. The silk, perhaps, is the manufacture which would suffer the most by this freedom of trade, and after it the linen, though the latter much less than the former” (p. 469). (When it came to manufacturing industries such as that of silk mentioned here, even Smith wanted to avoid the sudden introduction of free trade—*ibid.*) If so, then the present day—Smith’s present day—was an era in which the conflict between liberty and artifice carried a greater risk of boiling over than ever before. This is why Smith was compelled to turn his pen once again to the criticism of mercantilism after his critique of history (Book III) in *Wealth of Nations*.

But in *Wealth of Nations*, and indeed in Smith’s entire body of work, there is no advocacy of political revolution against the present system, and he did not even emphasize the historical significance of the civil revolutions in Britain—at the time, a unique occurrence in the history of humanity—to the same extent as that of the formation of absolute monarchy. This is perhaps a result of the idea of tolerance at the foundation of Smith’s economic liberalism, an idea that emerged out of his rejection of the religious conflicts that accompanied the Brit-

27 Even if there is an equal balance of trade between them, if Country A is exporting its domestic products while Country B is exporting products imported from other countries, this puts Country A at an advantage; Smith asserts that this is the case because while all of the capital used in this trade is retained and replaced within Country A, in the case of Country B, a large part of it replaces other countries’ capital (cf. p. 489). Here we should note, however, that by making France “Country A” and Britain “Country B” Smith is using a phrasing designed to *make the reader believe* that trade between these two countries is advantageous to France.

ish civil revolutions. This nation already had its “boasted liberty of the subject,” and in order to fully realize this liberty needed only to remove the economic regulations based on the “the futile interests of our merchants and manufacturers” (cf. p. 660).

Smith recognized the aristocratic nature of the bourgeois government that arose out of the Glorious Revolution, and himself noted that the house of commons was not a very equitable representation of the people (cf. p. 585), but in his era this *fact* itself was already universally acknowledged. Discussing the colonial congress in America, he asserts that “men desire to have some share in the management of public affairs chiefly on account of the importance which it gives them. Upon the power which the greater part of the leading men, the natural aristocracy of every country, have of preserving or defending their respective importance, depends the stability and duration of every system of free government” (p. 622) and does not reject the element of aristocracy running through various forms of democracy.

This is where the final problem with Smith’s understanding of history lies. Because he sees the greatest epoch in the history of Europe “after the fall of the Roman Empire” as the formation of absolute monarchies and not the civil revolutions, he understands the differences between the socio-political systems of Britain and those of other European nations as simply differences in the *degree* of civil liberty.²⁸ Unable to accurately grasp the significance of the fact that following their defeats in the Peasant’s War on the continent the class of independent, self-employed farmers—what Smith refers to as the “yeomanry”—had been pushed back into the status of villains (the so-called reaction of feudalism), he was not able to predict—or even try to foresee—the great revolution that was looming over France. He was therefore also unable to see that absolute monarchy had essentially hindered primitive accumulation, that is, that it had tried to prevent the realization of the natural order of capital investment which accompanied the bi-polar separation of the independent farmer class, that the civil revolution (in particular, the Glorious Revolution) government had created the first policy system to promote primitive accumulation, that this political system was nothing other than proper mercantilism, and that this political system it-

28 This point must be clearly grasped as both a limitation of the understanding of history in *Wealth of Nations* and one of the causes of the one-sidedness of its critique of mercantilism. The view (taken by Yoshihiko Uchida) that Smith, attempting to cope with the 18th century crisis of the old imperial system while inheriting and incorporating the ideas of Rousseau, composed *Wealth of Nations* as a culmination of the collaborative efforts of the European intellect, while useful in understanding Smith’s place in intellectual history, can lead to dangerous errors if it denies Smith’s limitations when it comes to the history of economic theory.

self—by fulfilling its mission and becoming the fetters that constrained capitalistic accumulation—was his direct opponent. But because its identification of the enemy was in this sense inaccurate, that is, because its understanding of the historical position of British capitalism was flawed, the criticism of mercantilism and advocacy of free trade in *Wealth of Nations* that includes this flaw was ultimately, through the nationalistic egotism of British capitalism, given ample use as a product to be exported to developing countries.²⁹

In Book IV, at the beginning of Chapter 9, the chapter Smith devotes to his critique of agricultural systems, he states that this kind of system exists only in the speculation of a few Frenchmen, and that “it would not, surely, be worth while to examine at great length the errors of a system which never has done, and probably never will do, any harm in any part of the world” (p. 663). As his discussion of this approach in Chapter 9 unfolds, however, he comes to the following conclusion. “Their [the Oeconomists’] works have certainly been of some service to their country; not only by bringing into general discussion many subjects which had never been well examined before, but by influencing in some measure the public administration in favour of agriculture. It has been in consequence of their representations, accordingly, that the agriculture of France has been delivered from several of the oppressions which it before laboured under” (p. 678). In other words, Smith acknowledged the role played by the physiocrats in determining French policy. It was this role that would eventually lead to the 1786 trade agreement between Britain and France (the Eden Treaty) and deal a severe blow to French manufacturing, whose interests were undermined for the benefit of French *landowners*—a turn of events that contributed to the French Revolution. The revolutionary government then reinstated the protectionist system, giving rise to a policy system aimed at promoting primitive accumulation / the establishment of industrial capitalism.³⁰ In the end, Smith did not foresee these events looming in the near future.

Smith notes that Mr. Cameron of Lochiel, a gentleman and vassal of the Duke of Argyll, “whose rent never exceeded five hundred pounds a year” (p. 417), had lead eight hundred of his own people into the Jacobite rebellion of 1745. According to Smith, the source of this local judicial authority predated the introduction of feudal law. What made the so-called Scottish Historical School a “historical” school was the fact that this kind of co-existence of various historical stages was unfolding right in front of those who are considered to have belonged to it, including Adam Smith. The flip side of this fact, however, was that

29 See Kobayashi’s notes on my translation of List’s *The National System of Political Economy*, p. 551 onward (VII).

30 See Shizukazu Yoshida’s *Furansu Jyūshōshugiron* [*On French Mercantilism*] (1962).

only one hundred years had passed since the Glorious Revolution in England, and for Scotland, which had only become a part of Great Britain in 1707, the period in which the current reality had been in place was even shorter. The result was a state of affairs that prevented these thinkers from focusing on the historical significance of proper mercantilism, that is, policy systems designed to promote primitive accumulation.³¹

(Robert Chapeskie: Freelance Translator)

(Masaharu Hattori: Professor Emeritus, Rikkyo University)

31 The following two papers were published after this essay was completed but are worth noting in relation to its content: Saiichi Miyazaki, "Sangyōkōzō no Kotenshisō: Adamu Sumisu no baai [Classical Thought on the Structure of Industry: The Case of Adam Smith]" (included in Chuo Daigaku Keizai Kenkyūjo ed., *Keizai Seichō to Sangyōkōzō [Economic Development and the Structure of Industry]*, 1972) and Akio Ōkōchi, "Jyūhasseiki Sukottorando to <Fuyū no Shizen no Kōsu> [18th Century Scotland and <the Natural Course of Opulence>]" (included in Kazuo Ōkōchi, ed., *Kokufuron Kenkyū [Wealth of Nations Studies] II*, 1972).