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The System Revisited

1776 - a year for musketry at Lexington and Concord. Less widely known, it was also the year in which a landmark treatise appeared in *London*; a book that was to profoundly influence the fledgling nation being born across the sea. Even now its prosaic central theme has a familiar ring to Americans; namely, that in any secure society of free men a majority of the citizens will, quite naturally, seek "to improve their condition". Further, given the incentives and the discipline of a free market economy impartially administered, these citizens will in fact, over a period of time, succeed in improving not only their own condition but in the process, the condition and living standards of their fellow countrymen as well. The book of course is The Wealth of Nations; its author, a Scotsman called Adam Smith; The system is the one known in this country and throughout the world as capitalism.

And the system works! For all the criticism of its detractors, for all its own grave problems, the cumulative evidence of a two hundred years trial suggests that it does indeed work. If you want to develop a country you do it according to the rules laid down by Adam Smith. It's as simple as that. Trouble is, in most of the world and even in this country where it has achieved its most conspicuous success, it gets no credit for working - and that is interesting. Why does this workable system get no credit for working? Possibly because:

1. Over the years we've come to misunderstand the original design of the system as conceived by Adam Smith.
2. Our expectations of what the system can and should provide in the way of a better life have similarly, changed

For instance! Most students of Adam Smith will concede that his

free market economy is based on an individual's pursuit of his own self interest. If I want ~~to~~ or need a horse that belongs to John I can occasionally get it by appealing to his compassion, to his sensitivity to my need. I can obtain the animal far more readily, however, by indicating my willingness to ~~ex~~change for it a cow, that he in turn wants or needs and which happens to belong to me. Basing an economic system on this, the timeless quid pro quo - something for something - deeply disturbs numerous critics of capitalism. It appeals solely to men's selfish and avaricious instincts, they complain.

~~interest. Capitalism's critics are quick to label this a narrow, constricted vision appealing to men's selfish and avaricious instincts.~~ Yet if one reads "The Wealth of Nations, carefully, this turns out to be a vulgarized and misleading indictment. As a matter of fact men's selfish and avaricious instincts are constantly at war with a free market economy. They provoke men to seek special advantages which the free market does not confer and men pursue these advantages by way of private conspiracy (^{through} price fixing) or state intervention (tariffs, import quotas, special subsidies, etc.). Adam Smith understood that very well. The Wealth of Nations contains not a single flattering statement about business men. It flatters the free market! ~~It~~ It does not flatter business men - because, Adam Smith said, business men will always try to cheat the market. They are human after all and if it is to their advantage to evade the discipline of the free market they will certainly try to do so. It makes no sense, therefore to simply equate capitalism with the unleashing of our selfish and avaricious instincts.

Further, capitalism as depicted in The Wealth of Nations is not an easy or self indulgent system of social ~~or~~ ^{and} economic relations. It is a demanding system. Its underlying principle stresses deferred gratification. It asks of society's members that they be capable of postponing satisfaction of their wants, that they be induced instead to save in order to provide the additional investments in capital and skills so necessary to ~~provide the additional investments-~~ increase the productivity and wealth of the entire nation. The real enemy of capitalism turns out to be the constant demand for immediate satisfaction of wants. People who want instant gratification of their desires will have no patience with capitalism, as in fact they do not in much of the world today.

Nor is capitalism without its own conception of individual virtue. Some of us may not think it to be a superior conception of virtue, but it is a genuine conception of virtue. That's to say its not so easy to achieve, as most of us eventually discover and it places a burden on the individual who seeks to achieve it. . For instance - the capacity to defer gratification so essential to capitalism requires people to shape their character in a certain way. They must be willing to work hard, be diligent, be frugal , be self reliant etc. etc. - all the bourgeois virtues, all familiar, all rather stale by now but nevertheless these are the bedrock of a capitalist system. Truthfully speaking there's not much heroic about it not ~~na~~ much saintliness about it. Capitalism is not a system for producing heroes or saints. On the other hand this bourgeois brand of virtue compensates for its lack of noble elevation by being so available, relatively, to all of us, whereas classical virtue, the virtue described by Aristotle or by Thomas Aquinas is available only to a few of us who are especially good or especially talented. Not so easy for most of us to be heroes or saints. Though it is difficult, its not so difficult for practically all of us to be good bourgeois citizens as conceived by Adam Smith.

Not only is there a canon of private virtue inherent in the idea of capitalism, there is an idea of public virtue as well. But it is public virtue of a unique kind. In an earlier book entitled The Theory of Moral Sentiments Adam Smith said, The purpose of ambition in life is not to accumulate infinite wealth (what after all can one do with infinite wealth?), but to demonstrate by the accumulation of money that one is worthy of the good opinion of one's fellow citizens. Financial success, for Adam Smith, is testimony to possession of the private bourgeois virtues and therefore a basis for a good ~~repea~~ reputation among the other citizens of one's community

and it is their good opinion that one wants above all. In a sense Adam Smith's virtuous bourgeois appears much like David Reisman's "other directed" person; not the most admirable person in the world, not the kind of man or woman one would like to write epic poems about, on the other hand the kind of man or woman who doesn't create a great deal of trouble in the world and who is not, as a rule, responsible for the loss of blood or life. ~~In individual circles~~, it's currently fashionable to sneer at such an idea of public virtue but it does have the advantage of being widely available to all of us who are not so supremely talented, who do not have the character of saints and actually, as many of us eventually discover, it's not so easy to achieve as it sounds.

Incidentally, from this bourgeois conception of virtue springs the great humanitarian surge of the late 18th and 19th centuries with its reform movements, its anti-slavery, anti-duelling, anti-child labor laws, the founding of the A.S.P.C.A., the concept of service and obligation to one's community that finds expression in civic organizations like Rotary, Kiwanis, The League of Women's Voters - all products of capitalist public morality as envisioned by Adam Smith.

Now our understanding of capitalism, the way we contemplate it obviously differs radically from this vision. To some degree we can say this is because capitalism has changed and in the course of over 150 years it certainly has changed. For one thing we have seen the emergence of the large corporation, something that Adam Smith did not foresee and certainly would not have liked. All of Adam Smith's references to big business are opprobrious. He likes individual enterprise. He likes family enterprise. He does not like corporate enterprise. Clearly this change has been a basic one in the nature of the system

and its not going to go away in the foreseeable future. Our society is attuned to it. Our standard of living depends on big business industrial efficiency, research, technology, capital investment etc. On the other hand the fact that its forms have changed does not , necessarily, mean that the system itself has lost its moorings. In a sense we can compare the rise of big business in capitalism to the rise of the party system in American democracy. Our founding fathers did not anticipate a party system for their new nation. They thought parties were bad just as Adam Smith thought large corporations were bad. Nevertheless we got the party system; American democracy absorbed it and made it work. ^{perhaps something like this is happening in the case of big business} We are in the process of absorbing it into a capitalism which differs considerably from the capitalism of 200 years ago just as American democracy differs considerably from its dimensions of 200 years ago. Human institutions do change with time, differences are bound to develop and in any case the changing face of capitalism is not the principal issue here; for so long as corporations are forced to submit to the discipline of the market place and so long as the political system prizes individual liberty, capitalism survives. What does not necessarily survive is the way we think about capitalism which has changed far more than capitalism itself, and changed on the whole for the worse.

In our time we watch and listen to the most vulgar justification of capitalism - a justification in terms of affluence; an utterly non moral justification. It's as if to say - capitalism is good because it brings you goodies. While there's some truth in that assertion it's an absurd way to defend a social and economic system. It denies the very premise that Adam Smith insisted was crucial to the system. Namely that deferred gratification take precedence over instant gratification. Promoters of the system, if you listen to almost all corporate spokesmen, stress instant gratification. Where else, they proclaim, can you fly now and pay later. This notion, particularly, is a contradiction of everything Adam Smith thought capitalism stood for. As he understood it, capitalism was a system where you worked now and flew later. It's not so much fun; but then it was not designed as a system for fun, it was designed as a system to build character and Adam Smith thought you would build a better character by working now and flying later than by flying now and paying later. Modern corporate apologetics as currently articulated is a fiendishly clever system for subverting the idea of bourgeois virtue. It seems to eulogize a life devoid of ~~moral~~ meaning apart from the consumption of commodities and services. By appearing to say you who consume the most fastest are the best citizens it helps to create the disturbing picture of a society at war with its own ethos; a society that at times seems to be principally concerned with a kind of Dioysian chase after appetite and luxury. An ominous portent for any society's survival.

Even more significantly, our thinking about capitalism has been affected by the victory over the past two hundred years of a specific distinct kind of anti capitalist thought which arises simultaneously

with capitalism, gathers force over the years until it emerges as the dominant mode of political and economic thinking today. So that we don't believe Adam Smith really. We don't pay much attention to him or to capitalism any more; because the ideas in our heads come from other sources - Specifically they come from one other source; one other intellectual tradition.

The late 18th century when Adam Smith wrote saw the emergence of two major intellectual traditions, both part of what we now call "The Enlightenment". The first was the Anglo-Scottish represented by men like ~~Diderot~~, John Locke, David Hume, Adam Smith - Mostly Scotsmen, oddly enough - some Englishmen. The other was the French or Continental tradition articulated by men like Diderot, Voltaire, Dolbach, Condorcet - both ^{part} of The Enlightenment, yet two very different political and social traditions. They Do share two basic features in common. Both saw human history as a record of human progress. Both had a secular vision of the world. It's important ~~that we~~ ^{to} note where they differ, however, because in the French tradition we find all sorts of impulses that are thoroughly hostile to liberal capitalism.

Let's briefly compare these two traditions. First in their attitude towards the past. Adam Smith, the father of modern capitalism and Edmund Burke, the father of modern conservatism, despite some differences in outlook, were friends and admirers of one another. What united them more than anything else was a mutual reverence for their British past. They thought it worthy of affection and respect. They saw themselves, their country men and their institutions as evolutionary products of a continuing historical process in which the past played a vital role. The French intellectuals, on the other hand had quite a different

attitude towards their past. They rejected ~~it~~ summarily with contempt. Their vision of progress led them to proclaim, what has transpired before us is ~~such~~ rubbish. We will liberate you from the chains of the past. We, the moderns are equipped to introduce the final stage of history in which all past dreams of human progress will be realized. In this sense the French tradition prepares the ground for Marxist ^{the} ~~with its vision~~ ^{dream} of an end to history, an end to all human suffering and the creation of a perfectly just society.

Similarly the two traditions differ in their attitudes towards the future. Adam Smith believed that if capitalism prevailed men would improve their condition; slowly, gradually - generation by generation as it were they would be better off. The French intellectuals believed that the ^{future} was here and now and what was to be anticipated and worked for was the regeneration of the human race - nothing less.

The Anglo-Scottish tradition says, after all, progress is rather blind; we're never altogether sure of what we're doing but if they believe in human freedom people do better than they know. Institutions arise to meet a need and these are usually better than the ones we create consciously. The French intellectual says, history is not blind - its transparent. We understand it. In fact, we understand it so well we can master it. Not only can we envision the future, we can mold the future to match our desire.

Accordingly, the political traditions of the Anglo Saxon thinkers stress diffusion of power so that everyone will have an opportunity to make his own little contribution to a future which no one can envisage and no one can shape; while the French intellectual tradition ^{emphasizes} from the French Revolution onwards centralized power and centralized planning.

After all, if a small group of people in fact understand the past and can foresee the future, are they not entitled to lead the rest of us ~~to a state of bliss~~ to a state of bliss? They claimed that entitlement and their intellectual descendents have been claiming it ever since.

The Anglo-Scottish tradition is essentially democratic in that it says really, you know, we all make our little contributions to the future; we all participate in the development of our society. There's not way of being certain who's doing the most harm - who the most good. By and large, we think this to be a satisfactory state of affairs. The French intellectual says, we know who is doing the most harm and the most good. This is a matter on which we have authoritative knowledge, you see, and therefore we should be in charge. a basically authoritarian position.

Adam Smith said, we will, perhaps not invariably, (he's not dogmatic about this) but on the whole, let the free market in which all individuals participate, shape this civilization. The French intellectuals said we don't want this civilization shaped by the activities of all sorts of people; good, bad, indifferent, learned, mislearned, tainted by superstitious notions and what have you. We have the correct ideas. Give us the power and we will attend to ~~the~~ matters. In a sense we are talking about the difference between prosaic politics and dramatic utopian politics, the one springing from the Anglo-Scottish and American tradition, the other from the French and continental tradition.

In terms of leadership, the leader of the bourgeois revolution in the Anglo-Scottish tradition is George Washington; The revolutionary leader in the French intellectual tradition is Robespierre, Lenin, Mao tse tung, Che Guevara - take your choice. Two very different types of revolutionaries, two very different types of revolutions with two

very different consequences. The American revolution succeeded, created a system that lasted 200 years; the other revolutions all failed, not necessarily in the sense that their systems collapsed, although ~~that sometimes did happen~~ ^{sometimes they did}, but in that they did not succeed in creating the kind of system they intended to create. Almost invariably, they produced instead something disillusioned radicals call - the revolution betrayed.

The sad fact is that despite the success of the Anglo-Scottish tradition, the American tradition, the bourgeois tradition in the world of reality it has lost in the world of ideas. The world today thinks largely in terms of French intellectuals, not in terms of Anglo-Scottish theorists. We all do to some degree. Certainly outside the United States ~~everyone~~ practically everyone does. Consider the Third World. What is it? The Third World is not a matter of geography. It is not a matter of race. The Third World is identified by its belief in the French Intellectual tradition. It is a world in which first of all an elite rules; in which the elite thinks it proper and fitting to rule because it alone possesses the necessary wisdom and authority to rule. It is almost impossible to get leaders of underdeveloped countries interested in Adam Smith despite the fact that Adam Smith has written probably the best single book on economic development ever published. They do not accept this because - It is not their vision of the world! The evidence exists all around them. North Korea compared to South Korea; East Germany compared to West Germany - which of these have developed better economically? There's no argument on that matter really. Nevertheless they don't believe it.

Not only does the Third World not believe it but large numbers of highly educated and influential people in this country and in the West in

general don't believe it either. Since World War II we have witnessed in American a vast proliferation in the number of intellectuals citizens who consider themselves to be intellectuals in the sense that they share the tradition of the first of modern intellectuals, the French Enlightenment thinkers. Many of these men and women sincerely believe they possess a mandate to manage our affairs because they correctly perceive the historical process. At best they tolerate the free market economy as something of an anachronism in the march of human progress. Their real sympathies, their hopes, their expectations - lie elsewhere. These articulate and highly intelligent people, holding prominent positions in government, in universities, and in the communications media must bear their share of the responsibility for capitalism's tarnished image today.

Yes - the system works! It has problems; there's no such creation as an economic system without problems. Yet if we compare the economic problems of capitalist countries with those of communist countries, it's not so clear that they are doing better than we are. The spectacle of Russians annually importing grain from the United States in contrast to their situation prior to the Revolution when they exported grain to the entire world tells us something about the relative efficiency of the two systems, as do food riots in Poland, livestock shortages in Hungary, and sealed frontiers everywhere in Eastern Europe to prevent trained people from fleeing to the West. There just seems to be something in modern industrial urbanized society that gives the combination of personal liberty and economic efficiency a certain legitimacy. Suppress personal liberty and you invariably reduce economic efficiency which, if one is a Socialist ideologue, may be an acceptable price to pay

in order to realized one's vision of the world; but the bleak reality these visionaries wind up with is a system that seems to have as its principle forte a capacity to disillusion; calling in turn for still more repression to cover up the fact that another aborted dream has gone glimmering down the corridors of history.

So while we have our problems and are in considerable trouble, in many respects they are even worse off. After all, it's always ~~easy~~ easy to show the deficiencies of an existing system by comparing it to an ideal system. That is precisely the habit of mind that derives from the French intellectual traditon. On the other hand, if one is interested in improving people's conditions slowly, incrementally, if not ~~not~~ for ones children, perhaps for one's grandchildren, there's much to be said for the system designed by Adam Smith.