# Smith's Glasgow Lectures: A Foundation or an Obstacle for the Wealth of Nations?

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## RESUMO

*O artigo procura mostrar que o argumento econômico das Aulas de Glasgow de Smith está permeado por uma concepção da organização social da produção baseada na figura do produtor independente. Essa concepção dá um conteúdo teórico específico às idéias de preço natural, salário, lucro e estoque distinto daquele presente na Riqueza das Nações. Em decorrência, essa concepção torna-se um obstáculo no desenvolvimento do argumento econômico de Smith na direção da Riqueza das Nações.*

## PALAVRAS-CHAVE

*Adam Smith, Aulas de Glasgow, preço natural e estoques*

## ABSTRACT

*This article argues that the economic argument of Smith's Glasgow Lectures is embebed with an specific concept of the social organization of production based on the actions of independent producers. This conception gives a theoretical content to the ideas of natural prices, wages, profits and stocks very different from the one found in the Wealth of Nations. As a result, this conception becomes an obstacle for the development of Smith's economic argument towards his famous work.*

## KEY WORDS

*Adam Smith, Glasgow lectures, natural price and stocks*

## *INTRODUCTION*

Since the publication of Adam Smith's Moral Philosophy lecture notes and a draft organized for the publication of the material from these lectures on *Police,*[1] the relationship between the economic argument of these texts and that present in the Wealth of Nations[2] has been under discussion. These discussions created a consensus on the continuity of the economic analysis of LJ, moving onto ED, and finally to WN. These texts could be interpreted as different expressions of a single economic argument originally prepared by Smith. A clear example of this position is the statement of the publishers of the Glasgow Edition of WN that Smith's crucial ideas, such as division of labor, equilibrium price, allocative mechanism, and "the natural balance of industry", could already be found in previous texts in a sophisticated form. However, what can be said about those ideas present in WN, but absent in the previous texts, in particular the distribution scheme at the end of Book I and the accumulation theory described in Book II?[3] Here the traditional answer is to state that these ideas existed in an embryonic form in those texts.[4]

This consensus was recently questioned by Brown (1994). Through a comparative analysis of the LJ and WN texts, Brown concluded that they diverge sharply and, therefore, do not share the same theoretic space. The present work fits into this line that points to a discontinuity in Smith's economic analysis between his original texts and WN. Its contribution is to demonstrate that Smith's conception on production organization, contained in these texts, constitutes a theoretic obstacle to the development of his economic argument in the direction of WN.

The article is structured in three sections. In the first, the preparation of the object of analysis presented in LJ and ED is exhibited. Here, the objective is to show that differently from WN, Smith takes opulence as the object of his discourse, understood as *plenty and cheapness*. The second section examines the explanation of opulence, as defined above, by the division of labor. The idea is to show that this explanation is based on a conception of production organization through which the individuals act in society as independent producers and, therefore, their income

1 This set of tests is published in Volume V of The Glasgow Edition of the Works and Correspondence of Adam Smith. Following the literature, reference to the class notes will be made as LJ (Lectures on Jurisprudence) and to Smith's original draft as ED (Early Draft).

2 Hereafter, WN.

3 These differences were originally pointed out by Cannan (1964, p. xxiv-xxix).

4 See SCOTT (1965, p. 312-313) and WALSH & GRAM (1980 p. 53-61).

is derived directly from their specialized labor. Finally, the last section points out that this conception limits, on the one hand, the concept of natural price to being determined simply by the natural price of the labor and, on the other, the concept of stock being considered only as stock and not as capital.

## *I. SMITH'S ORIGINAL OBJECT OF ECONOMIC ANALYSIS: OPULENCE*

Smith defines the second part of his course on Jurisprudence, entitled "Police," as the study of those regulations which are implemented by the State to foster a nation's opulence. It should be noted, firstly, that Smith's discourse shares the same theoretical space as the other discourses on opulence of the period, inasmuch as it is interventionist in character - that is, it supports State action aimed at creating opulence:

> *This [the opulence of the State] produces what we call police. Whatever regulations are made with respect to the trade, commerce, agriculture, manufactures of the country are considered as belonging to the police.* (SMITH, 1978, p. 5)

However, within the realm of this interventionist discourse, Smith targets the set of regulations which he identified as the Mercantilist System. According to Smith, this system conceived opulence in terms of precious metals and their source, which was foreign rather than domestic trade. This is why such policies were designed to regulate the trade balance, the major yardstick of opulence. In broad terms, Smith's argument aimed at discarding as false the idea that opulence consisted of a plentiful supply of precious metals and that foreign trade took precedence over domestic. Thus, the structure of his argument is characterized firstly by the introduction of his own notion of opulence and secondly, by reducing money to a secondary position through the explanation of the causes of opulence. Let us, therefore, look at how Smith understood the concept of opulence.

Smith starts by stating that human beings differ from other animal species by their remarkable capability for argument and fragile physical structure. This physical fragility is exposed firstly in the fact that human beings have to prepare their food for consumption as they can not eat it in its natural state and, secondly, in the need to make clothing and dwellings to protect themselves from harsh weather. However, according to Smith, human beings are not satisfied once these basic needs have been met. Driven by "a desire for elegance and refinement," these needs are expanded as regards the color, shape, diversity or uniqueness and imitation of the goods.(SMITH, 1978, p. 335-36). The greater the amount of available goods that meet both the basic and the refined needs of its individual members, the better off a society will be:

> *The opulence of a nation does not consist in the quantity of coin but in the abundance of the commodities which are necessary for life, and whatever tends to increase these tends so far to increase the riches of a country.* (SMITH, 1978, p. 504)

Moreover, Smith believes that the abundance of goods directly corresponds to their low prices. It is in this context that Smith uses the example of diamonds and water. Diamonds, because they are scarce, fetch a high price, while water, which is plentiful, is cheap. Opulence is therefore marked by the abundance and low price of goods ("plenty and cheapness").[5] Smith's discourse is thus based on the notion of *bon marché*; that is, the more fully-supplied the market, the lower the price of goods, and consequently, the larger the number of people who will be better able to meet their needs. It has to be noted that, the purpose underlying Smith's theory of opulence is to explain how a society in which the distribution of opulence is so unequal still manages to cater satisfactorily to the needs of even the least favored.[6] The basic measure or criterion of a nation's opulence is the cheapness of goods.[7]

Having defined opulence, the focus shifts to its origin, or the factors on which this plentiful supply of goods depends. In Smith's view, it is their basic and superfluous requirements or needs which drive human beings toward industry, that is, labor. In fact, Smith regards these needs as driving forces behind the development of all types of art and science and even of law and government, whose goal is none other than to safeguard mankind's property and use of useful objects. The role of human industry is therefore to meet this set of natural human demands.[8]

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5 It is in this sense that Smith utilizes originally the water-diamond paradox, that is, for explaining the opposition between *plenty and cheapness* and *scarcity and dearness*.

6On this respect, see HONT & IGNATIEFF (1983, p. 2-3).

7Interpreters of Smith's earlier economic argument have neglected this aspect of his object of analysis. A notable exception is found in BROWN (1994, p. 147-49). Needless to say that the first step for homogeneizing the economic arguments of the *Lectures* and the *Wealth of Nations* is precisely to identify the concept of *opulence* with that of *wealth*.

8 Some authors such as CANNAN (1964) and MEEK (1956, p. 51) regret that Smith did not use this part of *Lectures* in the *Wealth of Nations* since it contains a theory of consumption and hence, an appropriate starting point for any economic argument. However, both of them missed the important point that Smith is inserting here labor as the foundation of his theoretical building.

Therefore, Smith conceives opulence as consisting of a plentiful supply of cheap objects which meet natural human demands which, in turn, drive individuals to work. This is the basic equation which Smith uses to explain how individuals provide for their own needs or supply the goods necessary to human existence. On the one hand we have all the objects useful to human beings, whose plentiful availability at low prices represents opulence, and on the other we have human labor, the source of these objects. Human needs are the foundation of this equation. Hence the fact that opulence is directly related to the way in which labor is applied by individuals in society. It is to this issue that we now turn.

## *II. OPULENCE AND THE DIVISION OF LABOR*

In addition to the aforementioned high level of reasoning ability and physical fragility, Smith states that human beings, unlike other animals, always need assistance from others and therefore that they must always have some means of obtaining it.(SMITH, 1978, p. 347) In order to effectively obtain this help, says Smith, individuals must make it advantageous for others to provide it. Each individual must appeal to the self-interest of other individuals. The easiest way to appeal to the self-interest of others is through exchange:

> *When you apply to a brewer or butcher for beer or for beef you do not explain to him how much you stand in need of these, but how much it would be your interest to allow you to have them for a certain price. You do not adress his humanity, but his self-love.*(SMITH, 1978, p. 348)

Human beings therefore have a natural inclination to make exchanges which, according to Smith, is related to the human mind's propensity to seek to persuade others:

> *The offering of a shilling, which to us appears to have so plain and simple meaning, is in reality offering an argument to persuade one to do so and so as it is for his interest. Men always endeavour to persuade others to be of their opinion even when the matter is of no consequence to them.*(SMITH, 1978, p. 352)

Thus, according to Smith, individuals may succeed in meeting their needs by appealing to the self-interest of others through exchanges. Individuals create a network of relationships among themselves based on exchange as a means of obtaining what they need from one another. This network of relationships gives rise to a form of social interconnectedness in which relations between people take the form of market relationships.

Smith goes on to state that these market relationships expand the possibilities for consumption and, therefore, for satisfying each individual's needs in that he may choose not to consume part of the results of his own labor, using it instead in an exchange transaction to obtain from other individuals those products which he needs but lacks the means or time to produce himself. Then the individual is gradually induced to concentrate his labor on a single product or a small range of products so as to increase his output, since by exchanging the surplus products of his labor he can obtain the other goods which he also needs. In other words, the social nature of the market, based on human beings' natural propensity to make exchanges, induces individuals in society to specialize in specific productive activities:

> *Thus it is that the certainty of being able to exchange the surplus produce of theirs labours in one trade induces them to separate themselves into different trades and apply their talent to one alone*.(Smith, 1978, p. 348)

This is the division of labor which, according to Smith, generates the abundance of goods seen in commercial societies, an abundance which enables the least-skilled worker to be much better off than the king of a society in its savage state. Therefore, the discourse of opulence is based on the social characteristic which leads individuals to behave as merchants in the social sphere, and therefore turns the market into the central locus of economic policy: to promote opulence is to promote the workings of the market in social life. It is this which transforms the social character of labor, from the family scale (production for personal consumption) to the social scale (market-oriented production), through the division of labor. It should be noted that from this point of view, the division of labor takes on a role which should not be seen as merely that of spreading technical progress: it is the very basis of a society in which market-oriented labor comes to represent the central axis of individuals' everyday life in society. The positive effects of the division of labor can not result from any pre-conceived public policy, as they are inherent in human nature.(SMITH, 1978, p. 570)

To explain how the division of labor affords this abundance of products and, it should be remembered, their cheapness, Smith recommends observation of that which occurs inside a productive unit when production tasks are gradually distributed among a larger number of workers. By treating the labor specialization that occurs in society as a whole as analalogous to that which occurs inside a factory, Smith merges the social division of labor with the technical division of labor into a single notion. Following Smith's argument, we come to his widely-known example of the pin factory. Smith considers three distinct arrangements for the tasks involved in pin production. In the first arrangement, the division of labor is zero, that is, a single individual carries out all the tasks. Next, Smith considers an intermediary level of division of labor: the producer receives the material ready to be used in the production of pins. Lastly, in the case of maximum division of labor, the eighteen operations involved in production are fully distributed among workers.(SMITH, 1978, p. 342) Through this case study, Smith shows how the division of labor brings about a significant increase in the average annual production per worker from one single pin to twenty pins, until production reaches the high figure of 36,000 pins. In this latter case, since eighteen workers are involved in the operation, it is as if each worker produced two thousand pins a year.

This increase is brought about by three circumstances: enhancement of the worker's specialized skill, time saving between stages of production and the possibility of introducing machinery.(SMITH, 1978, p. 567-69) Under the first of these circumstances, Smith states that since a specific worker is assigned a single task, continuous repetition will perfect his skill to an extent which would have been unattainable if he had had to carry out a number of operations. In every manufacturing process, says Smith, materials have to go through several steps before the product is finished. Therefore, the time lapse between one task and the next can be reduced, or even eliminated, if these tasks are fully distributed among the various workers. Finally, the division of labor into separate and simpler operations allows for the introduction of instruments and machinery specifically designed for each task. Smith states that the simplest machines were invented by workers themselves, as a result of the fact that "*when the whole force of the mind is directed to one particular object, as in consequence of the division of labor it must be, the mind is more likely to discover the easiest methods of attaining that object than when its attention is dissipated among a great variety of things*."(SMITH, 1978, p. 569) However, when the problem involves combining forces in a way never before attempted, then the invention of the machinery should be assigned to a philosopher who is "*one of those people whose trade it is not to do anything but to observe everything, and who are upon that account capable of combining together the powers of the most opposite and distant objects*."(SMITH, 1978, p. 570)

It is important to notice that Smith's perception of manufacturing as a sequence of operations which transform materials into finished products focuses the analysis on the temporal dimension of production. As a result, the three circumstances mentioned above aim at nothing other than the reduction of time spent on and between tasks and, therefore, to ensure that each worker makes more efficient use of the means of production over a given period.

As we have seen, Smith identifies the abundance of goods with their low prices within a line of argument that conceives of opulence as "plenty and cheapness." In fact, the explanation of abundance which develops in terms of quantity analysis will be reflected in the cheapness of goods when the analysis is in terms of price. Smith arrives at this result by means of a simple price equation in which prices are determined by total cost, basically made up of the worker's maintenance cost, divided by the total quantity produced. Since the division of labor significantly increases the average product of labor, it allows for a reduction in the (unit) cost of products while at the same time it increases the remuneration of masters and workers, to which Smith refers as profits and wages.(SMITH, 1978, p. 565) The effect is paradoxical in that the product becomes cheaper while labor price rises:

> *Whem these improvements have been made, each branch of trade will afford enough both to support the opulence and given considerable profit of the greate men, and sufficiently for those who do not work, and given enough to the industrious*.(SMITH, 1978, p. 343)

We began by showing that Smith related the supply of goods to human labor. It can now be seen that the abundance of this supply depends on the division of labor, that is, on the distribution of tasks in a productive process among several individuals. It should be noted that a growing, though diversified, quantity of products corresponds to the diversification of production tasks. Smith considers that this supply offers a heterogeneous rather than homogeneous array of goods. In other words, there is in his analysis of opulence no notion that can express this set of heterogeneous goods as a homogeneous amount. The absence of any concept of a social product results precisely from Smith's assumption that the growing supply of goods resulted from the diversification of individual labor in society. For this reason, it is indetermined the magnitude of the supply of goods in Smith's original economic argument.

To sum up, so far it has become clear that, driven by the propensity to exchange, an inherently human feature, exchange transactions have emerged as social practices to enable individuals to obtain from one another all they need, since no one individual is capable of providing all life's necessities and conveniences himself. Individuals start relating to one another through exchange and the objects useful to them become the very objects of exchange. This kind of sociability, characterized by market relations among individuals, leads them toward specialization of their productive skills, which significantly boosts the productivity of their labor:

> *The business of commerce and industry is to produce the greatest quantity of the necessaries of life for the consumption of the nation,*

> *or exchanging one commodity for another which is more wanted. It is on the power of this exchange that the division of labour depends, which as has been show to the satisfaction of the whole of you is the greatest foundatio of opulence, as it occasions the production of a greater quantity of the several things wrought in*.(SMITH, 1978, p. 390)

The key element of Smith's explanation of opulence is its conception of the economic organization of production. While the division of labor is the core of the explanation of opulence, the specialization of labor is pivotal in the relationships among individuals in the sphere of production. Individuals are, therefore, grouped according to the several categories of specialized labor existing in society. By grouping individuals into labor classes, Smith does not take into account any distinction among economic classes, that is, one based on individuals' ownership of the means of production. Specialized workers appear in Smith's analysis as independent laborers. As Meek (1956, p. 47) stresses, Smith considered that production was carried out by "*more or less independent craftsmen and labourers who still owned their own means of production - the blacksmiths, weavers, tailors, watchmakers, carpenters and their like who so often figure in the Lectures as typical producers*." According to Smith (1976, p. 354), this specialization is based on the improvement of technical skills achieved through an apprenticeship process which lasted on average seven years. This process features, on the one hand, masters who command the technical knowledge available in a certain trade and, on the other, common laborers who are going through a learning process. From this perspective, "*workers were often self-employed, and in any event not mantained by a master from another class but rather from another generation*."(HOLLANDER, 1973, p. 95n) As a result, production units resemble "*co-operative establishments consisting of workmen who still retain a certain measure of independence and a 'master' who is virtually one of themselves*."(MEEK, 1956, p. 47)

This conception of the economic organization of production underlies the conclusion that the reduction in the price of goods, derived from their plentifulness, raises the earnings of both masters and workers. Since Smith makes no socio-economic distinction between the masters and those working under their guidance all, masters and laborers, share the productivity gains derived from the increased division of labor.[9] Hence Smith's statements, certainly surprising to today's readers, that workers can increase their masters' profits and still raise their own wages.(SMITH, 1978, p. 343) This conception of the economic organization of production used by Smith in the *Lectures* has two important implications for the economic argument of his theory of opulence.

[9] See MEEK (1956, p. 49).

## *III. MARKET MECHANISM AND THE ROLE OF STOCKS UNDER THE ANALYSIS OF OPULENCE*

The first implication is related to the content and theoretical function of the notion of stock in the explanation of opulence. According to this conception, workers are self-employed in pursuit of specialized skills. However, as mentioned above, the division of labor changes the social character of production from immediate consumption to market-oriented production. This change implies that production and exchange occur as a sequence of events rather than in a synchronised manner. This time gap can only be bridged if a previously-accumulated amount of resources is available to support production (materials and workers' wages) until the moment of exchange. Smith defines this mass of resources as stock. Stock, therefore, synchronizes production and exchange in time and makes it possible to apply the division of labor.(SMITH, 1978, p. 498) Without stock, individuals would be unable to dedicate themselves to a single activity, and its pre-existence is therefore a prerequisite of the division of labor itself. The building-up of stock thus has no other function in this theory than that of synchronizing the temporal movements of production and consumption and enabling specialization to take place.

The key point to be considered here is that the division of labor, as the sole cause of opulence, opens up the space which the accumulation of stock occupies in Smith's economic argument. This accumulation is thus restricted to the conception of economic organization of production in which individuals are taken to be independent workers. As a result of its restriction to this conception, stock, in the theory of opulence, functions as stock and never as capital. Within these theoretical limits, it is impossible to develop the concept of capital, since this mass of resources serves the sole purpose of enabling individuals who engage in production to employ themselves in order to specialize their labor skills. Smith makes absolutely no reference to masters' utilization of stock as advances to workers in order to obtain additional earnings from the product of their labor. For this reason, Smith deals with stock only in his discussion of the slow progress of growth in opulence, and here it is regarded as a natural obstacle or impediment, given the initial difficulties which individuals face in accumulating the minimum amount of resources necessary to make it possible to implement the division of labor in society.(SMITH, 1978, p. 521-22) It therefore comes as no surprise that Cannan (1964) found no trace of a theory of capital accumulation as the cause of opulence, since not even the concept of capital exists in Smith's discourse on opulence. The absence of a conceptual distinction between stock and capital gives rise to misinterpretations such as Walsh and Gram's (1980, p. 71), and to a certain extent, that of Meek himself (1956, p. 46), when their analyses claim to detect in the *Lectures* a foreshadowing of the theory of the accumulation of stock as the source of wealth.

Smith's conception of the economic organization of production has a second important implication, one which in this case affects his discussion of the workings of the market. As we have seen, the market is the social locus in which independent workers exchange the surplus of their production. The market thus performs the role of distributing among workers the production surpluses they have obtained. In line with this argument, Smith focuses on the exchange of these surpluses, and here the notions of price and money come into play.

Smith starts by stating that every traded object in fact has two prices: its natural price and its market price. The market price is determined by the relationship between conditions of supply and the effective demand on the market. To be more precise, the market price is set by the need for or shortage of a certain item, and by the wealth or poverty of those who have a demand for it.(SMITH, 1978, p. 358) The natural price is established by supply conditions alone. Since, as we have seen above, the supply of goods is based on specialized labor, the natural price is governed by the cost of providing individuals with compensation for having specialized in the production of a certain good; that is, by the natural price of specialized labor which should be:

> [...] *sufficient to maintain him during the time of labor, to defray the expenses of education, and to compensate the risk of not living enough and of not suceding in the business. When a man has this, there is sufficient encouragment to the labourer, and the commodity will be cultivated in proportion to the demand*.(SMITH, 1978, p. 495-96)

It should be noted that the natural price of a certain good is not identical to the natural price of labor, but rather must be sufficient to cover the natural price of the producer's labor, in addition to the overall cost of production.[10]

The key point to be considered, however, is that Smith's explanation of natural price is directly determined by the conception that production is organized around independent workers, whose source of income is their specialized labor. The earnings of masters and apprentices are one and the same since they all result from their labor and are obtained directly from the price of the product. Since stock is seen exclusively as stock and never as capital, the masters' earnings depend on how difficult and time-consuming their learning process has been and, therefore, are unrelated to the amount of stock they used in production.(MEEK, 1956, p. 47)

[10] See MEEK (1956, p. 49).

The same rule is valid for common workers. It should be noted that at this point in Smith's analysis, there is no labor market through which to determine the wage level of these workers.(HOLLANDER, 1973, p. 115) This is the strongest piece of evidence that Smith's conception of the economic organization of production is present in his theory of opulence. Since no socio-economic distinction is made between masters and laborers, as all are considered to be "workers," "*the price which will 'sufficiently encourage' the first is determined according to the same principles as that which will 'sufficiently encourage' the second.*"(MEEK, 1956, p. 49) Therefore, Smith's references to masters' earnings as profits and workers' as wages do not carry any theoretical distinction, since the earnings of all share the same origin: specialized labor.

We have already pointed out that the absence of a theory of capital accumulation was an invevitable conceptual consequence of the fact that Smith's conception of the economic organization of production makes no socio-economic distinction between masters and workers. This absence is reflected, in the analysis of circulation, in the absence of any conception of a mechanism for distributing the product among the various economic classes. This absence, to which Cannan (1964) draws attention, rather than being a fortuitous fact, is the logical result of Smith's conception of the organization of production. It is only by overlooking the function of this conception in Smith's discourse on opulence that Scott (1965) and Walsh and Gram (1980) are able to suggest that he already had an intuitive awareness of some sort of distribution scheme among economic classes at the time of the *Lectures*.

The market works to distribute surpluses according to social demands through the interaction between market and natural price. Although they are determined by different factors, these two prices are inter-related. Thus, if the market price is higher than the natural price, compensation in excess of the natural price of labor attracts a larger number of specialized workers to this specific activity. Therefore, the supply of products grows, and this brings down the market price. This movement continues till both prices are at the same level, which halts the flow of specialized labor into the activity.(SMITH, 1978, p. 390) The parity between these two prices defines a balanced market situation in which the amount supplied is precisely the amount required to meet the population's demand for a certain good.

Smith defines this balance in industry as a whole as "the natural balance of industry." When this balance has been reached, products are sold at their lowest possible prices as a result of the level which the division of labor has attained in society. Any interference in this mechanism, that is, through individuals' pursuit of a greater reward of their labor, creates a distortion in the supply structure which prevents society from obtaining the goods it needs at their lowest possible price. It should be noted that here again the absence of any socio-economic distinction between masters and workers provides a specific conception of the workings of the market which identifies its driving force as the mechanism which ensures that natural and market prices are the same, that is, the competition among independent workers for the best available reward for their specialized labor.[11]

This analysis of market workings in terms of the notions of natural and market prices paves the way in Smith's theory for the discussion of money. According to Smith, money has only two roles: as a measure of value and a means of circulation. Thus, money fits into Smith's theoretical scheme in the limited role of making it possible to carry out exchanges and, therefore, to distribute goods among individuals so that they can meet their needs. The importance of money derives from the process of exchange. This concludes Smith's attack on the Mercantilist System: from his original denial that money provides the content of opulence to the demonstration that money functions as an accessory means in the process that truly leads to opulence; that is, exchanges and the division of labor.

## *CONCLUSION*

It has been shown thus far that the conception of opulence as expressed by "plenty and cheapness" and its explanation based on Smith's division of labor contains the underlying conception that individuals operate as independent workers whose specialized labor is the source of their earnings. This conception restricts the theoretical content of the notion of stock to its function as stock, that is, as a precondition for the division of labor rather than capital. In this role, stock emerges as an obstacle to the attaining of opulence in Smith's analysis rather than as one of its causes alongside the division of labor. Furthermore, within this conception, the distribution of opulence is conceived of as taking place according to the various classes of specialized labor rather than to the different economic classes. By extension, the dynamics of opulence, and therefore of economic life, are centered on individuals' pursuit of the best reward for their specialized labor. It is these dynamics which come into play in the workings of the market understood in terms of the relationship between natural and market prices.

Throughout this work it was shown that Smith's conception of opulence as "plenty and cheapness" and its explanation based on the division of labor is permeated by a conception of the individual as an independent worker whose source of income

[11] See MEEK (1956, p. 50).

is his specialized labor. This conception restricts the theoretic content of the notion of stock to that of functioning simply as stock, that is, as a condition of the division of labor, and not as capital. In this role, stock emerges, in Smith's analysis, as an obstacle to opulence and not as its cause next to the division of labor. Furthermore, within this conception, the distribution of opulence is conceived in relation to the various classes of specialized labor instead of economic classes. By extension, the dynamic of opulence and, therefore, of economic life, is found in the individual's pursuit of better pay for his specialized labor. It is this dynamic that is found in operation in the functioning of the market described by the relationship between natural price and market price.

If the argument above is valid, then one can conclude that the economic argument of WN could not have been derived from that present in Smith's early works in the ambit of the *Police* discourse. To reach the WN's structure, Smith had to abandon the conception of independent producers in favor of another whose basic characteristic would be a class of individuals in production employing stock as capital. Thus, the genesis of WN is found in the ideas contained in Book II, in particular the emergence of the capital and productive labor categories and not, as traditional theory would have us believe, in Book I, where there exists a supposed analysis of price determination and the allocative role of the market as fundamental to the progress of wealth.

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This article has benefited from the Programa de Apoio à Pesquisa Acadêmica (PAPA) of the Economic Department of FEA-USP with the financial support of Fundação Instituto de Pesquisas Econômicas (FIPE).

(Recebido em outubro de 1996. Aceito para publicação em novembro de 1997).