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GROWTH AND STASIS.

Adam Smith's economics were based on a broad philosophical tradition concerned with natural law and human nature. The basic premise here, which he derived from Pope, Hutcheson and others, was that man and the natural laws of the universe were in tune. The secret was to release the inhibitions and constraints and then there would be development. Smith's apparent belief in the natural tendency towards progress, and particularly economic progress, is well known. There was the early statement that "Little else is requisite to carry a State to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things."¹ Dugald Stewart believed that in his **Wealth of Nations**, Smith had given a 'theoretical delineation' of the 'natural progress of opulence in a country' and the causes, 'which have inverted this order in the different countries of modern Europe.'² Furthermore Stewart elaborated what he saw to be Smith's aim, which was to bring human institutions into line with the 'nature of things', which would then lead to the natural growth of wealth. As Stewart saw it, 'the great and leading object of his speculations is, to illustrate the provision made by nature in the principles of the human mind, and in the circumstances of man's external situation, for a gradual and progressive augmentation in the means of national wealth; and to demonstrate, that the most effectual plan for advancing a people to greatness, is to maintain that order of things which nature has pointed out, by allowing every man, as long as he observes the rules of justice, to pursue his own interest in his own way, and to bring both his industry and his capital into the freest competition with those of his fellow-citizens.'³

This attempt to free the natural instincts of man is behind Smith's famous description of man's competitive and rational drives. Smith assumes that the force which leads to the division of labour and accumulation of wealth is 'a certain propensity in human nature...to truck, barter, and exchange one thing for another'. This is a distinctive and original feature of mankind, connected to the development of reason and speech. It is common to all men, and to be found in no other race of animals, which seem to know neither this nor any other species of contracts.'⁴ One could go back even further; 'If we should enquire into the principle in the human mind on which this disposition of trucking is founded, it is clearly the natural inclination every one has to persuade. The offering of a shilling, which to us appears to have so plain and simple a meaning, is in reality offering an argument to persuade one to do so and so as it is

¹Stewart, **Works**, X, 68.

²Stewart, **Works**, X, 36.

³Stewart, **Works**, X, 60

⁴Smith, **Wealth**, I, 17

for his interest. Men always endeavour to persuade others to be of their opinion even when the matter is of no consequence to them.⁵ Once this natural tendency is allowed freedom, the division of labour will mean that '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.'⁶

One of Smith's central concerns was to explain, why, all else being equal, wealth would grow 'naturally'. One part of his argument lay in a theory of the natural creativity and ingenuity of man, very much along the lines of 'necessity is the mother of invention'. He took it as an axiom that it was a special property of man, as distinct from other animals, to be inventive in relation to technology. 'Man has received from the bounty of nature reason and ingenuity, art, contrivance, and capacity of improvement far superior to that which she has bestowed on any of the other animals, but is at the same time in a much more helpless and destitute condition with regard to the support and comfort of his life.'⁷ The push towards invention thus came from the fact that humans were so poorly supplied in their natural state.

He pointed to the fact that nearly all inventions came out of a desire to improve the material world. 'Indeed to supply the wants of **meat, drink**, cloathing, and lodging allmost the whole of the arts and sciences have been invented and improved.'⁸ He asked 'How many artists are employed to prepare those things with which the shops of the uphorsterrer, the draper, the mercer and cloth-seller <?>, to clip the wool, pick it, sort it, spin, comb, twist, weave, scour, dye, etc. the wool, and a hundred other operators engaged on each different commodities?'⁹ This led him to the belief that 'in a certain view of things all the arts, the science<s>, law and government, wisdom, and even virtue itself tend all to this one thing, the providing meat, drink, rayment, and lodging for men, which are commonly reckoned the meanest of employments and fit for the pursuit of none but the lowest and meanest of the people.'¹⁰

Everything, in the end, came down to practical necessities, to the shifting of atoms. 'Even law and government have these as their finall end and ultimate object. They give the inhabitants of the country liberty and security in the cultivat[ion of] the land which they possess in safety, and their benign influence gives room and opportunity for the improvement of all the various arts and sciences.'¹¹ He was deeply

⁵ Smith, **Jurisprudence**, 352.

⁶Smith, **Wealth**, I, 26

⁷Smith, **Jurisprudence**, 334

⁸Smith, **Jurisprudence**, 337

⁹Smith, **Jurisprudence**, 337

¹⁰Smith. **Jurisprudence**, 338

¹¹Smith, **Jurisprudence**, 338

aware of the complex chain of operations that had led to the apparently simple material objects around him. 'How many have been required to furnish out the coarse linnen shirt [which] he wears; the tanned and dressed-leather-shoes; his bed which he rest<s> in; the grate at which he dresses his victuals; the coals he burns, which have been brought by a long land sea carriage...'¹²

Yet there was still the puzzle of how all these technologies, however desirable, had emerged. Here Smith seems to have made a distinction between small 'micro' inventions, craft or implicit knowledge and 'macro' or 'scientific' or explicit knowledge. He believed that mankind's ingenuity and the concentrated attention which was one consequence of an increasing division of labour would automatically generate small inventions. 'When one is employed constantly on one thing his mind will naturally be employed in devising the most proper means of improving it. It was probably a farmer who first invented the plow, tho the plough wright perhaps, having been accustomed to think on it <?> And there is none of the inventions of that machine so mysterious that one or other of these could not have been the inventor of it. The drill plow, the most ingenious of any, was the invention of a farmer.'¹³ He believed that the process was still at work in industrial manufacture. 'But if we go into the work house of any manufacturer in the new works at Sheffiel<d>, Manchester, or Birmingham, or even some towns in Scotland, and enquire concerning the machines, they will tell you that such or such an one was invented by some common workman.'¹⁴

On the other hand he was also aware that the great 'macro' inventions required a large, non-obvious, leap of imagination. They required 'science' or formalized knowledge of some kind. He made the distinction, as often, with an example. 'The wheel wright also, by an effort of thought and after long experien<ce>, might contrive the cog wheel which, turne[n]d by a verticall winch, facilitated the labour exceedingly as it gave the man a superior power over it. But the man who first thought of applying a stream of water and still more the blast of the wind to turn this, by an outer wheel in place of a crank, was neither a millar nor a mill-wright but a philosopher, one of those men who, tho they work at nothing themselves, yet by observing all are enabled by this extended way of thinking to apply things together to produce effects to which they seem noway adapted.'¹⁵

He devoted a good deal of thought to how such 'philosophers' worked and made their discoveries. In essence they had to 'imagine' something that did not yet exist, rather than make minor improvements to what already existed. Their difficulty is summarized as follows, where the process of invention and subsequent refinement is well put. 'The machines that are first invented to perform any particular movement are always the most complex, and succeeding artists generally discover that, with fewer wheels, with fewer principles of motion, than had originally been employed, the same effects may be more easily produced. The first systems, in the same manner, are always the most complex, and a particular connecting chain, or principle, is generally thought necessary to unite every two seemingly

¹²Smith, **Jurisprudence**, 339

¹³Smith. **Jurisprudence**, 346

¹⁴Smith, **Jurisprudence**, 351

¹⁵Smith. **Jurisprudence**, 346-7

disjointed appearances...'¹⁶

Smith believed that humans were naturally curious and ingenious. If these traits were encouraged, there would be rapid technical progress to improve material well-being. More difficult to explain were the 'macro' inventions, where he would no doubt have stressed the need for money, a network of contacts, leisure and curiosity. He also stressed an 'open' intellectual climate, that is a diversity of religious and political opinions, none of them dominant - a competitive world similar to the free trade and competition of the market. 'One thing that has contributed to the increase of this curiosity is that there are now severall sects in Religion and politicall disputes which are greatly dependent on the truth of certain facts.'¹⁷ He had found such a world stimulating in eighteenth-century Scotland.

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Smith introduced his principle of the division of labour into his lectures sometime in the 1750s. By the time of his lectures on Jurisprudence in 1766, he was already using his favourite example, the pin-maker.¹⁸ But he also gave other examples where the division of labour had been in operation. For example, if one took a simple iron tool, 'how many hands has it gone thro. - The miner, the quarrier, the breaker, the smelter, the forger, the maker of the charcoall to smelt it, the smith, etc. have had a hand in the forming it.'¹⁹ This division of labour was the key to improvement and growing opulence. As Smith put it 'It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people.'²⁰ Generalizing from his pin makers, he found that 'In every other art and manufacture, the effects of the division of labour are similar to what they are in this very trifling one; though, in many of them, the labour can neither be so much subdivided, nor reduced to so great a simplicity of operation. The division of labour, however, so far as it can be introduced, occasions, in every art, a proportionable increase of the productive powers of labour. The separation of different trades and employments from one another, seems to have taken place, in consequence of this advantage. This separation too is generally carried furthest in those countries which enjoy the highest degree of industry and improvement; what is the work of one man in a rude state of society, being generally that of several in an improved one.'²¹

¹⁶Smith, **Philosophical**, 66

¹⁷Smith, **Rhetoric**, 102

¹⁸Smith, **Jurisprudence**, 341

¹⁹Smith, **Jurisprudence**, 339

²⁰Smith, **Wealth**, I, 15

²¹Smith, **Wealth**, I, 9

The reasons for the increase in production and hence wealth were three-fold. 'This great increase of the quantity of work which, in consequence of the division of labour, the same number of people are capable of performing, is owing to three different circumstances; first to the increase of dexterity in every particular workman; secondly, to the saving of the time which is commonly lost in passing from one species of work to another; and lastly, to the invention of a great number of machines which facilitate and abridge labour, and enable one man to do the work of many.'²² For, as he had put it more succinctly in a lecture twelve years earlier, 'the division of labour increases the work performed from three causes: dexterity acquired by doing one simple thing, the saving of time, and the invention of machines which is occasioned by it.'²³ It is interesting that the third of his reasons was rather different. By breaking up a task into its component parts, it could more clearly be seen where a machine could replace a human being.

The advantages in terms of the improvements in technology, including machinery, were equally important, for the division of labour tended to make micro-inventions more likely. A nice example of how this worked, and to prove his point that most mechanical inventions were made by the workers themselves, was as follows. He described how in the first steam engine, 'a boy was constantly employed to open and shut alternately the communication between the boiler and the cylinder, according as the piston either ascended or descended. One of those boys, who loved to play with his companions, observed that, by tying a string from the handle of the valve which opened this communication to another part of the machine, the valve would open and shut without his assistance, and leave him at liberty to divert himself with his play fellows. One of the greatest improvements that has been made upon this machine, since it was first invented, was in this manner the discovery of a boy who wanted to save his own labour.'²⁴

Of course, not only is the story, as the footnote to this passage shows, mythical, but Smith omits the fact that in most societies the boy would have put himself out of a job in this way. Yet the more general point concerning the inter-actions between mechanization and the division of labour is an interesting one. Basically Smith had located the organizational and mechanical side of the industrial revolution. He only lacked the realization of the power of the 'fire engine' as he called it, in other words the steam engine.

He came very close to understanding the potential of new machinery in his early lectures when he discussed the effects of mechanical inventions, and in particular the replacement of human energy by animal, wind and water power. 'The invention of machines vastly increases the quantity of work which is done. This is evident in the most simple operations. A plow with 2 men and three horses will till more ground than twenty men could dig with the spade. A wind or water mill directed by the miller will do more work than 8 men with hand-mills, and this too with great ease, whereas the handmill was reckoned the hardest labour a man could be put to, and therefore none were employed in it but those who had been guilty of some capitall crime. But the handmill was far from being a contemptible machine, and had required a good deal of ingenuity in the invention.'²⁵ Even with James Watt down the corridor,

²²Smith, **Wealth**, I, 11

²³Smith, **Jurisprudence**, 350

²⁴Smith, **Wealth**, I, 13-14

²⁵ Smith, **Jurisprudence**, 346.

however, he did not realize the revolution that was just emerging as fossil fuels opened up a vast store of carbon energy.²⁶

He did, however, notice a further effect of the division of labour beyond improving production and the chances of mechanical inventions. This was that it led to trade and exchange. '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.'²⁷

The process was in fact circular and cumulative. Surpluses created exchange or commerce, commerce then encouraged further division of labour and specialization. 'Hence as commerce becomes more and more extensive the division of labour becomes more and more perfect.'²⁸ He could see this, for instance within commerce itself if he compared even the fairly advanced parts of Scotland with London 'A merchant in Glasgow or Aberdeen who deals in linnen will have in his warehouse Irish, Scots, and Hamburgh linnens, but at London there are separte dealers in each of these.'²⁹ Thus the growth of commercial wealth and division of labour were in many ways two sides of a coin. His dynamic central force was factory production. He had thus almost seen the way in which a commercial economy would break into an industrial one but without the energy revolution could not quite solve the riddle.

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Smith believed that an increase in commercial activity would lead to an improvement in 'civility'. His prime evidence for its moral effects came from a comparison of various European countries. 'Whenever commerce is introduced into any country, probity and punctuality always accompany it. These virtues in a rude and barbarous country are almost unknown. Of all the nations in Europe, the Dutch, the most commercial, are the most faithfull to their word. The English are more so than the Scotch, but much inferiour to the Dutch, and in the remote parts of this country they <are> far less so than in the commercial parts of it.'³⁰

²⁶ See Kindleberger and the comments by Briggs and Hartwell in Wilson and Skinner (eds), **The Market** for a discussion of why Smith may have missed the implications of the new sources of power.

²⁷Smith, **Wealth**, I, 26

²⁸Smith, **Jurisprudence**, 356

²⁹Smith, **Jurisprudence**, 355

³⁰Smith, **Jurisprudence**, 538

He believed that this had nothing to do with race, but rather that self-interest motivated it. 'There is no natural reason why an Englishman or Scotchman should not be as punctual in performing agreements as a Dutchman. It is far more reduceable to self interest, that general principle which regulates the actions of every man, and which leads men to act in a certain manner from views of advantage, and is as deeply implanted in an Englishman as a Dutchman. A dealer is afraid of losing his character, and is scrupulous in observing every engagement.'³¹ The reason why the balance shifted from competitive individualism to co-operative behaviour lay in the frequency of transactions. Wherever dealings are frequent, a man does not expect to gain so much by any one contract as by probity and punctuality in the whole, and a prudent dealer, who is sensible of his real interest, would rather chuse to lose what he has a right to than give any ground for suspicion.³² Thus honesty became the best policy. Reputation in the longer term was more important than short-term gain.

Smith was also interested in the effects of commerce on art and aesthetics. He started by noting that there was a shift in literary style, from poetry and allusive, dramatic, art, to the more practical prose. 'Prose is naturally the Language of Business; as Poetry is of pleasure and amusement. Prose is the Stile in which all the common affairs of Life all Business and Agreements are made.'³³ But he then widened this out to improvements in all arts. 'Tis the Introduction of Commerce or at least of opulence which is commonly the attendant of Commerce which first brings on the improvement of Prose. - Opulence and Commerce commonly precede the improvement of arts, and refinement of every Sort.'³⁴ He may have had in mind that much art requires leisure, patronage and so on, but there is an implication of something more when he talks of 'refinement'. The mentality bred by commercial societies took them away from the 'rough' manners of warrior societies. He may have had the contrast of the Highland lairds of his youth and contemporary Edinburgh or Glasgow in his mind.

Like most great thinkers, Smith's thought arose out of and reflected a series of contradictions. One of these was between his belief that, all else being equal, there was a natural tendency towards the increase of wealth and his realization that in fact such progress only fitfully occurred.³⁵ This was linked to a second contradiction. Even those countries which seemed to have progressed farthest seemed to have hit some kind of ceiling. In trying to solve these problems he laid the foundations of economics.

Smith did not find it difficult to see why, despite the 'tendency' towards opulence, many societies and civilizations had, in their early stages, remained poor for so long. There was a vicious circle of poverty

³¹Smith. **Jurisprudence**, 538

³²Smith, **Jurisprudence**, 539

³³Smith, **Rhetoric**, 137

³⁴Smith, **Rhetoric**, 137

³⁵ Cf. Meek, **Ignoble**, 238-9 who notes that Smith was setting up a 'tendency' which was very often not fulfilled.

'Bare subsistence is almost all that a savage can procure, and having no stock to begin upon, nothing to maintain him but what is produced by the exertion of his own strength, it is no wonder that he continues long in an indigent state.³⁶ Invoking the division of labour, he wrote 'This is one great cause of the slow progress of opulence in every country; till some stock be produced there can be no division of labour, and before a division of labour take place there can be very little accumulation of stock.³⁷ People were forced to share any surplus rather than accumulate a reasonable capital. 'The other arts were all proportionally uncultivated. In was impossible for a man in this state, then, to lay out his whole fortune on himself; the only way ... to dispose of it was to give it out to others.³⁸ The ecology was often unimproved and inhospitable; '...Tartary and Araby labour under both these difficulties. For in the first place their soil is very poor and such as will hardly admit of culture of any sort, the one on account of its dryness and hardness, the other on account of its steep and uneven surface.³⁹ Communications were often very poor - particularly with an absence of water transport. 'This is still the case in Asia and other eastern countries; all inland commerce is carried on by great caravans, consisting of several thousands, for mutual defence, with wagons, etca.⁴⁰

Hovering over all this was constant predation. There was internal predation of the powerful on the weak. 'There could be little accumulation of stock, because the indolent, which would be the greatest number, would live upon the industrious, and spend whatever they produced.⁴¹ Even if such internal predation could be controlled, there was the danger from foreign invaders. 'Among neighbouring nations in a barbarous state there are perpetual wars, one continually invading and plundering the other, and tho' private property be secured from the violence of neighbors, it is in danger from hostile invasions. In this manner it is next to impossible that any accumulation of stock can be made.⁴² He pointed out that 'When people find themselves every moment in danger of being robbed of all they possess, they have no motive to be industrious.⁴³ He concluded that 'Thus large tracts of country are often laid waste and all the effects carried away: Germany too was in the same condition about the fall of the Roman Empire.

³⁶Smith, **Jurisprudence**, 521

³⁷Smith, **Jurisprudence**, 522

³⁸Smith, **Jurisprudence**, 50

³⁹Smith, **Jurisprudence**, 223

⁴⁰Smith, **Jurisprudence**, 528

⁴¹ Smith, **Jurisprudence**, 522

⁴² Smith, **Jurisprudence**, 522

⁴³ Smith, **Jurisprudence**, 522

Nothing can be more an obstacle to the progress of opulence.⁴⁴ Nevertheless great civilizations had arisen and overcome these difficulties. Smith's pondered about what traps or impediments then lay in their path. Why was the 'tendency' often so weak and ineffective?

Smith's travels on the Continent, his reading of history and accounts of parts of Asia, led him to a number of conclusions. One was that economic development was possible and indeed had occurred in many parts of Europe. One example of this was his own experience in the rapidly expanding economy of lowland Scotland, which was widened when he was able to make an interesting three-way comparison between England, France and Scotland. 'When you go from Scotland to England, the difference which you may remark between the dress and countenance of the common people in the one country and in the other, sufficiently indicates the difference in their condition. The contrast is still greater when you return from France. France, though no doubt a richer country than Scotland, seems not to be going forward so fast. It is a common and even a popular opinion in the country, that it is going backwards...'⁴⁵ Even though he thought this opinion 'ill founded' he was aware of a check there.

The concept of 'going backwards' is an interesting one and France is one of his prime examples of a slowing down, if not retreat. While in England the payments for labour had been rising for some time, 'In France, a country not altogether so prosperous, the money price of labour has, since the middle of the last century, been observed to sink gradually with the average money price of corn. Both in the last century and in the present, the day-wages of common labour are there said to have been pretty uniformly about the twentieth part of the average price of the septier of wheat, a measure which contains a little more than four Winchester bushels. In Great Britain the real recompense of labour, it has already been shown, the real quantities of the necessaries and conveniences of life which are given to the labourer, has increased considerably during the course of the present century. The rise in its money price seems to have been the effect, not of any diminution of the value of silver in the general market of Europe, but of a rise in the real price of labour in the particular market of Great Britain, owing to the peculiarly happy circumstances of the country.'⁴⁶

Smith was interested in both the cross-sectional wealth of a nation and changes over time - the dynamics of the situation. All of Europe had seen a sudden spurt forward after about 1500, though certain countries had faltered and even 'gone backwards' later. Particularly striking was the shift of gravity from the Mediterranean to the northern countries. 'Since the discovery of America, the greater part of Europe has been much improved. England, Holland, France, and Germany; even Sweden, Denmark, and Russia, have all advanced considerably both in agriculture and in manufactures. Italy seems not to have gone backwards. The fall of Italy preceded the conquest of Peru. Since that time it seems rather to have recovered a little. Spain and Portugal, indeed, are supposed to have gone backwards. Portugal, however, is but a very small part of Europe, and the declension of Spain is not, perhaps, so great as is commonly imagined.'⁴⁷ Thus Italy was more or less stationary, Portugal and Spain declining.

⁴⁴Smith, **Jurisprudence**, 522

⁴⁵Smith, **Wealth**, I, 102

⁴⁶Smith, **Wealth**, I, 223

⁴⁷Smith, **Wealth**, I, 225

The northern countries had been increasing in wealth but had reached an equilibrium. France had expanded but by the mid eighteenth century seemed more or less stationary. Holland, 'in proportion to the extent of the land and the number of its inhabitants' was 'by far the richest country in Europe.'⁴⁸ It was 'in proportion to the extent of its territory and the number of its people' a 'richer country than England'. The 'wages of labour are said to be higher in Holland than in England and the Dutch, it is well known, trade upon lower profits than any people in Europe.'⁴⁹ Yet Holland also seemed to be stuck, even if it might not be true, as some thought, that it was actually declining.

The one country in Europe which seemed still to be growing rapidly was England. 'Since the time of Henry VIII the wealth and revenue of the country have been continually advancing, and, in the course of their progress, their pace seems rather to have been gradually accelerated than retarded. They seem, not only to have been going on, but to have been going on faster and faster. The wages of labour have been continually increasing during the same period, and in the greater part of the different branches of trade and manufactures the profits of stock have been diminishing.'⁵⁰ As Smith surveyed its history all he could see was a gradual but accelerating growth in wealth, century by century, since Roman times. 'The annual produce of the land and labour of England again, was certainly much greater at the restoration [1660], than we can suppose it to have been about an hundred years before, at the accession of Elizabeth [1558]. At this period too, we have all reason to believe, the country was much more advanced in improvement, than it had been about a century before, towards the close of the dissensions between the houses of York and Lancaster. Even then it was, probably, in a better condition than it had been at the Norman conquest, and at the Norman conquest, than during the confusion of the Saxon Heptarchy. Even at this early period, it was certainly a more improved country than at the invasion of Julius Caesar, when its inhabitants were nearly in the same state with the savages in North America.'⁵¹

However Smith's mind ranged beyond Europe. If continued growth was unusual there, how were other areas faring? Here he made a triadic comparison between the New World of North America, the old world of Europe, and the far Eastern world of China. Summing up his impressions of these three, he found that growth was 'rapidly progressive' in North America, 'slow and gradual' in Europe, and 'altogether stationary' in China. The case of the great civilization of China was particularly intriguing and a good negative case to test out his theories. Basing himself on similar sources to those used by Montesquieu, that is the work of Du Halde and the Jesuit missionaries, Smith described the wealthy but stationary state of China, which he thought had roughly existed for at least the last four hundred years or so. 'China has been long one of the richest, that is, one of the most fertile, best cultivated, most industrious, and most populous countries in the world. It seems, however, to have been long stationary. Marco Polo, who visited it more than five hundred years ago, describes its cultivation, industry, and populousness, almost in the same terms in which they are described by travellers in the present times. It had perhaps, even long before his time, acquired that full complement of riches which the nature of its

⁴⁸Smith, **Wealth**, I, 395

⁴⁹Smith, **Wealth**, I, 102

⁵⁰Smith, **Wealth**, I, 100

⁵¹Smith, **Wealth**, I, 366

laws and institutions permits it to acquire.⁵²

Though it was stationary it did not seem to be declining. 'China, however, though it may perhaps stand still, does not seem to go backwards. Its towns are no-where deserted by their inhabitants. The lands which had once been cultivated are no-where neglected. The same or very nearly the same annual labour must therefore continue to be performed, and the funds destined for maintaining it must not, consequently, be sensibly diminished.'⁵³ Thus it had apparently reached a steady state which others could envy.

Yet while China was 'a much richer country than any part of Europe' it was not only 'stationary' but its common people lived in some hardship. 'The accounts of all travellers, inconsistent in many other respects, agree in the low wages of labour, and in the difficulty which a labourer finds in bringing up a family in China. If by digging the ground a whole day he can get what will purchase a small quantity of rice in the evening, he is contented. The condition of artificers is, if possible, still worse. Instead of waiting indolently in their work-houses, for the calls of their customers, as in Europe, they are continually running about the streets with the tools of their respective trades, offering their service, and as it were begging employment. The poverty of the lower ranks of people in China far surpasses that of the most beggarly nations in Europe.'⁵⁴ There were thus two puzzles. One was why had China remained stationary. The other was, why, in such a rich country, were the lower ranks so miserably poor. Smith suggested that the lack of progress was due to the inward-looking, bounded, nature of China. The other element was the cultivation of rice, which made labour over-abundant and provided large surpluses which encouraged economic inequality.

The bias towards agriculture and against manufacturing and especially foreign trade was noted by Smith. 'The policy of China favours agriculture more than all other employments. In China, the condition of a labourer is said to be as much superior to that of an artificer; as in most parts of Europe, that of an artificer is to that of a labourer. In China, the great ambition of every man is to get possession of some little bit of land, either in property or in lease; and leases are there said to be granted upon very moderate terms, and to be sufficiently secured to the lessees. The Chinese have little respect for foreign trade. Your beggarly commerce! was the language in which the Mandarins of Peking used to talk to Mr. de Lange, the Russian envoy, concerning it. Except with Japan, the Chinese carry on, themselves, and in their own bottoms, little or no foreign trade; and it is only into one or two ports of their kingdom that they even admit the ships of foreign nations. Foreign trade, therefore, is, in China, every way confined within a much narrower circle than that to which it would naturally extend itself, if more freedom was allowed to it, either in their own ships, or in those of foreign nations.'⁵⁵

It was true that China had a very large internal trade. For 'the great extent of the empire of China, the

⁵²Smith, **Wealth**, I, 80

⁵³Smith, **Wealth**, I, 81

⁵⁴Smith, **Wealth**, I, 80-1

⁵⁵Smith, **Wealth**, II, 201

vast multitude of its inhabitants, the variety of climate, and consequently of production in its different provinces, and the easy communication by means of water carriage between the greater part of them, render the home market of that country of so great extent, as to be alone sufficient to support very great manufactures, and to admit of very considerable subdivisions of labour. The home market of China is, perhaps, in extent, not much inferior to the market of all the different countries of Europe put together.⁵⁶ Yet this enormous internal opportunity had turned the Chinese inwards. Without foreign trade they became too bounded and unable to benefit from external ideas and improvements. The following passage, which echoes to a considerable extent the ideas of Du Halde upon whom Smith was dependent, summarizes one of Smith's main theories to account for China's stagnation, and by implication one of the reasons for Europe's relative dynamism. 'A more extensive foreign trade, however, which to this great home market added the foreign market of all the rest of the world; especially if any considerable part of this trade was carried on in Chinese ships; could scarce fail to increase very much the manufactures of China, and to improve very much the productive powers of its manufacturing industry. By a more extensive navigation, the Chinese would naturally learn the art of using and constructing themselves all the different machines made use of in other countries, as well as the other improvements of art and industry which are practised in all the different parts of the world. Upon their present plan they have little opportunity of improving themselves by the example of any other nation; except that of the Japanese.'⁵⁷

Another thing Smith noted, like Montesquieu, was that the fruitfulness of rice led to a very dense population. 'In rice countries, which generally yield two, sometimes three crops in the year, each of them more plentiful than any common crop of corn, the abundance of food must be much greater than in any corn country of equal extent. Such countries are accordingly much more populous.'⁵⁸ One consequence was that the rich could purchase large numbers of followers in a way that was impossible in Europe. Wealthy people 'having a greater super-abundance of food to dispose of beyond what they themselves can consume, have the means of purchasing a much greater quantity of the labour of other people. The retinue of a grandee in China or Indostan accordingly is, by all accounts, much more numerous and splendid than that of the richest subjects in Europe.'⁵⁹ Smith also notes that China and India though not 'much inferior' were definitely 'inferior' in their 'manufacturing art and industry' to Europe.⁶⁰ At this point he does not make any connection between the availability of very cheap and plentiful labour and the relative inferiority of manufacturing and machinery.

A second consequence of rice cultivation was that it encouraged extreme social stratification, a class of landlords. This was again because of the bountifulness of rice. 'Though its cultivation, therefore, requires

⁵⁶Smith, **Wealth**, II, 202

⁵⁷Smith, **Wealth**, II, 202

⁵⁸Smith, **Wealth**, I, 228

⁵⁹Smith, **Wealth**, I, 228

⁶⁰Smith, **Wealth**, I, 229

more labour, a much greater surplus remains after maintaining all that labour. In those rice countries, therefore, where rice is the common and favourite vegetable food of the people, and where the cultivators are chiefly maintained with it, a greater share of this greater surplus should belong to the landlord than in corn countries.⁶¹

The other effect of the bountifulness of rice is to produce not only a very dense population, but one which will continue to grow ever more dense at every opportunity. In this way, as Smith noted, it tends to have the same effect as potatoes. Because of the much higher food value of potatoes, 'much superior to what is produced by a field of wheat', Smith thought that 'Should this root ever become in any part of Europe, like rice in some rice countries, the common and favourite vegetable food of the people, so as to occupy the same proportion of the lands in tillage which wheat and other sorts of grain for human food do at present, the same quantity of cultivated land would maintain a much greater number of people, and the labourers being generally fed with potatoes, a greater surplus would remain after replacing all the stock and maintaining all the labour employed in cultivation. A greater share of this surplus too would belong to the landlord. Population would increase, and rents would rise much beyond what they are at present.'⁶² Thus one would simultaneously have richer landlords and a swarming population. The same was true of rice. It encouraged the population to rise. 'Marriage is encouraged in China.'⁶³ If he had been able to obtain better data he would have realized that since the late seventeenth century Chinese population had risen very fast. What he was roughly describing in his description of a long stationary period is the famous 'high level equilibrium trap'.⁶⁴

⁶¹Smith, **Wealth**, I, 178

⁶²Smith, **Wealth**, I, 179

⁶³Smith, **Wealth**, I, 81

⁶⁴ Elvin, **Pattern**, 203