

HISTORY OF ECONOMY AND POLITICAL ECONOMY

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A. SMITH'S "WEALTH OF NATIONS" AND FOUNDATIONS OF THE POLITICAL ECONOMY

The article contains the critics of the negative election to A. Smith doctrine, which do impossible the adequate understanding the foundations of the political economy are inherent to it. It is show that adherents of the modern neoclassical orthodoxy accents only separate parts of this doctrine in differently with main scientists in the sphere of the theory and methodology. The necessity of the radical change of the attitude to A. Smith's "Wealth of nations" is grounded. The use of the universumic method to the analysis A. Smith's main economic book and doctrine is proposed. It allows determine the humanistic and theological interpretation to your views to homo oeconomicus, Foresight's invisible hand, freedom and state's role in the economy and society.

Key words: election, universumic, homo oeconomicus, freedom, free market, Foresight's invisible hand, state's role.

Formulation of a problem. If the this impossible became possible and A. Smith would live now, that watching the wild capitalization of number new independent states and triumph *homo oeconomicus* on vast world spaces, he would not repudiate one's basic idea him "Wealth of nations" [1]. We can only suspect about corrections, which A. Smith would inculcate in your fundamental work, but it would were inculcated because for A. Smith's creative nature would show itself. But A. Smith would not agree decisive with *noncritical and election attitude* to him doctrine. This is deserving position, which merit deepest respect.

Last researches and publications analysis. It is thinking, A. Smith would not was offended with attention to him and his book, and in this sense the situation is not

changed for 240 years. The greatest thinkers and scientists – D. Ricardo, J. St. Mill, K. Marx, A. Marshall, T. Veblen, J. M. Keynes – the classes and founders the modern directions of economic thought considered A. Smith their teacher and forerunner. The noted representatives of the economic science theory, methodology and history – Ch. Gide, Ch. Rest [2], Jos. Schumpeter [3], B. Seligman [4], M. Blaug [5] and other – studied and investigated the A. Smith's doctrine and ideas. Everyone scientist respecting himself consider your duty to master the A. Smith's works and base oneself in researches on A. Smith's ideas. A. Smith continues to inspire with artists, sculptors, literary men, poets, - for them he display the unique type not only “great economist” and philosopher, but Man and Personality.

Formulation of the article object. I think not, that A. Smith would may to resist this frank respecting. He would had not sufficiently forces and knowing this inescapability he would turned ones to scientific studies that are more pleasant for him and more necessary for society. Therefore goal this article is criticism no A. Smith doctrine but election attitude to it, researching the principled important thesis: the universumic doctrine requires no election but universumic method, because only one permits to watch the foundations of political economy – the main A. Smith's child.

Account of the basic material. *Homo oeconomicus: A. Smith versus orthodoxy.* First of all we must pay attention to negative election, which different from positive election suppose the isolation some fragment of the doctrine, identify this fragment with whole doctrine, then tactless, roguish substitution because of political or other unscientific goals. The goals of positive election are principally different. The main goal is the sunken, fundamental and critical research elected fragment, its development to some scientific construction (hypothesis, conception, theory and so on). Evidently the negative election is deserved the implacable, absolute criticism, but relative criticism in its various kinds is corresponded to the positive election [6, p. 478-493].

The absolute criticism is corresponded to reduction of tremendous and rich substance A. Smith's doctrine for two mainly trivial thesis: (1) everyone man strive for first of all and mainly one's own egoistic interests, and if he do it more and more skillfully and efficiently, he bring to society the more utility as a result; (2) the “invisible hand” of free from any limitations market secure this strive and bring. At well known “dashing” 90-th years this thesis had fashion in political, bohemia's, liberal-scientific circles and was determined as main theoretic foundations of the liberalism and its economic version with its free entrepreneur, trade and market. So, A. Smith's was declared the father of the “shocking” economic reforms.

Surely mention trivial thesis are not the exact citations by “Wealth of nations”, but it reflect some one's part. This part is significant but not so important as its

adherents and “apostles”. A. Smith really studied the *homo oeconomicus*, but not because for liked to him and considered him as higher attainment of the history. On the contrary, but A. Smith, as impartial and honest researcher of modern for him realities of capitalism, which was born and developed, was must pay attention to this “hero of the time” who rapidly established the power in the economy and politics. As naturalist who scrupulously study any new phenomenon of the nature and that is why sacrifice by scrupulous relation to well known phenomenon, A. Smith mainly abstract from spiritual, social and higher nature man's components, which he well knew, respected and researched in the “Theory of the moral senses”.

In the “Wealth of nations” A. Smith professionally studied the *homo oeconomicus* who acts in the economy and the economic processes with *homo oeconomicus* as main “actor”. A. Smith investigates not only the external phenomenon of that acts, but its invisible, internal sources and foundations. The adherents of the “invisible hand” of the free market keep silence about this not by chance. In the “Wealth of nations” this “hand” is became the *visible* with many positions. A. Smith, attempting to understand and describe the *social-economic particulars* the *homo oeconomicus* as capitalist, landowner, hired worker, consumer, trader, the adequate wealth's researches and forms for these particular social-economic figures, lay the foundations of the theories production's factors, costs, working value, utility, demand and supply, absolute advantages, without which the appearance of the modern economic science is not thought. A. Smith, of course, straight not indicate that theories of production's factors and costs are corresponded to the interests of the capitalists and theory of working value, - to the interests of the hired workers, but the careful study of the corresponding texts “Wealth of nations” convince of these. May be A. Smith was guided by *social-economic and polycular vision* not only verbal-theoretic, intuitively. May be, but that is why and not only on right of first place in the productive investigate the main economic problems, the more part of the scientists admits that A. Smith is the *founder of political economy – the science about the nature and foundations wealth of nations*.

The critics of the methodology dualism, theoretic eclectic and other “sins” of A. Smith time must understand that they are guided by rules of the text-criticism, which is election because mainly operate with some fragments of the text and which is not corresponding the universumic content and character doctrine of A. Smith. “Wealth of nations” is inalienable part of this doctrine and inevitably has its “birth” indications. The *homo oeconomicus* of “Wealth of nations” is not his “robot - brother” from modern neoclassic orthodoxy, who clearly and exactly calculate his benefits and costs, pleasures and sacrifices, skifully choose the most economic effective variant of the usage of the limited resources, as well as human, in own egoistic interests. This “brother” has not satisfied with economic power, he

successfully claims to the total domination in the politic, culture, society. The bearers of his apologetic and glamour features often appropriate the name of the followers A. Smith. It is not correctly, and A. Smith would not admit with it.

The figure of the modern orthodoxy robot - *homo oeconomicus* is the appropriate result of the negative election to not only A. Smith's doctrine, his "Wealth of nations", but and his *homo oeconomicus*. A. Smith's *homo oeconomicus* is not only economic man, he is context – man, therefore A. Smith, studying his features, was guided not orthodoxy positivistic, but moral – philosophical, Educational standards. Therefore A. Smith could not abstract from natural, spiritual, social, political kinds of the man – personality in the full extent. The author of the unsurpassed "Theory of the moral senses" could not was limited with study only economic part of the man. May be it is paradox, but exactly the not economic, moral-philosophical context of "Wealth of nations" and it not full scientific approaches (from the position of the modern orthodoxy positivism) allowed to A. Smith to formulate the economic postulates, which are the reliable foundations of the modern fundamental economic science, first of all heterodoxy.

"The invisible hand": Foresight versus market. Those economic postulates, first of all the primaries of the economic theories, A. Smith "dressed" to social-economic forms and illuminated by the moral-philosophical and intellectual "searchlight". Above we showed it in relation with the trivial thesis (1) about the *homo oeconomicus*. Now we shall have applied to thesis (2). Strictly textually the concept "invisible hand" is meet only one time¹, contextually – more frequently, but the concept's content in the both cases do not have the direct relation with the market and "free" market. Without different metaphors by A. Smith the *homo oeconomicus* see not, firstly, the *economic laws*, which is not visible and claim from the seriously strength for the discovery, study and use; secondly, the *will and laws of Foresight, God*, which are known as His commandments, but are not conceived to end. The economic and God's laws are natural and eternal [3, p. 24-27]. What is turn out? All is simple: in the thesis (2) free market substitutes for God! The market determines and one's, and "god's", and economic laws. The terrible substitution! However for modern robot-*homo oeconomicus* the market is this "god", which must serve for *homo oeconomicus* and nobody only. That kind of fate is determined for economic laws.

Surely, A. Smith otherwise disposed the accents in the correlation God's and economic laws. The first dominate and determine the second. If God's laws are neglected, the economic laws are degenerated to laws of the jungle. I think A. Smith would agree with F. Dostoevsky: "If God is absent, then all is allowed..." The war everyone against everyone win God's world. The modern robot - *homo oeconomicus*

¹ V. Lipov showed it as one of the first in the modern Ukrainian economic literature [7, p. 24].

is not the *homo oeconomicus* of A. Smith. The first strive to establish the economic laws, which are profitable for him and obligatory for other men. For *homo oeconomicus* the market is “god” therefore the first want subdue God. It is alluring in modern slang: “The conquest the market” or softer: “To increase the place on the market”. It is hidden motive of the total *marketisation* of society – education, science, culture, religion, family, most high moral kinds of the man and him personality. This outrage is interpreted as triumph of the freedom, free man's freedom of the choice. What is complaint? This is free market – the “god” of the economic post-modern's epoch.

“Freedom” and freedom. What kind of the freedom is true? The modern *homo oeconomicus* do not interest freedom's universumic sense, high spirit and rich temporal space. He do not observe these freedom's main attributes because he look at himself and environment from the position of the refined economic egoist. Therefore his ideal of the freedom is simple but ambitious. *Homo oeconomicus* dispose the ideal's main modus to line in conformity with correlation himself benefits and sacrifices. Surely he prefers (1) modus of *all the allowance*. “If God is absent, then all is allowed...” *Homo oeconomicus* orders oneself to act exclusively with own opinion and egoistic interests. “What I want, that I act!”

However the world around *homo oeconomicus* is not the product his calculative mind. He regrets for world is not built accordingly to the solipsist's project and is not the creation his egoistic rationality. Therefore *homo oeconomicus* is forced to accept less preferable for him (2) modus of the freedom's ideal, - *he can choose the best variant of his acts*, or in the narrow “redaction” of the modern late economic orthodoxy: most effective variant of using the limited resources for production the commodities and services with the goal to maximize own benefits and minimize sacrifices. *Homo oeconomicus* is forced to accept that freedom is not simple all the allowance, but the permit himself *to choose the best variant own all the allowance*. If the reality is not suitable, *homo oeconomicus* reconstruct it according best variant own all the allowance. (3) modus of freedom's ideal is still less preferable for *homo oeconomicus*, because this modus require the more seriously costs. There are costs for overcome the many limitations for the victory (1) and (2) modus of the freedom's ideal. The “freedom” of *homo oeconomicus* is boundless, it has not any limitation. The market, trade, business are not “free”, if it has any limitations.

What is the any limitations concretely? Of course, for first *homo oeconomicus* second *homo oeconomicus* is not the limitation his freedom, because this second has been take into account as limited resources for first. *Homo oeconomicus* is revolted other limitations: firstly, the *state* and its laws, decisions, decrees and acts, which restricted the freedom; secondly, various *organizations of the civil society*, which announce about its various rights, duties of the *homo oeconomicus* and therefore limit

the ideal and practice his freedom. Answering to these limitations *homo oeconomicus* act very rationality. At first *homo oeconomicus* attempt to convert the state, organizations of the civil society and its limitations into his limited resources and that is why to choose the best variant its using with the rules his all the allowance.

This attempt may be *temporarily* unsuccessful. Why temporarily? Because the difficulties and failures do not stops the *homo oeconomicus*. He continues the acts to elected direction. Simultaneously he act very actively that to limit the state and organizations of the civil society together with all institutes limiting his freedom-all the allowance. For this “*holy*” affair *homo oeconomicus* may become the state employee and/or to convert all state employers into his limited recourses. This is the rare opportunity, when men-*homo oeconomicus* become the colleagues and like-minded persons. However everyone not forget that other is limited recourse. Yes, the egoist may many give to egoist!

So, if to accent not letter but spirit of the problem, that modern *homo oeconomicus* is free as subject of all the allowance always and in all. His appellation to A. Smith's authority is looked ridiculous for scientists, which has the intellectual pleasure to get deeper into works of the thinker. A. Smith was the contemporary of the enlightenment's epoch and trusted to God, and therefore he would not see the refined “modern freedom's ideals” even in frightful dream. His conception of the freedom mean nothing common kinds these “freedom's ideals”. The grate and revolutionary thesis “All men are equal and free from birth” A. Smith developed to humanistic *system of the natural freedom*.

The problem at hand is the *freedom of the man as personality* in the process of universumic life-activity, in the context of which the freedom of the *homo oeconomicus* in the process economic activity is may be understand adequate only.

Surely, A. Smith observing the post-feudal society provided with an acceptance the necessity of the emancipation personality from different feudal limitations, regulations, privileges and so on. By A. Smith it is right for economic activity of the *homo oeconomicus*. But A. Smith not limits by this pleasure for adherents of the orthodoxy attribute of the personality's freedom. By A. Smith it is subordinated to *theological principle of the established harmony and gold rule of the morality* and therefore not deny but determine the *freedom of personalities*. The freedom of first is extended to borders the freedom of other. The authentic personality's freedom is possible only in society of the free personalities, and in this sense the antagonism between the personal and public interests is not real. Therefore K. Marx had full right to write about society in which the free development anyone is the condition of the free development everyone. This is right for A. Smith's *homo oeconomicus*. A. Smith's entrepreneur and trader is as free as the hired worker, peasant, teacher,

scientist is. The free activity of these personalities is powerful source of the wealth of nations [8, p. 53-54].

A. Smith's personality's freedom is impossible without the personality responsibility for acts and its results. The responsibility in the economic relations is extended to the reputation, revenues, property and status of the free man. The problem at hand is the man's responsibility not only to himself or other men, but in the end to Foresight, God and only following to his will, invisible hand, man can acquire the authentic freedom. The man's voice of the conscience is the echo Foresight's voice and therefore the not conscience man has not the freedom.

The free man not must the Foresight's blind instrument that is why he must study the Foresight's objective will. Then the man and his *homo oeconomicus* must study and implement the hallowing by Foresight's will the objective economic laws. This perceived necessity is authentic freedom².

A. Smith is guided to these attributes and discuss about the strong and weak, just and unjust aspects of the free market [8, p. 56]. The successive logical continuation this line of the reasoning give the unexpected for orthodoxy deduction: *disregard of the attributes A. Smith's freedom and triumph freedom's "ideals" of the robot-homo oeconomicus are main reasons of the free market's failures.*

A. Smith's state. The adherents of the *homo oeconomicus* illegal registers to A. Smith the state-phobia. This is yet evidence of the politically (and not only politically) motivated negative election, the substitution of the senses and concepts. We must consider this aspect more in detail. *Firstly*, A. Smith not doubted never the *necessity of the state*, because as enlighteners counted it's the result of the social agreement between the free and equal men for the protection freedom everyone, preventive the war all against all.

Secondly, A. Smith criticizes not state in principle but the concrete historic types of the state, its acts and institutions. For A. Smith the *feudal* state is not the standard, because its kinds are the bureaucrat's despotism, petty guardianship and regulation, social-claster unequal and other. Observing its historic transformation to new capitalistic state A. Smith openly and unambiguously formulates own vision its social and economic role.

² I think that freedom of the man, personality as social-universumic phenomenon is firstly his conscious activity in the temporal sphere of the interval between the calls to man and his answers, reactions to these calls. The instinctive reaction of the animal and the vital into man to external irritations is instantaneous, because the highest sensual-conscious and verbal-theoretic psychology's elements or practically are absented (into animal) or is not acted (into man). The instinctive, proto-conscious elements are dominated. Only free man can break with these relations and continue these moments. He operates to his highest essence forces not only to choose the best variant of answer to call from having variants, but to create own, personality, unique variant, in which he is convinced. And in this sense the man acquires the authentic freedom therefore he can't answers to call differently.

The orthodoxy's adherents usually take attention to A. Smith's thesis about duties of the king. He absolutely not must carry the beyond one's strength for one man duty: to lead the economy with its private subjects and to direct it to acts are adequate to society's interests [8, p. 63]. Founding to this thesis and its negative election the critics of the state made the conclusion about necessity its going away the economy. For the strength own position they appeals to A. Smith's thesis: "Anyone man in the bounds not contradicting the juridical laws has the full freedom to provide with own interests by choose himself method and to enter with own enterprise and capital into competitive with the enterprise and capital other subject or the group of the subjects" [8, p. 62-63]. For first look all is understand: the state is the antipode of the economic freedom. But the position of the critics of the state is very feeble, - textual and contextual.

Of course, *one man* has not enough strength for *guidance* the economy. But A. Smith not removes from *regulation* the economy King's *parliament* and *government*. He straight write about the limits of the economic activity are determined by *juridical laws*. But who create, pass and secure the realization these laws? Only one King? No, of course. These are the duties of the parliament, government and law-court. Surely, the juridical laws may be very different. But A. Smith's position is unambiguously and invariable. As F. Kene he was convinced that juridical laws establishing by state must corresponded with "laws of the natural order" or objective laws, - and economy's, and God's. The harmony in this law's "triangle" may be reachable if the state and economic subjects follows to will of the Foresight and his reflection in the economic laws. In this sense the state is guarantor the formation and support of the market's freedom. If the juridical laws and state's acts are contradicted this will, that the economic and social cataclysms are inevitable, disregard the freedom and responsibility. The state is necessity but the state moral and reasonable.

A. Smith defines concrete *this state's duties* to the society and everyone citizen: "The *first* duty of the sovereign, that of protecting the society from the violence and invasion of other independent societies, can be performed only by means of a military force. But the expense both of preparing this military force in time of peace, and of employing it in time of war, is very different in the different states of society, in the different periods of improvement... The *second* duty of the sovereign, that of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice, requires two very different degrees of expense in the different periods of society... The *third* and last duty of the sovereign or commonwealth, is that of erecting and maintaining those public institutions and those public works, which though they may be in the highest degree advantageous to a great society, are, however, of such a nature, that the profit could never repay the

expense to any individual, or small number of individuals; and which it, therefore, cannot be expected that any individual, or small number of individuals, should erect or maintain. The performance of this duty requires, too, very different degrees of expense in the different periods of society” [1, p. 501, 512, 520]. A. Smith pointed to the mechanism of the acts this state in example the general regulations different taxes [1, p. 588-589].

Surely, *this* state is contradicted to egoistic interests of the modern *homo oeconomicus* and therefore he demands its “resignation”. For example, by A. Smith, the state support of the science, education and the status of the teacher bring to the society more use than damage. Now we see very distinct the results of the *homo oeconomicus's* politics in the education and science of the majority new independent countries.

Conclusion and perspectives of the future researches. We emphasize the brief sums not pretending to maximum and indisputable generalizations. *Firstly*, the negative election is very dangerous for the science and practice. It is inadmissible for attitude to A. Smith's universumic doctrine. His “Wealth of nations” and *homo oeconomicus* may be adequate understood only with help the universumic and integrative methods. These methods may provide with synthetic research the both main parts of A. Smith's doctrine represented his “Wealth of nations” and “Theory moral senses”. Not by chance for many years he thought about its synthesis [8, p. 56].

Secondly, the conversion A. Smith's humane *homo oeconomicus* to calculating robot realized in the orthodoxy economics is represented the real processes of market's victory and defeat of Christianity in the western society. The adherents of the free market not forms the scientific alternative to this negative processes, they are occupied with apology of the expansion robot-*homo oeconomicus* to all spheres of the human life-activity. We must understand that necessary alternative is impossible without the active study A. Smith's doctrine, critical development and continuation its traditions.

Thirdly, if the followers and loyalists of the political economy can win in the struggle for its present and future, they must develop its philosophical and moral foundations, feed one's the life-giving juices of the highest achievements of the human spirit and therefore firmly establish its substance's attributes of the universality, universumality and foundality. The political economy has mission of the study the activity in the economy not only *homo oeconomicus* but man as personality in all wealth his phenomenon, not only economic wealth but spiritual, social, ecological wealth, providing with an acceptance its nature, foundations and genesis. Only on this way A. Smith's “Wealth of nations” is received the worthy continuation and the political economy, - the new impulse of the development.

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