THE CHALLENGE OF ADAM SMITH FOR MARXISM

Marxists have generally been content to elaborate and interpret Marx’s own interpretation of political economy. They have generally not outlined a critique of rival interpretations of economics made by intellectuals who generally support the supposed superiority of the capitalist system. Possibly the most important intellectual they ignore is Adam Smith and his classic ‘An Inquiry into the nature and causes of the Wealth of Nations’ (two volumes, Clarendon Press, Oxford 1976) Smith is aware that the role of labour is of crucial importance for the development of the economic wealth of a country. He comments: “The annual labour of every nation is the fund which originally supplies it with all the necessities and conveniences and necessities of life which it annually consumes, and which consist always, either in the immediate produce of that labour, or in what is purchased with that produce from other nations.”(p10) Hence the issue is to what extent is this observation connected to a defence of the capitalist economic system, or is he implying that the role of labour is what is of importance in understanding the character of productive activity? Smith is aware that what is of primary significance in relation to addressing these issues is the importance of useful and productive labour. In other words, without this aspect, it would not be possible to consider that production and economic wealth could be possible. This aspect is connected to the related importance of the division of labour, of the fact that people are engaged in a system of different occupations and the creation of distinct goods. Such a development is also an expression of the importance of the skills of the workers involved in different occupations and the relation of these aspects to the role of machinery which enables skill to be connected to the possibility of high levels of productivity. In this manner the talents of people as producers are based on the role of different occupations, and in a collective manner this enables a process of economic activity to occur. But it is implicitly being assumed that this development is based on the exchange of products of what has become an individual system of economic activity: “When the division of labour has been once thoroughly established, it is but a small part of a man’s wants which the produce of his own labour can supply. He supplies the far greater part of them by exchanging that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men’s labour as he has occasion for. Every man thus lives by exchanging, or becomes in some measure a merchant and the society itself grows to be what is properly a commercial society.” (p37) However this understanding does not establish how the necessity of the exchange of the products of different producers in order to met human needs must require a system of private ownership of the means of production. Instead, this perspective is merely a logical assumption based on the necessity for the creation of different goods by a diverse collection of producers. It could be suggested that this type of economic activity could be reconciled with a system of collective economic activity by producers who are connected in terms of the role of a plan of production and exchange. Hence it has to be suggested that the assumption by Smith that this type of economic system is based on the private ownership of the means of production is an ideological standpoint, and so is not necessarily an un-problematical conclusion from the supposed logic of productive activity. It could be immediately established that the realisation of individual needs could be based on a system of collective ownership of the economic process by the workers. However, Smith obviously does not make this conclusion because he cannot politically contemplate the feasibility and validity of this type of system. But what he does establish is a possible problem for this defence of capitalism in terms of his acceptance of the view that labour is the primary basis of the creation of economic wealth: “Every man is rich or poor according to the degree in which he can afford to enjoy the necessities, conveniences and amusements of human life. But after the division of labour has once thoroughly taken place, it is but a very small part of these with which a man’ own labour can supply him. The far greater part of them he must derive from the labour of other people, and he must be rich or poor according to the quantity of that labour he can command, or which he can afford to purchase. The value of any commodity, therefore to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which enables him to purchase or command. Labour, is the real measure of the exchangeable value of all commodities.” (p47) Thus Smith outlines the importance of labour for the generation of economic wealth as a result of its productive activity. But this understanding also implicitly questions the validity of capitalism, which is a point elaborated by Marx. However, Smith implies that the economic system is based on the realisation of the interests of labour in terms of this expression of its very ability to define the character of the aims of production in terms of being able to influence the process of the exchange of the products created in the role of economic activity. In other words, the character of capital and labour is considered to be related in terms of the objective of creating goods for the process of exchange, and in that manner, wealth is made. Thus, capital and labour are not differentiated in terms of distinct and opposed economic interests. Instead, these forces are united in terms of understanding the importance of creating goods for exchange and in that manner the possibility of prosperity is realised. Hence the approach of Smith is based upon the rejection of the view that the character of capital and labour represent opposites that cannot be reconciled. Indeed, his approach blurs the distinction between capital and labour because both these aspects express the aim of the creation of production for the purpose of exchange and in that manner the generation of wealth occurs. This standpoint rejects the view of Marx that the very aims of capital must be realised at the expense of the interests of labour. What is being suggested is that the only credible character of productive activity is that it is based on the objective of creating the economic and material conditions to reward the work of labour. Thus, labour recognises itself as the basis of capital, and so the perspective of the generation of surplus value is being rejected because that would imply that labour generates its own exploitation. Instead, what is being assumed is that the workers recognise their own capacity to create wealth and so this aspect implies that they are in some sense able to define the character and role of the process of production. This perspective would imply that the capitalist is not the expression of a distinct and privileged class but is instead an economic force that cooperates with labour in the creation of goods in order to create the wealth and prosperity of the producers. In other words, it is being suggested that capitalism is a system that is created by the workers and is an expression of their importance in the process of production and the system of the exchange of commodities. Hence it is being implied that the capitalist class are essentially a distinct grouping that essentially cooperates with the workers in the creation of goods and material wealth. In this manner it is being suggested that the Marxist approach denies the importance of this aspect of cooperation of capital and labour in relation to the development of production and the creation of economic wealth.

However, there is a contradiction in the approach of Smith. This is because his approach also inconsistently admits to the importance of the domination of capital over labour. He comments that economic wealth for privileged individuals means: “The power which that possession immediately and directly conveys to him, is the power of purchasing; a certain command over all the labour, or over all the produce of labour which is then in the market. His fortune is greater or less, precisely in proportion to the extent of this power; or to the quantity of other men’s labour, or what is the same thing, of the produce of other men’s labour, which it enables him to purchase or command. The exchangeable value of everything must always be precisely equal to the extent of this power which it conveys to the owner.” (p48) This comment is a direct and explicit acknowledgement that the character of the relations of production are based on the domination of capital with the result that labour is subordinated and exploited within the process of production. However, this situation is explicitly justified because this development is considered to be the most efficient and productive manner in which economic activity can occur. In other words, this development is the outcome of the importance of the aspect of rationality and efficiency imposing itself on the character of economic activity. In other words, this situation is accepted because the forces of capital and labour understand that what has occurred is the most efficient manner in which the process of production can occur. But it is also understood by Smith that the basis of the production of wealth in the form of commodities is expressed by the role of labour: “Labour, alone, therefore, never varying in its own value, is alone the ultimate and real standard by which the value of commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price only.” (p51) This aspect can only be justified in terms of the dogmatic conception that there is an inherent connection between the character of capital and labour which implies a compatible relationship. Labour is understood to be the basis of the generation of value, but this is considered to be ethically valid because this situation is of benefit to the workers and enables them to obtain the basis for a system of reward for their involvement in the process of production. Hence capital is defined in terms of how it enables labour to obtain material renumeration for its role in the process of production. Without the possibility of profit as connected to the level of wages of the workers, the capitalists would not employ the workers: “The value which the workmen adds to the materials, therefore, resolves in this case into two parts, of which the one pays their wages, and the other the profits of their employer upon the whole stock of materials and wages which he advanced.”(p66) This is the very popular justification of capitalism. Without the role of the capitalists the worker would not be able to obtain employment and a means of material subsistence in the form of wages. Therefore, it is being suggested that the capitalist system is of mutual benefit to the worker and employer Hence this implies that Marx’s criticism of the exploitation of the workers in the role of the economic system is a morally defined standpoint which ignores the importance of the efficient character of capitalism and the fact that this system provides a means of subsistence to the workers. Hence Marx ignores the apparent fact that capitalism is of mutual benefit for both the workers and capitalists. In this context the workers will accept the aspect of their subordination within the relations of production because they are able to make material gains from the expression of the role of the supremacy of capital within the economic system. Smith is quite explicit that the capitalist system means: “In this state of things, the whole produce of labour does not always belong to the labourer. He must in most cases share it with the owner of the stock which employs him.” (p67) But the connected implicit assumption is that the worker will still be able to have a wage that is adequate enough to compensate for this lack of economic power. In this manner it is being suggested that the capitalist system is of mutual benefit for the worker as well as the capitalist. However, this view of Smith is problematical because it is only by collective struggle and organisation that the workers are able to make material gains within capitalism. There is no inherent process by which they are able to obtain adequate renumeration because of their important role within the process of production. Instead, only mass struggle will ensure that the workers are able to obtain material concessions from the capitalists. Indeed, Smith has actually established the validity of the attempt of the workers to obtain an adequate material renumeration for their work because he recognises that labour is the bass of value and so they deserve to obtain a sufficient wage in order to met material needs.

However, he seems to ignore the possible problems with his attempt to reconcile the interests of capital and labour by implying that the contrasting interests of these different interests can become expressed by the mutual interest of the promotion of production for the market which will enable the realisation of the material aims of capital and labour to be realised: “The market price of every particular commodity is regulated by the proportion between the quantity which is actually brought to the market, and the demand of those who are willing to pay the natural price of the commodity, or the whole value of the rent, labour and profit, which must be paid in order to bring it thither. Such people may be called the effectual demanders, and their demand the effectual demand, since it may be sufficient to effectuate the bringing of the commodity to market.” (p73) In other words it is being suggested that the dynamics of a system of commodity production and market exchange will express a system of economic stability in which there is a compatible relationship between the aspects of supply and demand. This suggests that the relationship of demand and supply will be generally of a consistent relationship of equilibrium, but if there is an excess of supply in relation to demand then this market will result in a lower price of the excess goods. But this aberration is a deviation from the general situation in which: “The quantity of every commodity brought to market naturally suits itself to the effectual demand. It is in the interest of all those who employ their land, labour, or stock, in bringing any commodity to market, that the quantity never should exceed the effective demand, and it is in the interest of all other people that it never should fall short of that demand.”(p74) But this perspective assumes that the economic system of capital has an inherent tendency to relate supply with demand, but this assumption is only based on the vague notion that the relationship of supply and demand and should generally be in a situation of equilibrium. But this assumption has not been justified in adequate terms because it is accepted that the very expression of a dynamic process of production may result in a situation in which the goods exceed the levels of market demand. In other words there is an assumption that the system of capitalism is based on the development of an equilibrium concerning the relation of supply and demand, but this would seem to be a dogmatic view that denies the importance of the anarchic aspect of economic activity that means this possibility of stability is often not realised and instead there are periods of the decline and slump of the economic system caused by over-production and the contradictions between the aspects of supply and demand. In other words, Smith seems to outline a perspective of stability of the economic system that cannot be actually established in effective terms.

But possibly a very problematical aspect of the approach of Smith is his contention that capitalism is a system based on a dynamic improvement of the material standards of the workers. He claims: “The liberal reward of labour, as it encourages the propagation, so it increases the industry of the common people. The wages of labour are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives. A plentiful subsistence increases the bodily strength of the labourer, and the comfortable hope of bettering his condition, and of ending his days perhaps in ease and plenty, animates him to exert that strength to the utmost. Where wages are high, accordingly, we shall always find the workmen more active, diligent, and expeditious, than where they are low…If masters would always listen to the dictates of reason and humanity, they have frequently occasion rather to moderate, than to animate the application of their workmen. It will be found, I believe, in every sort of trade, that the man who works so moderately, as to be able to work constantly………executes the greatest quantity of work.” (p99-100) This understanding implies a possible common interest of capital and labour to encourage the efficient work practices of labour in terms of the aspect of generous material rewards for the workers. But the issue that is ignored is that the forces of capital have a general tendency to pay low wages unless the workers are able to act in an effective collective manner in order to realise an improvement in renumeration for labour. The point is that Smith seems to be wrong to assume that there is an automatic process of increased wages for labour because of the dynamics of the capitalist system. Instead, such material improvements can only be realised as a result of the role of collective action by the workers, generally as the result of the action of the trade unions. In other words, it is the balance of class forces which ultimately express the basis of the progress of the workers in material terms. Hence Smith is wrong to assume that there is something inherent in the character of capitalism which means that improvements in wages can be realised. This is precisely why in a situation of austerity that the level of wages of workers has generally been undermined. But Smith obviously assumes that there is a benevolent aspect to capitalism in which the process of economic and productive development creates the conditions to realise the material interests of the forces of capital and labour. This is the primary basis of his approach for justifying capitalism. He considers in the ‘Wealth of Nations’ that this economic system is able to meet the needs of both the workers and capitalists. But this means that whilst he is aware that capital extracts a surplus from labour, he does not consider that this aspect is the basis for class struggle. Instead, capital and labour can establish a mutual interest in the development of production in order to realise material needs of improving wages or higher profits. Hence the question is whether Marxism is able to establish a more credible understanding of the capital-labour relation that is able to indicate the limitations and problems in the standpoint of Smith.

In other words, is Marxism able to suggest in a convincing manner that Smith’s conception of an essential unity of the interests of labour and capital in the development of production in order to realise common economic aims is wrong. In this sense can it suggest that the relation of labour and capital is actually based on a situation of opposition because the subordination of the workers by the capitalists cannot establish an expression of genuine economic equality and agreed aims. However, even if it is possible to indicate this aspect it would also be necessary for Marxists to suggest that this situation will result in the process of the development of the possibility of revolutionary change by the workers. It is perfectly possible for there to be discontent because of the situation of the exploitation of labour by capital and yet this aspect may not result in change. Instead, the forces of labour will have accepted the view of Smith that capitalism is the most credible and efficient type of economic system, and so despite a situation of exploitation they have accepted the apparently durable and unchallenged aspect of the character of capitalism. In other words, Smith’s view that capitalism is a superior economic system because of its very ability to reconcile the interests of capital and labour has been shown to have been vindicated in terms of historical experience. In this context the Bolshevik revolution was essentially a historic aberration that did not undermine the ultimate supremacy and domination of the capitalist system. In this context the perspective of Smith that capital and labour are essentially united by shared economic objectives of increasing material prosperity has shown to have been vindicated in practice. Hence the Bolshevik revolution was essentially an aberration that indicated that the capitalist system was ultimately effective and efficient for the reasons established by Smith. Therefore, historical experience seems to have vindicated Smith rather than Marx. It would seem that the following prediction of Marx concerning developments within capitalism has been falsified by events: “Along with the constant decrease in the number of capitalist magnates, who usurp and monopolize all the advantages of this process of transformation, the mass of misery, oppression, slavery, degradation and exploitation grows; but with this grows the revolt of the working class, a class constantly increasing in numbers, and trained, united and organized by the very mechanism of the capitalist mode of production….The centralization of the means of production and the socialization of labour reach a point at which they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated.” (Marx, Capital volume 1, Penguin, London 1976 p929) It would seem that this prediction has been falsified and that instead Smith’s assumption that capitalism is the ultimate superior and only feasible economic system has been justified. Smith’s assumption that the interests of capital and labour can be reconciled in terms of the connection of economic growth to the increasing wealth of society would seem to be the only credible understanding of the present situation, even if his view has sometimes been empirically undermined by periods of the crisis of capitalism. It is necessary to discuss whether it is possible to oppose the views of Smith in a Marxist manner in terms of the discussion of a recent defence of the approach of Marx by David Harvey. It will be necessary to establish whether an emphatic justification of Marxist economics is a sufficient basis to provide an alternative to the standpoint of Smith that has been outlined above. Primarily can be it be shown that the workers economically benefit in a superior manner in terms of an alliance with capital or instead by trying to establish a different socialist type of society. In this context does the confident justification of Marxism by Harvey outline a satisfactory alternative to the defence of capitalism by Smith that seems to have been historically justified.

However, in order to develop this evaluation of the approach of Harvey it is initially necessary to continue to evaluate Smith’s view that the interests of capital and labour represent a common unity. Smith considers that capital and labour are united in terms of the aim of the development of production in order to create increased material wealth that can be of benefit to both of these economic forces. In this manner it is being suggested that there is a process of mutual interaction which is of benefit to both of these economic classes. Indeed, it is implicitly being suggested that there is no difference of interests between the forces of capital and labour and instead they are united by the aim of increasing production for the process of exchange and that this will result in the development of mutual prosperity. Therefore, the Marxist conception of the exploitation of labour by capital must be denied because this approach is a denial of the beneficial interaction of capital and labour. However, this understanding was developed in the early period of capitalist development and before the generation of class struggle. Hence it was understandable that Smith could define capital and labour as having an essentially mutual economic interest in the development of production and creation of material wealth. The point is that it was the very elaboration of the approach of Marx which represented a credible challenge to the perspectives of Smith concerning the issue of the apparent united expression of economic activity of a capitalist character. Marx outlines how the very character of the workers represents an expression of the potential for the transformation of the capital economic system into a different one based on the collective solidarity of the workers:” As soon as….the workers have been turned into proletarians, and their means of labour into capital, as soon as the capitalist mode of production stands on its own feet, the further socialisation of labour and the further transformation of the soil and other means of production into socially exploited and therefore communal means of production takes on a new form. What is now to be expropriated is not the self-employed worker, but the capitalist who exploits a large number of workers.” (Marx p928) In other words the conception of capitalism of Smith has become antiquated because he could not perceive that the relationship of capital and labour would become that of exploitation and antagonism. In the era of Smith, it was still possible to conceive of the relations of capital and labour as being essentially non-contradictory and based on mutual interests, but the very development of factory production meant that this understanding had become antiquated. In other words, the problem with the approach of Smith was not his methodology which did establish the importance of the economic relation of capital and labour, but instead that his conclusions concerning this relationship had become problematical. He could not envisage the possibility for an antagonistic relationship between capital and labour because his understanding was based on a blurring of the differences of these diverse economic forces. However, it could be suggested that ultimately his approach has been vindicated because increasingly the workers seemed to have accepted the situation that capital is a system that expresses its interests. But this development is because of the influence of ideology and is not the outcome of the character of the economic system which is still based on the importance of the exploitation of labour by capital. Thus, we have to construct a defence of the approach of Marx if the challenge of Smith is to be opposed by a credible understanding of an alternative. Hence the view of Smith that capitalism is a system that can reconcile the interests of employer and worker around mutually accepted economic objectives has to be shown to be problematical and that instead of this dogmatic view it can be shown that the approach of Marxism is more economically convincing. In other word Smith has implicitly outlined possibly one of the most formidable alternatives to the economic approach of Marx. He has implied that the present economic system is based on the harmony of interests between capital and labour. In this context the role of the workers is to try and obtain improvements to the present economic system rather than attempt to replace it with a socialist alternative which cannot be superior to the expression of the unity of capital and labour as the basis of economic activity.

David Harvey has elaborated his defence of Marxist economics in: “A Companion to Marx’s Capital’ (Verso, London 2018) He outlines how Marx’s starting point in his major work: ‘Capital’ is to establish the importance of the role of the exchange of commodities. But this very analysis is in order to indicate the limitations of this type of economic activity. There must be something problematical about a type of economic activity in which the aspect of production is subordinated to imperatives established by this necessity for exchange: “Thus Marx begins his attack on the liberal concept of freedom. The freedom of the market is not freedom at all. It is a fetishistic illusion. Under capitalism, individuals surrender to the discipline of abstract forces (such as the hidden hand of the market made much of by Adam Smith) that effectively governs their relations and choices. I can make something beautiful and take it to market, but if I don’t manage to exchange it then has no value. Furthermore, I won’t have enough money to buy commodities to live. Market forces, which none of us individually control, regulate us.” (Harvey p44) But the very point made by Smith is that the role of the market establishes the credible economic criteria by which to promote economic efficiency. Therefore, whilst Marx is critical of the apparent role of the market for obscuring the possibility to understand economic relations between producers and capital the point is that this criticism does not seem to undermine the validity of Smith’s view that the market seems to establish the very possibility to establish economic relations between producers and consumers. Indeed, this issue would seem to be very important because all non-capitalist societies have seemed to have failed to develop an efficient economic alternative to the role of the market. It is the very capacity of capitalism to establish the importance of the market which seems to have resolved the issue of the relationship of production and consumption. Indeed, Harvey apparently accepts that Marx sometimes seems to accept the validity of the role of the market as the only possible manner in which different forms of production under capitalism can be related: “This sounds suspiciously like a tacit invocation of Adam’s Smith’s vision of a perfectly functioning market whose hidden hand guides individual decisions. No individual is in command and everyone has to function according to what Marx later calls ‘the coercive laws of competition’” (Harveyp53-54) But the point is that similarity of Marx and Smith is not necessarily problematical because it could be argued that Smith has outlined the aspects of capitalist economic activity in terms of the connection of the market with the role of economic activity. Hence the actual issue of contention is whether we decide that this situation is acceptable because it is based on the exploitation of labour, as outlined in the analysis of Marx. In other words, the importance of the market, as indicated by Smith, is not inherently beneficial for society because this aspect is related to the expression of the exploitation of labour by capital.

Harvey defines the approach of Smith in the following terms: “In Smith’s ideal world, the state would create the institutional framework for perfectly functioning markets and private property and then watch the wealth of the state and the welfare of the citizens rapidly improve as individual initiative and entrepreneurialism coordinated through the hidden hand of the market would produce a result that was beneficial to all. In such a world, Smith thought, the intentions and motivations of individuals (varying from greed to social mission) did not matter, because the hidden hand of the market would do the work.” (Harvey p54) But the question is whether Marx effectively addressed the challenges of this perspective. Indeed, this very point is apparently made by Harvey: “Yet…. Marx has seemingly accepted the liberal theory of property ownership, the reciprocity and equivalence of noncoercive market exchange between juridical individuals and even the hidden hand of the market as proposed by Adam Smith.” (Harvey p54) The issue is whether Marx developed an effective critique of this standpoint of Smith. Harvey seems to evade providing a definite answer to this question by suggesting that Marx accepted the importance of the views of Smith concerning the market in order to provide a critique of them: “Marx is engaged in a critique of classical liberal political economy. He therefore finds it necessary to accept the theses of liberalism (any by extension to our own times, neoliberalism) in order to show that the classical political economists were profoundly wrong even in their own terms. So rather than saying that perfectly functioning markets and the hidden hand can never be constructed and that the marketplace is always distorted by political power, he accepts the liberal utopian vision in order to show that these would not produce a result beneficial to all, but instead would make the capitalist class incredibly wealthy whilst relatively impoverishing the workers and everyone else.”(Harvey p54) But did Marx effectively provide an alternative to Smith’s understanding that the dynamism of the market could mean the realisation of the possible prosperity of the people , whether as capitalists or workers. This criticism does not mean that Marx was always wrong but that it could be suggested that the apparent inherent dynamism of capitalism would generate the objective basis for the realisation of the possibility of the material prosperity of the workers. Indeed, this very point could be indicated by the ability of the trade unions to obtain wage increases for the working class. Hence, we have to question whether Harvey is right to suggest that Marx made effective criticisms of the limitations of capitalism. Harvey comments: “For the most part, though, Marx had an ingenious way of using the theoretical critique of liberal utopianism in its various political-economic guises to shed devastating critical light on the actually existing capitalism of his own day.”(Harvey p55) But this conclusion is questionable because it has not been established whether Marx’s approach for understanding economics was an effective alternative to Smith’s claim that capital and labour could unite to realise economic efficiency and prosperity. In other words, it is possible to outline the reasons why labour is exploited by capital but is this a sufficient reason to deny the validity of the view that capital and labour can unite in order to realise economic prosperity? The point is, does the apparent ascendency of capital over labour mean that labour has sufficient reasons to try and establish a different and untested economic and social system? It is not possible for labour to make important economic gains within the limits of capitalism? Indeed, this is the very conclusion being made by Smith, and it could be suggested that Marx does not provide a convincing critique of this standpoint. Instead, Marx is suggesting that the very importance of the exploitation of labour by capital is sufficient reason for the workers to try and transform the economic character of society. However, as Smith indicates this perspective seems to deny the possibility for labour and capital to unite in economic terms in relation to the realisation of agreed common objectives. In other words, it could be suggested that Marx actually ignores the challenges posed by Smith to the validity of the perspective of the historical necessity for labour to challenge and overcome the domination of capital. However, Harvey seems to ignore these issues because he assumes the credibility and validity of Marx’s revolutionary interpretation of political economy. But what Smith seems to have definitely established is that the interests of capital and labour can be united in terms of agreed economic objectives which establish a situation of mutual benefit. It is this very point that Marx seems to ignore in terms of his emphasis on the exploitation of labour by capital. But it could be argued that this very aspect need not deny the possibility for labour to improve its economic situation in terms of defensive militant action. Hence Marx’s approach can only be considered to be credible because he has to imply that the workers cannot improve their economic situation within capitalism. In this manner the aspect of progress implied in the approach of Smith can be rejected, but the result of this standpoint could be the justification of a pessimism which ultimately could undermine the possibility for the workers to make progress within capitalism. In other words, the approach of Smith seems to imply an enduring challenge for Marxism because it could be considered that the only alternative to the optimism that Smith has concerning the possibility for improving the economic situation of labour within capitalism is a type of pessimism. Instead, it would seem that the actual alternative approach is to try and combine adherence to revolutionary perspectives with an approach that suggests progress can be made by the collective action of the workers within capitalism. It could be said that the general acceptance of a pessimistic approach has actually facilitated the undermining of the development of the workers to engage in collective struggle within capitalism in order to achieve progress.

In other words, the political problem that can be generated by the very attempt to develop a critical attitude about the capitalist system is to become pessimistic about the possibilities of labour being able to undermine the domination of capital and so realising a different type of social system. Smith would suggest that this issue is not relevant because the forces of capital and labour can unite in order to realise a situation of mutual economic progress. But Harvey indicates that this very understanding is being rejected by Marx because he elaborates the different interests of capital and labour in relation to the character of the process of production. This means: “There is a key distinction between what labour gets and what labour creates. Surplus value results from the difference between the value labour congeals in commodities in a working day and the value the labourer gets for surrendering labour power as a commodity to the capitalist. Labourers, in short, are paid the value of labour power, and that is that. The capitalist puts them to work in such a way that not only do they reproduce the value of their own labour power, they also produce surplus value. The use-value of labour power to the capitalist is that it is the one commodity that can produce value and hence surplus value.” (Harvey p126) It is this theory which has to distinguish Marxist economics from all other economic theories because what is being suggested is that the workers as the expression of labour power are being exploited by the forces of capital in the process of production. Other economists may have suggested aspect of the character of the process of surplus value, but this antagonistic aspect of the capital-labour relation is not articulated in a systematic manner. People like Proudhon have outlined an ethical conception of surplus value, but they have not developed it in the systematic manner that is elaborated by Marx. The theoretical achievement of Marx is to establish in detailed terms the importance of the exploitation of labour if the surplus value necessary to sustain capitalism is to be created. Therefore, after Marx, economists could be divided into those that essentially support him or in some manner, are critical of the Marxist approach.

But does this situation mean that the approach of Smith has been discredited as Harvey contends: “The ideology of freedom of exchange and liberty of contract gulls us all. This grounds the moral superiority and hegemony of bourgeois political theory and underpins its legitimacy and supposed humanism. But when people enter this free and egalitarian world of market exchange with different resource endowments and different assets, then even minor inequalities, let alone the major divide of class position, get magnified and compounded over time into huge inequalities of influence, wealth and power. When coupled with increasing centralization, this makes for Marx’s devastating reversal of the Smithian vision of the ‘benefit of all’ that derives from the hidden hand of market exchange.”(Harvey p292) But the problem with this apparently dogmatic assertion of the credibility of the Marxist approach concerning an understanding of the limitations of the capitalist economy is that in numerous situations the workers have been able to make material gains and so it seems that the character of capitalism is compatible with the objectives of the people. In other words, the very fact that it seems that capitalism can accommodate the aims of the workers for material progress seems to imply that it is a system in which the interests of the producers can in some sense be conceived as being compatible with the aims of capital. Indeed, this point would seem to be confirmed by the very failure of so-called socialist systems to meet the material needs of the workers. In this manner capitalism would seem to be superior, even if all of the aspirations of the working class cannot be realised. Therefore, the view of Smith that capitalism is a system that reconciles the interests of workers and capitalists would seem to be expressed in terms of the aspects of actual historical experience. It could be argued that the period of austerity of the past forty years is an empirical repudiation of the association of capitalism with historical progress. But even in this situation the material conditions of the working class have not been reduced to a situation of generalised poverty. Instead, it would seem that even in a situation of crisis, the apparent material superiority of capitalism is expressed by a general expression of continued affluence of the people. In contrast the countries that have claimed to be socialist have been replaced by bourgeois regimes. The experience of history seems to confirm an inherent superiority to capitalism and a general failure of the attempt to develop a socialist alternative. In this context the approach of Smith seems to have been confirmed rather than that of Marx.

This point seems also to be confirmed by the apparent fact that the very success of the struggles of the workers can indirectly contribute to the increased effectiveness of capitalism: “But we also see that capitalists, impelled onward by the coercive laws of competition, are likely to behave in such a way as to seriously impair the prospects for their reproduction as a class. If the labourers organize as a class, and thereby force the capitalists to modify their behaviour, then the collective power of the workers helps save the capitalists from their own individual stupidity and short-sightedness, thus forcing them to recognise their class interest. The implication is that collective class struggle can be a stabilizer within the capitalist dynamic.” (Harvey p159) But the point is that the collective strength of the workers has also been increased in this situation and so this means that the possibility of progressive change has been improved with this expression of the success of the mass struggles of the workers. The result of this stabilisation of capitalism in the short-term means that the ultimate possibilities for revolutionary change have been advanced in terms of the creation of a balance of class forces that favours the working class. But Harvey upholds a different conclusion: “Class struggle merely equilibrates the capital-labour relation. Class struggle can all too easily be internalized within the capitalist dynamic that sustains the capitalist mode of production. While this does mean that class struggle is both inevitable and socially necessary, it sheds very little light on the prospects for a revolutionary overthrow of capitalism.” (Harvey p160) If this conclusion was ultimately correct then it would seem that the possibilities for the transformation of capitalism into socialism were essentially impossible. The results of the collective action of the workers would be the consolidation of the ultimate domination of capital over labour. But instead, the possible result of collective class struggle is to increase the consciousness of the workers they have the ability and capacity to be able to influence the character of capitalist society. This aspect does not necessarily result in the development of an aim of revolutionary change but at least it indicates to the workers that they have the collective ability to be able to influence the character of capitalism. In this manner the subordination of labour to capital is being contested, and that this aspect implies that the ultimate result could be the transformation of society by the collective actions of the workers.

But this perspective seems to be rejected by Harvey because he can only conceive the role of cooperation within the relations of production in a manner that upholds the continuation of the domination of capital over labour: “it is impossible to imagine the capitalist mode of production without cooperation, albeit cooperation under the despotism of capitalists who organise and direct a supervisory authority and fragment the working class into distinctive hierarchical groupings. It is, therefore, no longer adequate to think merely about the wage labourer, because the working class is stratified according to both the status and financial reward attached to the different functions required to constitute the despotism of a cooperative apparatus dedicated solely to the production of surplus value.”(Harvey p178) But the problem is that the perspective of how to develop cooperative labour in a manner without the domination of capital does not seem to have been established. Instead, this perspective is only an implicit assumption in the views of Marx and so it would seem that Harvey is content not to try and elaborate how the workers can change this situation and establish the genuine cooperative aspects of a possible socialist system. In other words, the view of Smith that capitalism is the only efficient and effective system does not seem to be challenged in an effective manner by either Marx or Harvey. Instead, they are critics of capitalism but are not able to outline a credible conception of the feasible possibility of a socialist alternative. Thus, what Harvey is most convincing about is outlining Marx’s understanding of the dynamism of capitalism in terms of the productive activity of labour. Thus, what is not established is the potential for this cooperative character of the workers to be able to transform the character of the economic system. In other words what is being established is the capacity of labour to be able to act under the direction and domination of capital in terms of the generation of effective forms of production. This aspect does not in any manner establish the possibilities for labour to be able to overcome and replace the domination of capital with different relations of production. It could be argued that this understanding is being assumed by Marx, but it is not elaborated in convincing terms. Such a problem is connected to the apparent lack of the development of a strategy for the promotion of economic and political change by the workers. Therefore, the perspective of Smith concerning the ultimate validity of the capitalist system is not being rejected in convincing terms. Instead, socialism would seem to be a vague and dogmatic conclusion connected to the analysis of capitalism being made by Marx. In other words, Marx seems to be a critic of capitalism rather than being able to connect this analysis to a credible perspective of change. As Harvey establishes Marx’s understanding of the cooperative character of the workers is connected to the realisation of the objectives of capital. Harvey does not seem to consider this issue to be problematical because his main concern is to elaborate an interpretation of Marx’s understanding of capitalism rather than to develop a perspective for the promotion of revolutionary change by the workers. However, it is this issue which seems to have had an enduring importance because it can be suggested that there is a contemporary failure by socialists in relation to the issue of elaborating a credible conception of revolutionary change. Instead, as with Harvey they are content to be interpreters of Marx and are do not consider important the issues related to the development of the class struggle. Therefore, it would seem that the approach of Smith cannot be effectively challenged concerning the apparent invincible supremacy of a capitalist system because of its efficient and logical character. The very ascendency of the approach of Smith is because his defence of the practical feasibility and enduring character of capitalism seems to be far more convincing than the flawed attempts to outline an alternative. Indeed, it could be argued that all that Marx established was that the cooperative character of labour would result in conflicts with the forces of capital rather than the development of a process of the revolutionary transformation of society. Ultimately, Marx himself has contributed to an understanding of the connection of the cooperative role of labour with the expression of the interests of the ascendency of capital. These very theoretical and strategic problems in the approach of Marx would seem to express the apparent supremacy of the alternative views of Smith. In other words, Smith would appear to be a more convincing defender of capitalism than Marx is concerning the issue of the revolutionary transformation of society by the collective action of the workers. Hence the view of Smith that capitalism is an expression of the logical character of the relation of capital and labour would seem to be more feasible and viable than Marx’s vague assumptions concerning the necessity of a socialist alternative. Indeed Marx would seem to emphatically express this supremacy of capital over labour when he comments in ‘Capital’: “Therefore the worker himself constantly produces wealth, in the form of capital, an alien power that dominates and exploits him; and the capitalist just as constantly produces labour power, in the form of a subjective source of wealth which is abstract, exists merely in the physical body of the worker, and is separated from its own means of objectification and realization; in short, the capitalist produces the worker as wage labourer. This incessant reproduction, this perpetuation of the worker is the absolutely necessary condition for capitalist production.” (Harveyp253, quoted from Marx p716) This view is not problematical in terms of outlining a credible understanding of the economic subordination of labour to capital, but it is problematical in that this approach does not seem to establish the possibility for revolutionary change by the workers. It would seem to be a logical and practical situation that labour is subordinated to capital in the terms described by Marx. Hence it would seem to be the task of Marxists to outline a feasible strategy that would facilitate the possibility to overcome the domination of capital over labour. It could be suggested that this perspective has not been established in a convincing manner.

In other words, the problem is that straightforward to understand the importance of the domination of capital over labour it would not seem to be equally simple to be able to establish a credible strategy for the undermining of this situation. It does not seem satisfactory to merely indicate the importance of the role of the cooperative character of the producers because this aspect would not seem to be a sufficient basis for the undermining of the importance of the domination of capital. Instead, it would seem to be merely an expression of a moral objection to the supremacy of capital over labour that is not able to also establish the possibility for the transformation of this situation. Hence the economic importance of the cooperative character of labour does not seem to be expressed in the possibility for the development of a political inclination to try and change this situation of the domination of capital within the relations of production. Hence it would seem that Marxism is essentially a critique of capitalism that lacks a practical expression in terms of the problems involved in motivating the workers to aspire to transformation this situation in a revolutionary manner. This problem seems to be made more difficult by the apparent complacency of the Marxist approach which seems to justify the complacent view that the workers will inevitably act in order to change this situation. In this context it could be considered that the approach of Smith is more relevant because of his advocacy of the necessity to reconcile the interests of capital and labour. Thus, the problem is that Marx seems to have a critique of capitalism which is not connected to the elaboration of a credible strategy for the revolutionary transformation of society. But there is nothing to suggest that workers may become discontented with the expression of the exploitation of their labour by capital and yet still be unable to change this situation in a revolutionary manner. Hence the major problem with Marxist theory is that it seems to lack a credible strategy of change. This problem could imply that it is more practical for the workers to try to limit their aspirations to obtaining improvements within the limitations of the capitalist system. This problem of strategy could be said to be a problem until the mass movements of the Russian revolution of 1905 indicated the potential of the workers to achieve the transformation of society. Such a development was an expression of a practical resolution of the theoretical problems of the legacy of Marx concerning the issue of revolutionary strategy. Marx was essentially a critic of capitalism, but he did not relate this understanding to the issue of how to achieve the transformation of society by the collective action of the workers. In other words, as Harvey indicates Marx was able to describe the exploitative subordination of the workers within the capitalist system, but he could not also establish a credible strategy for the transformation of this situation. This meant that because of these theoretical and practical problems it might seem that Smith’s contention that people should accept the domination of capital as the only credible option was the only practical possibility. Hence it would seem that the approach of Smith was superior to that of Marx because of this failure to establish and elaborate a feasible strategy of revolutionary change. Only the mass action of the Russian workers resolved this issue in terms of the actual practice of the class struggle. The fact that Trotsky could theorise this development in the form of the perspective of permanent revolution was an indication that the class struggle could genuinely pose a challenge to the continued domination of capital. What Marx could not solve at the level of theory was actually resolved in terms of the practice of the action of the Russian workers. In that manner the views of Luxemburg, Trotsky and Lenin could be considered to provide a strategic resolution of Marx’s apparent inability to indicate that the forces of labour could overcome the domination of capital. Harvey does not seem to be aware of this problem with the approach of Marx because of his generally uncritical attitude concerning the views of Marx. But in actuality it was the very development of the class struggle in Russia which provided a basis to tackle the limitations of the standpoint of Marx concerning the issue of strategy. The point was that Marx was unable to connect his understanding of the political economy of capital with the development of a strategy of revolutionary change.

In other words, the approach of Marx in his ‘Capital, volume one was to outline more convincingly how capital could dominate labour rather than to suggest how this situation could be transformed by the collective role of the workers. Harvey quotes Marx in order to essentially make this point: “Capitalist production therefore reproduces in the course of its own process the separation between labour power and the conditions of labour. It thereby reproduces and perpetuates the conditions under which the worker is exploited. It incessantly forces him to sell his labour power in order to live and enables the capitalist to purchase labour power in order that he may enrich himself. It is no longer a mere accident that capitalist and worker confront each other in the market as buyer and seller. It is the alternating rhythm of the process itself which throws the worker back onto the market again as a seller of his labour power and continually transforms his own product into a means by which another man can purchase him. In reality, the worker belongs to capital before he has sold himself to the capitalist.” (Marx Capital p723 and Harvey p254) But it could be suggested that Marx’s major point is that this situation implies the development of a situation of exploitation of labour by capital which cannot be of benefit to the worker in material and social terms. The worker can only defend and express their interests in terms of opposition to the domination of capital and the struggle to transform the economic situation by establishing an alternative type of economic and social system. What Marx has tried to establish is that the understanding of economists like Smith that capitalism is a system that will realise the mutual economic benefits for both the capitalists and workers is an illusion. In other words, Marx has outlined an alternative conception of the character of capitalism that is based on the rejection of the views of people like Smith. As Harvey comments: “What Marx has done in volume 1 of Capital is to take the words and theories of the classical political economists seriously and ask what kind of world would emerge if they got to implement their utopian liberal vision of perfectly functioning markets, personal liberty, private property rights and free trade. Step by step, he explores what would happen in a world constructed in this image. Adam Smith had purported to show that national wealth would grow and that everyone would or could be better in off in a world of decentralised and freely functioning markets (though Smith himself did not absolve the state from responsibilities when it came to the distribution of that wealth along more equitable lines. What Marx shows is that a world constructed along pure laissez-faire lines would in itself produce an increasing accumulation of wealth at one pole and a burgeoning accumulation of misery at the other. So, who would want to construct the world according to the rules of this utopian vision? And the answer is stunningly obvious: the wealthy members of the capitalist class! So, who preaches to us the virtues of this utopian free market vision, and who has put us on our contemporary neo-liberal path? Surprise, surprise! It was the wealthy who used their money power to persuade all of us that the market is always right and that Marxian theory is nonsense.” (Harvey p287) But the point is that this view would only acquire credibility if there seemed to be some practical validity to this perspective. What is being suggested by the ideologues of capitalism since Smith is that if people accept the apparent superiority of capitalism, it will be possible for the material benefits of this system to be realised in terms of the general progress of the material interests of society. Furthermore, the apparent economic failure of the societies claiming to be socialist would seem to provide additional justification for this defence of capitalism. However, Harvey seems to reject the importance of this standpoint by suggesting that contemporary capitalism is essentially based on the undermining of the material interests of the workers: “The neoliberal project…. has been directed towards the increasing accumulation of wealth and the increasing appropriation of surplus value on the part of the upper echelons of the capitalist class. And in pursuing that objective, the capitalist class has taken the typical path as outlined in the models of capital accumulation set out in volume 1. Bring wages down and create unemployment by technological changes that displace workers, centralise capitalist power, attack workers organisations as interfering with the market coordination of supply and demand…outsource and offshore, mobilize latent populations around the world and depress welfare levels as far as possible. This is what neoliberal “globalization” has really been about. The socially necessary conditions have been created, very much in accord with the Volume 1 analysis, for the immense accumulation of wealth at one pole at the expense of everyone else.”(Harvey p287-288) But the point is that this situation seems to have been accepted by the majority of people in most societies because the principles and aims of capital are accepted as being an expression of the interests of the economy. The lack of support for the approach of socialism means that there does not seem to be an alternative to accepting the apparent economic logic and aims of capital.

In other words, Harvey seems to ignore the apparent issue of the general acceptance of capitalism by most people because the very conception of a socialist alternative is not understood to be a credible possibility. But Harvey because of his apparent indifference to the issue of the lack of credibility of the Marxist alternative of socialism continues to insist in a dogmatic manner that Marxism is able to outline a convincing alternative to the type of capitalism that was promoted by Smith: “But when people enter into this free and egalitarian world of market exchange with different resource endowments and different assets, then even minor inequalities, let alone the major divide of class position, get magnified and compounded over time into huge inequalities of influence, wealth and power. When coupled with increasing centralization, this makes for Marx’s devastating reversal of the Smithian vision of “the benefit of all” that derives from the hidden hand of market exchange. This enlightens us mightily as to the class content of what, for example, the past thirty years of market based neoliberal globalization have really been about. The upshot for Marx is a fierce critique of the theses of individual liberty and freedom that ground liberal and neoliberal theory. These ideals are, in Marx’s view, as misleading, fictional and fraudulent as they are seductive and beguiling. Labourers… are free only in the… sense of being able to sell their labour power to whomsoever they choose…because they have been freed and liberated from any and all control over the means of production!”(Harvey p292) But the problem with this view is that it ignores the importance of the obvious fact that the workers generally accept capitalism as the dominant and apparently invincible form of economy and so their aspirations are mainly limited to those of a reformist character. In other words, the actual exploitative character of the economic system does not automatically generate a consciousness of the validity of a perspective that supports the transformation of society in a socialist manner. Instead, the influence of a revolutionary party is required in order to promote the development of the credibility of an alternative to the capitalist system. However, the very failure to create effective revolutionary parties has meant that the workers have tended to accept the continuation of capitalism even if they do not support this system in a genuine manner. In this context it would seem that the approach of Smith is more credible which is to try and obtain economic and social improvements within the possibilities of the capitalist system. With the recent failure to develop the militant struggles of the workers the perspective of Smith seems to be more effective than the apparent utopian illusions of Marx. However, a Marxist would suggest that capitalism has not resolved the problems created by the aspect of the exploitation of labour within the present economic system. Hence because of this situation the workers cannot become reconciled to the continuation of capitalism in a genuine manner. Instead, it is still possible to advocate a credible programme of social change and in that manner attempt to relate to the continuing discontent of the workers in principled terms. Hence Harvey is not wrong to suggest that the workers cannot become reconciled with the situation of the exploitative character of capitalism. But he seems to underestimate the complexity and difficulties of developing mass support for a programme of revolutionary change. The point is that whilst the workers may be discontented with capitalism, they still accept the ascendency of this system because they cannot envisage the possibility to realise an emancipatory alternative. This is the very issue that seems to be ignored by Harvey, and so he does not seem to address the problems involved in trying to transform capitalism into socialism.

Harvey also uncritically supports Marx’s criticism of Smith for apparently not being able to understand the capital and labour relation in a convincing manner. He quotes Marx from ‘Capital’ volume two: “Bourgeois political economy held instinctively to Adam’s Smith’ confusion of the categories “constant and variable capital” and uncritically echoed it from one generation to the next for a whole century. It no longer distinguished at all between the portion of capital laid out on wages and the portion of capital laid out on raw material, and only formally distinguished the former from constant capital in terms of whether it was circulated bit by bit or all at once through the product. The basis for understanding the real movement of capitalist production, and thus capitalist exploitation, was thus submerged at one blow. All that was involved, on this view, was the reappearance of value advanced.” (Harvey p463) But the point is that this criticism of Smith seems to ignore the fact that his approach is based on the justification of the connection of capital and labour as being connected aspects in the process of productive activity and the creation of wealth. In other words, Marx seems to repeat the aspects of Smith’s understanding of the connection of capital with the role of labour and seems to imply that it is inherently problematical. But surely the point being made by Smith is that both capital and labour have a common purpose in the creation of economic wealth and both these aspects are able to mutually benefit from the development of material goods and increasing productivity. Hence Smith could suggest that Marx’s explanation of the exploitation of labour by capital actually ignores the apparent benefits that workers are able to acquire because of the prosperity created by the capitalist economic system. Therefore, Smith is implying that the very aspect of the domination of labour by capital does not result in an undermining of the realisation of the economic interests of the workers. Instead, labour is able to make material gains within the very context of the role of the economic supremacy of capital. In other words, Marx is apparently unable to recognise that workers can obtain benefits from the very fact of the domination of capital within the economy. This is the very point being made by Smith, and it would seem that Marx is unable to establish a critique of this approach. Instead, he has to assume in dogmatic terms that the material situation of the workers continues to worsen because of the aspect of the domination of capital within the relations of production. But it is the very view of Smith that the forces of capital and labour can mutually benefit from the process of economic development. Hence it is in the interests of the workers to cooperate with the capitalists in the development of production because they are able to make material gains as a result of this economic progress. This perspective also implies that there has to be a limit to the process of the extraction of a surplus from labour because capital actually gains from obtaining the support of the workers for the aims of the economic system. In other words, the strong point of the approach of Smith is to establish the concept of the common interests of capital and labour in the production of material wealth. Both these forces can benefit from this situation. Hence, there is also an ethical aspect to the approach of Smith. He is suggesting that capital does not gain from trying to intensify the process of exploitation of labour. Instead, capital should limit the aspect of exploitation of labour to something that is accepted by the workers as being in their own material interests. This implies that the capitalists should recognise that high wages for the workers may be compatible with their interests concerning the making of profit from the efficient productivity of labour. In other words, Smith is suggesting that class struggle need not be the result of the capitalist economic system and instead it is possible to reconcile the interests of capital and labour in terms of the aspect of the connection of profit with the payment of high wages. The ultimate alternative approach of Marx is to suggest that capitalism can only advance by intensifying the role of the extraction of a surplus from the workers which implies that only a situation of the role of the lowest possible levels of wages will be of benefit to the interests of the capitalist system. Hence Marx seems to underestimate the aspect of flexibility within the economy of capitalism and so he provides a perspective that can only conceive of the maximum exploitation of labour by the workers. This assumption denies the importance of the possibility to apparent reconcile the interests of capital and labour as Smith advocated.

In other words, the apparent superiority of Smith when compared to the approach of Marx is that he seems to be able to establish the dynamism and flexibility of the capitalist system that as a result is able to reconcile the interests of the workers and employers. Marx has outlined a one-sided and dogmatic conception of capitalism that is unable to accept the possibility of the convergence of interests of capital and labour. But Smith has outlined the view that capitalism benefits from being able to reconcile the interests of the economic system with the aims of the workers to obtain generous material benefits. In other words, the most effective form of capitalism is one that is able to reconcile a situation of high profits with the possibility of paying high wages to the workers. But Marx does not seem to accept this possibility because his conception of the extraction of surplus value from labour only seems to imply that the capitalist system will be based on the aspect of the lowest possible wages for the workers. However, the level of wages is not exclusively defined by the interests of capital and is instead ultimately connected to the effectiveness of the collective struggles of the workers. In this context the character of capitalism is defined by the importance of class struggle and the ability of the workers to obtain material gains becomes a part of the economic system. Indeed, to some extent the capitalists have to become reconciled to the possibility that the workers will be able to make material gains. But this perspective is not something that is recognised by Marx because of the very apparent rigidity of his understanding of the exploitative character of the relation between capital and labour. Hence it seems that Smith is able to provide an alternative to this apparently dogmatic view by suggesting that both capital and labour can make gains from the dynamic character of the economic system. In contrast, Marx seems to have a rigid approach that implies the increasing poverty of the workers within capitalism. Hence Smith seems to be able to be more flexible and to suggest that the very dynamism of the economic system is able to generate the possibility for the workers to make material advances. However, Marx is to some extent able to oppose this view with the assumption that only the collective action of the workers will enable them to consistently make material advances. In other words, there is nothing inevitable about the possibility of making material gains within the capitalist system. Instead, it is the role of class struggle which determines whether material gains for the workers can be made. In this context the assumption of class harmony being made by Smith is shown to be an illusion. Only the militant collective action of the workers will enable them to make gains within the capitalist system. This point has been shown in relation to the present period of austerity in which an offensive of capital against labour has led to the undermining of the material interests of the workers. The effective development of defeats of the collective strength of the workers and the trade unions has led to an undermining of the material interests of the producers and instead the success of the offensive of capital against labour has led to the imposition of a situation of austerity. But this very situation is an indication that Smith’s conception of the essential unity of interests between capital and labour is shown to be an illusion. Instead, the interests of capital are only able to thrive by ensuring the situation of the undermining of the economic influence of the workers. In other words, Smith’s approach is flawed because it cannot explain the economic basis of class struggle within a capitalist type of society. This means that Smith has to elaborate a conception of capitalism that is flawed because it has to be based on the conception of an ideal type of an economy in which capital acts in terms of reconciling its interests with those of labour. However, we would suggest that the approach of Marx has been shown to be more credible because it establishes the inherent incompatibility of the interests of capital and labour. However, the ideology of the reconciliation of labour and capital, as outlined by Smith has been shown to be expressed in reality in terms of the lack of popularity of revolutionary alternatives.

Harvey concludes that the apparent limitation of Marx when compared to Smith is because of a failure to understand the compatible relation of capital and labour in terms of the role of an economy based on the production of commodities for the market. “For example…criticism of Marx dwells on how he supposedly gave no credit to the importance and power of individual initiative and depicts everyone as automata blindly obeying abstract forces over which they have no control. This criticism is very strange, given that it was the much admired and frequently cited Adam Smith who came up with the idea that it was the hidden hand of the market over which no one individual had control, and that determined aggregate outcomes. Marx merely adopted Smith’s position in chapter two of volume one, sticking with its utopian pretensions pretty much throughout…. Marx’s purpose in embracing the Smithian model is to how it cannot possibly work for the benefit of all. It exacerbates and deepens class inequalities, which is precisely why, one suspects, the bourgeoisie so happily embraces the Smithian but not the Marxist version of the same theory.” (Harvey p738) But the ultimate problem with the credibility of the Marxist alternative has been the apparent failure to develop a convincing and democratic economic alternative to capitalism. It would seem that Smith has been proved right that capitalism is the ultimate and most efficient form of economic system that can be envisaged. Hence it is necessary to outline a more convincing conception of a socialist economy and to try and obtain popular support for the realisation of this objective. But until this development occurs it will seem that Smith’s standpoint that capitalism is the superior economic system because it reconciles the interests of capital and labour seems to be the most credible standpoint. Only the generation of genuine popular support for a convincing conception of a socialist alternative to capitalism will mean that the understanding of Smith that capitalism is the most effective and superior economic system will remain uncontested. Hence despite the aspect of economic crisis, unemployment and exploitation associated with capitalism this system will seem to be supreme because of the important political problems associated with developing the credibility of an alternative. However, this is the very problem that Harvey seems to gloss over the difficulties involved in trying to realise a successful process of change. Instead, he only suggests in a vague manner that it is ‘imperative that we begin upon the task of changing’ capitalism into socialism. (Harvey p743) But he does not outline a credible strategy that would be able to facilitate the realisation of this objective. Hence, we have to suggest that Harvey has not adequately addressed Smith’s challenge that capital is the superior economic system that cannot be superseded by an alternative. It is still necessary for us to try and analyse the views of Smith in an effective critical manner that is able to outline in convincing terms why socialism should replace the domination of capital. In this manner we have to address the most important view of Smith who suggests that capitalism is the most effective system for realising the material interests of the workers. We have to outline a conception of a socialist alternative that tries to establish in convincing terms why this system can realise the material interests of the people in the most convincing manner. Such a type of society would be based on the expression of the principle that the people should organise the role of the economy. In other words, whilst Marx could be said to be the most important and effective critic of capitalism it could also be suggested that he never outlined wat could constitute a socialist society in convincing detail. This problem was practically expressed by the limitations of the Bolshevik regime in the period after the 1917 revolution. In other words, it will be necessary to try and evaluate the works of Marxism in order to establish whether they have been able to outline a credible conception of socialism that is able to represent a credible alternative to capitalism. Without this development it can be said that the challenge represented by Smith has not yet been sufficiently addressed and a strategy for the genuine realisation of an emancipatory society has not been established in satisfactory terms.