

Primary Source: Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, 1776

On the effect of individual gain on society:

“By directing that industry in such a manner as its produce may be of greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.”

On what makes an economy advance:

“It is not from the benevolence of the butcher, the brewer, or the baker, that we can expect our dinner, but from their regard to their own interest.”

On taxation:

“The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state. The expense of government to the individuals of a great nation is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate. In the observation or neglect of this maxim consists what is called the equality or inequality of taxation... The necessities of life occasion the great expense of the poor. They find it difficult to get food, and the greater part of their little revenue is spent in getting it. The luxuries and vanities of life occasion the principal expense of the rich, and a magnificent house embellishes and sets off to the best advantage all the other luxuries and vanities which they possess. A tax upon house-rents, therefore, would in general fall heaviest upon the rich; and in this sort of inequality there would not, perhaps, be anything very unreasonable. It is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion.”

On monopolies:

“A monopoly granted either to an individual or to a trading company has the same effect as a secret in trade or manufactures. The monopolists, by keeping the market constantly understocked, by never fully supplying the effectual demand, sell their commodities much above the natural price, and raise their emoluments, whether they consist in wages or profit, greatly above their natural rate. The price of monopoly is upon every occasion the highest which can be got. The natural price, or the price of free competition, on the contrary, is the lowest which can be taken, not upon every occasion, indeed, but for any considerable time together.”

Questions

1. In the first paragraph, Smith uses the word “industry” to describe the work that an individual does. When a person works for his own benefit, how is society affected?
2. In the second paragraph, “benevolence” means kindness. Restate the second paragraph in your own words.
3. Adam Smith believed that the rich should pay more taxes than the poor. On what basis did Smith propose that people should be taxed to ensure that the rich pay more taxes than the poor? Circle the statement in the text that supports your answer.
4. What effect does a monopoly have on prices? How do consumers benefit from “free competition” among sellers?
5. Which type of economic system, market or command, do you think Adam Smith prefers?

Primary Source: Karl Marx and Frederick Engle, *The Communist Manifesto*, 1848

Introduction:

“A spectre is haunting Europe -- the spectre of Communism. All the Powers of old Europe have entered into a holy alliance to exorcise this spectre: Pope and Czar, Metternich and Guizot, French Radicals and German police-spies.

Where is the party in opposition that has not been decried as Communistic by its opponents in power? Where the Opposition that has not hurled back the branding reproach of Communism, against the more advanced opposition parties, as well as against its reactionary adversaries?
Two things result from this fact.

1. Communism is already acknowledged by all European Powers to be itself a Power.
2. It is high time that Communists should openly, in the face of the whole world, publish their views, their aims, their tendencies, and meet this nursery tale of the Spectre of Communism with a Manifesto of the party itself.

I. Bourgeois and Proletarians

The history of all hitherto existing societies is the history of class struggles.

Freeman and slave, patrician and plebeian, lord and serf, guild-master and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open fight, a fight that each time ended, either in a revolutionary re-constitution of society at large, or in the common ruin of the contending classes.

In the earlier epochs of history, we find almost everywhere a complicated arrangement of society into various orders, a manifold gradation of social rank. In ancient Rome we have patricians, knights, plebeians, slaves; in the Middle Ages, feudal lords, vassals, guild-masters, journeymen, apprentices, serfs; in almost all of these classes, again, subordinate gradations.

The modern bourgeois society that has sprouted from the ruins of feudal society has not done away with clash antagonisms. It has but established new classes, new conditions of oppression, new forms of struggle in place of the old ones. Our epoch, the epoch of the bourgeoisie, possesses, however, this distinctive feature: it has simplified the class antagonisms: Society as a whole is more and more splitting up into two great hostile camps, into two great classes, directly facing each other: Bourgeoisie and Proletariat...”

Questions

1. Why did Marx and Engle publish the Communist Manifesto?
2. How does Marx refer the history of societies?
3. In Section I, Paragraph 2, who do the “oppressed” struggle against? Choose a word or phrase of your own to describe the oppressed.
4. What labels did Marx use for the two classes?
5. Do you think Marx regarded the relationship between the two classes as a friendly one? Circle one or more words in the text to support your answer.