

## ECON 210A

### Before the First Meeting, item 3:

(1) Exchange and its vicissitudes as fundamental to human psychology and society? Adam Smith: <http://www.adamsmith.org/smith/won-b1-c2.htm>:

"Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog.... When an animal wants to obtain something either of a man or of another animal, it has no other means of persuasion but to gain the favour of those whose service it requires. A puppy fawns upon its dam, and a spaniel endeavours by a thousand attractions to engage the attention of its master who is at dinner, when it wants to be fed by him. Man sometimes uses the same arts with his brethren, and when he has no other means of engaging them to act according to his inclinations, endeavours by every servile and fawning attention to obtain their good will. He has not time, however, to do this upon every occasion. In civilised society he stands at all times in need of the cooperation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons....

[M]an has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love....

[I]t is this same trucking disposition which originally gives occasion to the division of labour. In a tribe of hunters or shepherds a particular person makes bows and arrows, for example, with more readiness and dexterity than any other. He frequently exchanges them for cattle or for venison with his companions; and he finds at last that he can in this manner get more cattle and venison than if he himself went to the field to catch them. From a regard to his own interest, therefore, the making of bows and arrows grows to be his chief business, and he becomes a sort of armourer. Another excels in making the frames and covers of their little huts or movable houses. He is accustomed to be of use in this way to his neighbours, who reward him in the same manner with cattle and with venison, till at last he finds it his interest to dedicate himself entirely to this employment, and to become a sort of house-carpenter.... [T]he certainty of being able to exchange all 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 may have occasion for, encourages every man to apply himself to a particular occupation, and to cultivate and bring to perfection whatever talent or genius he may possess for that particular species of business.

The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men... is not upon many occasions so much the cause as the effect of the division of labour. The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature as from habit, custom, and education... and widens by degrees, till at last the vanity of the philosopher is willing to acknowledge scarce any resemblance. But without the disposition to truck, barter, and exchange, every man must have procured to himself every

necessary and conveniency of life which he wanted. All must have had the same duties to perform, and the same work to do, and there could have been no such difference of employment as could alone give occasion to any great difference of talents.... By nature a philosopher is not in genius and disposition half so different from a street porter, as a mastiff is from a greyhound, or a greyhound from a spaniel, or this last from a shepherd's dog....<BR

Among men... the most dissimilar geniuses are of use to one another; the different produces of their respective talents, by the general disposition to truck, barter, and exchange, being brought, as it were, into a common stock, where every man may purchase whatever part of the produce of other men's talents he has occasion for..."

(2) Different technologies as producers of different societies which give rise to different types of economies? Karl Marx: Preface to *A Contribution to the Critique of Political Economy*:<BR

"In the social production of their life, men enter into definite relations that are indispensable and independent of their will, relations of production which correspond to a definite stage of development of their material productive forces. The sum total of these relations of production constitutes the economic structure of society, the real foundation, on which rises a legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the social, political and intellectual life process in general. It is not the consciousness of men that determines their being, but, on the contrary, their social being that determines their consciousness.<BR

At a certain stage of their development, the material productive forces of society come in conflict with the existing relations of production, or — what is but a legal expression for the same thing — with the property relations within which they have been at work hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an epoch of social revolution. With the change of the economic foundation the entire immense superstructure is more or less rapidly transformed. In considering such transformations a distinction should always be made between the material transformation of the economic conditions of production, which can be determined with the precision of natural science, and the legal, political, religious, aesthetic or philosophic — in short, ideological forms in which men become conscious of this conflict and fight it out....<BR

In broad outlines Asiatic, ancient, feudal, and modern bourgeois modes of production can be designated as progressive epochs in the economic formation of society..."

(3) Robert Solow (1985), "Economic History and Economics,"

<http://www.jstor.org/stable/pdfplus/1805620.pdf>

"Economics is a social science. It is subject to Damon Runyon's Law that nothing between human beings is more than three to one. To express the point more formally, much of what we observe cannot be treated as the realization of a stationary stochastic process without straining credulity. Moreover, all narrowly economic activity is embedded in a web of social institutions, customs, beliefs, and attitudes. Concrete outcomes are indubitably affected by these background factors, some of which change slowly and gradually, others erratically. As soon as time-series get long enough to offer hope of discriminating among complex hypotheses, the likelihood that they remain stationary dwindles away, and the noise level gets correspondingly high. Under these circumstances, a little cleverness and persistence can get you almost any result you want. I think that is why so few econometricians have ever been forced by the facts to abandon a firmly held belief. Indeed, some of Fortune's favorites have been known to write scores of empirical articles without once feeling obliged to report a result that contradicts their prior prejudices.

If I am anywhere near right about this, the interests of scientific economics would be better served by a more modest approach. There is enough for us to do without pretending to a degree of completeness and precision which we cannot deliver. To my way of thinking, the true

functions of analytical economics are best described informally: to organize our necessarily incomplete perceptions about the economy, to see connections that the untutored eye would miss, to tell plausible-sometimes even convincing-causal stories with the help of a few central principles, and to make rough quantitative judgments about the consequences of economic policy and other exogenous events. In this scheme of things, the end product of economic analysis is likely to be a collection of models contingent on society's circumstances on the historical context, you might say-and not a single monolithic model for all seasons....

The other direction of influence, what economic history offers to that kind of economic theory, is more interesting. If the proper choice of a model depends on the institutional context-and it should-then economic history performs the nice function of widening the range of observation available to the theorist. Economic theory can only gain from being taught something about the range of possibilities in human societies. Few things should be more interesting to a civilized economic theorist than the opportunity to observe the interplay between social institutions and economic behavior over time and place....

If the project of turning economics into a hard science could succeed, it would surely be worth doing. No doubt some of us should keep trying. If it did succeed, then there would be no difference between economics and economic history other than the source of data.... There are, however, some reasons for pessimism about the project. Hard sciences dealing with complex systems-but possibly less complex than the U.S. economy-like the hydrogen atom or the optic nerve seem to succeed because they can isolate, they can experiment, and they can make repeated observations under controlled conditions. Other sciences, like astronomy, succeed because they can make long series of observations under natural but essentially stationary conditions.... Neither of these roads to success is open to economists....

[T]here is a clear and productive division of labor between the economist and the economic historian. The economist is concerned with making and testing models of the economic world as it now is, or as we think it is. The economic historian can ask whether this or that story rings true when applied in earlier times or other places, and, if not, why not.... [E]conomic history can offer the economist a sense of the variety and flexibility of social arrangements and thus, in particular, a shot at understanding a little better the interaction of economic behavior and other social institutions..."