

Adam Smith and the Yellow Vest Movement

It is sad to see how completely misrepresented Adam Smith (1723-1790) is when pundits call upon him to vindicate neoliberalism and the status quo. It seems many have not really bothered to read his works.

Eric Toussaint

Some passages in Adam Smith's major work, *An Inquiry into the Nature and Causes of the Wealth of Nations*,¹ published in 1776 provide evidence that his social analysis clearly refers to class struggle and sheds light on the currently active Yellow Vest movement. Referring to Karl Marx would of course offer ample keys to understanding what is currently happening. But who would be surprised? On the other hand referring to Adam Smith may seem to be sheer provocation. We have to open our eyes even wider and comfort our arguments against those who consider that injustice is part of the way of the world. Examining the analysis of social classes carried out by Adam Smith also makes it possible to understand the elements of continuity in the system of capitalist exploitation and domination. Obviously society has changed but there are recurring features that it is interesting to highlight.

Adam Smith, the icon of the establishment as well as of the majority of those who support the capitalist system as a horizon society cannot trespass, exposed the action of the capitalist class and the support it receives from the law and parliament. This really deserves to be thrown into the face of self-appointed experts and main stream journalists who actually serve injustice and who's only fuzzy knowledge of Adam Smith, is a vague idea about an 'invisible hand'.²

¹ Adam Smith. 1776. *An Inquiry into the Nature and Causes of the Wealth of Nations*

² Here is the quotation on the invisible hand in which he refers to the capitalist's action: 'He generally indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the 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. Nor is it always the worse for the society that it was no part of it.' Book IV, Chapter 2, 1776. Actually the metaphor of the invisible hand only plays a marginal part in Adam Smith's approach to the world as developed in his *Inquiry*. But then you have to read his work to realise this!



Adam Smith describes the machinery of class struggle

Adam Smith develops a very fine analysis of the social classes of his time, and particularly of the capitalist class and the working class. He describes the machinery of class struggle. In this passage, he explains what was consensual in the 'upper class' society of his time (and still so today):

We rarely hear, it has been said, of the combinations of masters, though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and everywhere in a sort of tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate. To violate this combination is everywhere a most unpopular action, and a sort of reproach to a master among his neighbours and equals. We seldom, indeed, hear of this combination, because it is the usual, and one may say, the natural state of things, which nobody ever hears of.³

And nowadays, employers do still organise themselves (combine) to prevent an increase in legal minimum wages or in general wage increases for a majority of workers. Employers who would grant a wage increase would be perceived as traitors. Main stream media do not mention employers' action to prevent an increase in wages since this is simply the way things are.

Adam Smith claims that "masters . . . enter into combinations to sink the wages of labour"

Let us listen further to Adam Smith: *Masters, too, sometimes enter into particular combinations to sink the wages of labour even below this rate. These are always conducted with the utmost silence and secrecy, till the moment of execution, and when the workmen yield, as they sometimes do, without resistance, though severely felt by them, they are never heard of by other people.*

Yes, Adam Smith mentions a conspiracy among employers to sink wages. This is what is occurring today in the wake of Capital's offensive against Labour that started over thirty years ago in the era of Margaret Thatcher and Ronald Reagan. Indeed main stream media and leaders never say a word about such concerted action by capitalists to decrease wages.

Let's carry on with our reading, indeed Adam Smith's words shed light on the Yellow Vest movement: *Such combinations, however, are frequently resisted by a contrary defensive combination of the workmen; who sometimes too, without any provocation of this kind, combine of their own accord to raise the price of their labour. Their usual pretences are, sometimes the high price of provisions; sometimes the great profit which their masters make by their work. But whether their combinations be offensive or defensive, they are always abundantly heard of.*

³ Adam Smith, Book I, Chapter 8. The following quotes all come from the same passage in the work.

Some will claim that this description is not related to the Yellow Vests since they protest against an increase in taxes. Yet you only have to listen to what is said by most of them to understand that the reason they reject an increase in taxes is that their wages and pensions are too low and they demand an increase of the legal minimum wage and, more generally, of wages and unemployment benefits for low income earners. Macron (the President of France) tried to defuse the movement by announcing on 10 December an increase of 100 euros for workers on the minimum wage as from January 2019 yet without increasing the legal minimum wage and without the cost being in any way borne by employers. The Yellow Vests also protest against tax injustice and thus against the many tax breaks to the wealthy. They rightly demand lower taxes that affect the majority. For instance, VAT on basic commodities, on electricity, gas, water rates below a certain level of consumption (which takes the number of people in the household and other relevant elements into account) must be lowered. In this respect Macron tries to calm the movement as he confirms the cancellation of the tax on fuel but he refuses to restore the wealth tax. Who could be taken in?

Adam Smith next describes how workers acted: *In order to bring the point to a speedy decision, they have always recourse to the loudest clamour, and sometimes to the most shocking violence and outrage. They are desperate, and act with the folly and extravagance of desperate men, who must either starve, or frighten their masters into an immediate compliance with their demands.*

He could be writing about the Yellow Vests, *who also 'act with the folly and extravagance of desperate men'.*

Further: *The masters upon these occasions are just as clamorous upon the other side, and never cease to call aloud for the assistance of the civil magistrate, and the rigorous execution of those laws which have been enacted with so much severity against the combinations of servants, labourers, and journeymen.*

This sounds like a description of what has been occurring in France since the start of the movement, and particularly since the second act on 1st December 2018. The employers' spokespersons, the Head of State and the Prime Minister keep calling aloud for the assistance of the civil magistrate, and the rigorous execution of those laws which have been enacted with so much severity against the combinations of servants, labourers, and journeymen.

The enumeration is interesting: *servants, labourers, and journeymen*, it recalls the various categories that mobilise today. It ought to be updated for clearly various categories work together, those who have a salaried job, the unemployed, the retired, self-employed workers, those with shit jobs, workers in the informal economy... This creates a significant alliance.

The government responded to the movement with increasing repression

The Minister for Justice, the Minister for Home Affairs, the President of the Republic, the Prime Minister spokesman for the wealthy and the employers, the chiefs of the police force and of other repressive forces as well as the high magistrates all responded to the movement with increasing repression and proclaimed that the most severe laws would be brought to bear on the protesters. And they have acted upon their words.

I claimed at the beginning of this article that Adam Smith clearly wrote about class struggle, I will now show that he did it with accuracy : he analysed society as divided into social classes with two of them being antagonistic:

What are the common wages of labour, depends everywhere upon the contract usually made between those two parties (workers and capitalists), whose interests are by no means the same. The workmen desire to get as much, the masters to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labour. It is not, however, difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into a compliance with their terms. The masters, being fewer in number, can combine much more easily; and the law, besides, authorises, or at least does not prohibit their combinations, while it prohibits those of the workmen.

Adam Smith: We have no acts of parliament against combining to lower the price of work

In the passage above Adam Smith highlights the fact that the class of the wage-earners and the class of the capitalists have contradictory interests and explains that as a rule employers have a head start and can hold longer since they have the law on their side. In the following passage Smith adds that employers have parliament on their side. He makes it clear that thanks to the capital they have hoarded they can outlast the workers in case of a conflict.

We have no acts of parliament against combining to lower the price of work; but many against combining to raise it.

The analysis of capitalist society developed by Adam Smith is close to that presented by Marx and Engels 70 years later

In the following quotations we see that what Smith wrote in the 1770s is not so distant from what Karl Marx and Friedrich Engels would write 70 years later in the famous Communist Manifesto.

According to Adam Smith, workers create value ... without this costing anything to the capitalists: *Though the manufacturer (i.e. the worker) has his wages advanced to him by his master, he, in reality, costs him (the capitalist) no expense, the value of those wages being generally restored, together with a profit, in the improved value of the subject upon which his labour is bestowed.*⁴

Workers create value without this costing anything to the capitalists

He adds: *The labour of a manufacturer adds, generally, to the value of the materials which he works upon, that of his own maintenance, and of his master's profit.*⁵

Adam Smith does write that the workers' labour creates the masters' profits. We are miles away from the capitalist fairy tale told by Macron and all partisans of the capitalist system. They claim that value is created by capitalists at least as much as by workers. Now Adam Smith and Karl Marx both consider that employers do not produce any value, only workers do.

⁴ Adam Smith, Book II, Chapter 3.

⁵ Translated in Marxist terms, this means that workers reproduce through their labour part of the constant capital (i.e. the means of production – raw material, energy, fraction of the value of the used machinery ... - which are used in the manufacturing of a given commodity) to which is added the variable capital that corresponds to their wages and the employers' profits, which Karl Marx calls surplus value.

Workers create value ... without this costing anything to capitalists: *Though the manufacturer (i.e. the worker) has his wages advanced to him by his master, he, in reality, costs him (the capitalist) no expense, the value of those wages being generally restored, together with a profit, in the improved value of the subject upon which his labour is bestowed.*⁶ The phrasing may be complex but the idea is clear: since whatever employers pay their workers is actually part of the profits they do not part with a single cent.

Capitalists' source of motivation according to Adam Smith

The consideration of his own private profit is the sole motive which determines the owner of any capital to employ it either in agriculture, in manufactures, or in some particular branch of the wholesale or retail trade.

What he says is that capitalists do not give a fig if their capital contributes to their countries' productive activity, what matters is that their money should breed more money.

Adam Smith shows that capitalists are out to make maximum profits

Smith goes further: *The different quantities of productive labour which it may put into motion, and the different values which it may add to the annual produce of the land and labour of the society, according as it is employed in one or other of those different ways, never enter into his thoughts.*

If we paraphrase the last sentence, Smith writes that for capitalists, how much productive labour will result from their investments is the last of their concerns.

Adam Smith considers that there are three basic social classes:

- 1. The class of landowners who live on their revenues;**
- 2. That of wage-earners and**
- 3. The capitalist class that lives from profits. He describes as follows the centres of interest of these three social classes.**

*The whole annual produce of the land and labour of every country, or what comes to the same thing, the whole price of that annual produce, naturally divides itself, it has already been observed, into three parts; the rent of land, the wages of labour, and the profits of stock; and constitutes a revenue to three different orders of people; to those who live by rent, to those who live by wages, and to those who live by profit. These are the three great, original, and constituent orders of every civilised society, from whose revenue that of every other order is ultimately derived.*⁷

Speaking of the class that has its own private means, that is the landowners, Adam Smith writes: *They are the only one of the three orders whose revenue costs them neither labour nor care, but comes to them, as it were, of its own accord, and independent of any plan or project of their own. That indolence, which is the natural effect of the ease and security of their situation, renders them too often, not only ignorant, but incapable of that application of mind which is necessary in order to foresee and understand the consequences of any public regulation.*

⁶ Adam Smith, Book II, Chapter 3.

⁷ Adam Smith, Book I, Chapter 11, Part 3. The following quotations are also from this part of the Book I.

Adam Smith claims that the interest of the wage-earners is directly connected with the interest of society

Next he claims that the interest of the wage-earners is directly connected with the interest of society, but that they are so exhausted with their labour and deprived of schooling that they cannot understand either the general interest or even their own interest. The upper classes only listen when popular demands are also useful to the interests of some capitalists.

The interest of the second order, those who live by wages, is as strictly connected with the interest of the society as that of the first. (...). But though the interest of the labourer is strictly connected with that of the society, he is incapable either of comprehending that interest or of understanding its connection with his own. His condition leaves him no time to receive the necessary information, and his education and habits are commonly such as to render him unfit to judge even though he was fully informed. In the public deliberations, therefore, his voice is little heard and less regarded, except upon some particular occasions, when his clamour is animated, set on and supported by his employers, not for his, but their own particular purposes.

The capitalists' interest is always different from, and even opposite to, that of the public

Finally he turns to the capitalist class and bluntly claims that the capitalists' interests always differ and indeed oppose public interests!

*His employers constitute the third order, that of those who live by profit. It is the stock that is employed for the sake of profit which puts into motion the greater part of the useful labour of every society. The plans and projects of the employers of stock regulate and direct all the most important operations of labour, and profit is the end proposed by all those plans and projects. (...). Merchants and master manufacturers are, in this order, the two classes of people who commonly employ the largest capitals, and who by their wealth draw to themselves the greatest share of the public consideration. As during their whole lives they are engaged in plans and projects, they have frequently more acuteness of understanding than the greater part of country gentlemen (...) **The interest of the dealers, however, in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public.***

Next Smith turns to capitalists specialising in trade and trying to conclude agreements to avoid competition and increase the prices of the goods they sell.

To widen the market and to narrow the competition, is always the interest of the dealers. To widen the market may frequently be agreeable enough to the interest of the public; but to narrow the competition must always be against it, and can serve only to enable the dealers, by raising their profits above what they naturally would be, to levy, for their own benefit, an absurd tax upon the rest of their fellow-citizens.

Smith warns against bills drafted by capitalists specialised in trade for they have an interest in deceiving the public: *The proposal of any new law or regulation of commerce which comes from this order ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men whose interest is never exactly*

the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.

Smith's works contain other similar judgements, which would give rashes to those politicians and ideologists who claim to be his disciples: *Our merchants frequently complain of the high wages of British labour as the cause of their manufactures being undersold in foreign markets, but they are silent about the high profits of stock. They complain of the extravagant gain of other people, but they say nothing of their own. The high profits of British stock, however, may contribute towards raising the price of British manufactures in many cases as much, and in some perhaps more, than the high wages of British labour.*⁸ This statement would be a heresy for the capitalists, who hold wage costs – always too high in their opinion – responsible for inflation and the lack of competitiveness.

Because they challenge the capitalist order, these concepts, which are much more significant in the thought of Adam Smith than the famous invisible hand (only mentioned three times in his work), are systematically forgotten by today's dominant, so called, economists.⁹

One of the common points between Smith and Marx is that they both analyze society in terms of social classes. One of the fundamental differences between them is that the former, although he was conscious of how workers are exploited by capitalists, supported the capitalists whereas the latter argued for the emancipation of workers.

The movement that is emerging, while it triggers new hopes, is also a warning not to fall into former mistakes

The preamble of the General Rules of the International Workingmen's Association 1864 (IWA¹⁰) written by Karl Marx express the basic substance of his position:

Considering,

That the emancipation of the working classes must be conquered by the working classes themselves, that the struggle for the emancipation of the working classes means not a struggle for class privileges and monopolies, but for equal rights and duties, and the abolition of all class rule;

That the economical subjection of the man of labor to the monopoliser of the means of labor — that is, the source of life — lies at the bottom of servitude in all its forms, of all social misery, mental degradation, and political dependence;

That the economic emancipation of the working classes is therefore the great end to which every political movement ought to be subordinate as a means;

⁸ Adam Smith. 1776. An Inquiry into the Nature and Causes of the Wealth of Nations. Book IV, Chapter 7, Part 3. <http://www.adamsmith.org/smith/won-b4-c7-pt-3.htm>

⁹ This is true of Alan Greenspan, for example, who in his autobiography The Age of Turbulence, published in 2007, devotes seven pages of praise to Adam Smith, while 'cleansing' his thought of any reference to wage labour as the source of profit, to the theory of labour value, or to class struggle (Alan Greenspan, 2007, p. 338-344).

¹⁰ **The International Workingmen's Association (IWA)**, also known as the **First International**, was founded in 1864, by Karl Marx and Friedrich Engels among others. It united "anti-authoritarian" collectivists, such as Mikhail Bakunin's international movement), Marxist collectivists, and mutualists (followers of Pierre-Joseph Proudhon). Political activists, unionists, and cooperativists worked together in this association. The First International was dissolved after the failure of the Paris Commune in 1871. First published in The Bee-Hive, 12 November 1864, then in the pamphlet Address and Provisional Rules of the Working Men's International Association ..., London, November 1864.

That all efforts aiming at the great end hitherto failed from the want of solidarity between the manifold divisions of labor in each country, and from the absence of a fraternal bond of union between the working classes of different countries;

That the emancipation of labor is neither a local nor a national, but a social problem, embracing all countries in which modern society exists, and depending for its solution on the concurrence, practical and theoretical, of the most advanced countries;

That the present revival of the working classes in the most industrious countries of Europe, while it raises a new hope, gives solemn warning against a relapse into the old errors, and calls for the immediate combination of the still disconnected movements;

For these reasons —

The International Working Men's Association has been founded.

It declares:

That all societies and individuals adhering to it will acknowledge truth, justice, and morality as the basis of their conduct toward each other and toward all men, without regard to color, creed, or nationality;

That it acknowledges no rights without duties, no duties without rights.'

To conclude: this call is more urgent than ever.

Translated by CADTM



Useful links:

- The Jus Semper Global Alliance
- [The Neo-Capitalist Assault — The Historical Background in the XVIII and XIX Centuries](#)
- Committee for the Abolition of illegitimate Debt (CADTM)

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❖ **About this paper:** Adam Smith and the Yellow Vest Movement was originally published in [English](#), [Spanish](#) and [French](#) by CADTM in December 2018.

❖ **Cite this paper as:** Eric Toussaint: Adam Smith and the Yellow Vest Movement – The Jus Semper Global Alliance, March 2019.

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