

ADAM SMITH: AN INTELLECTUAL GIANT

IGNORED IN LATIN-AMERICA

by Guillermo Rios

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Why Worlds Within One World?

The societies of the developed countries, with all their organization, institutional strength, productive virtues in the [social character](#) (see web ref. 1) of their citizens, wealth, practices and regulations which wisdom and common sense seem so obvious to us today, are strongly influenced by the ideas that Adam Smith, the founder of modern Economics, compiled in his magnum opus *The Wealth of Nations*, published in 1776.

In contrast, we see the traditional lack of such sensible practices and regulations in Latin-American underdeveloped countries, as well as the nonexistence of the same productive virtues in their [social characters](#), as an indication of the absence of the influence of Adam Smith and his teachings in their societies. Instead, such societies have sympathized, up to satiety, with philosophies and populist political movements of Marxist inclination, an intellectual myopia that even their highly educated classes have indulged into.

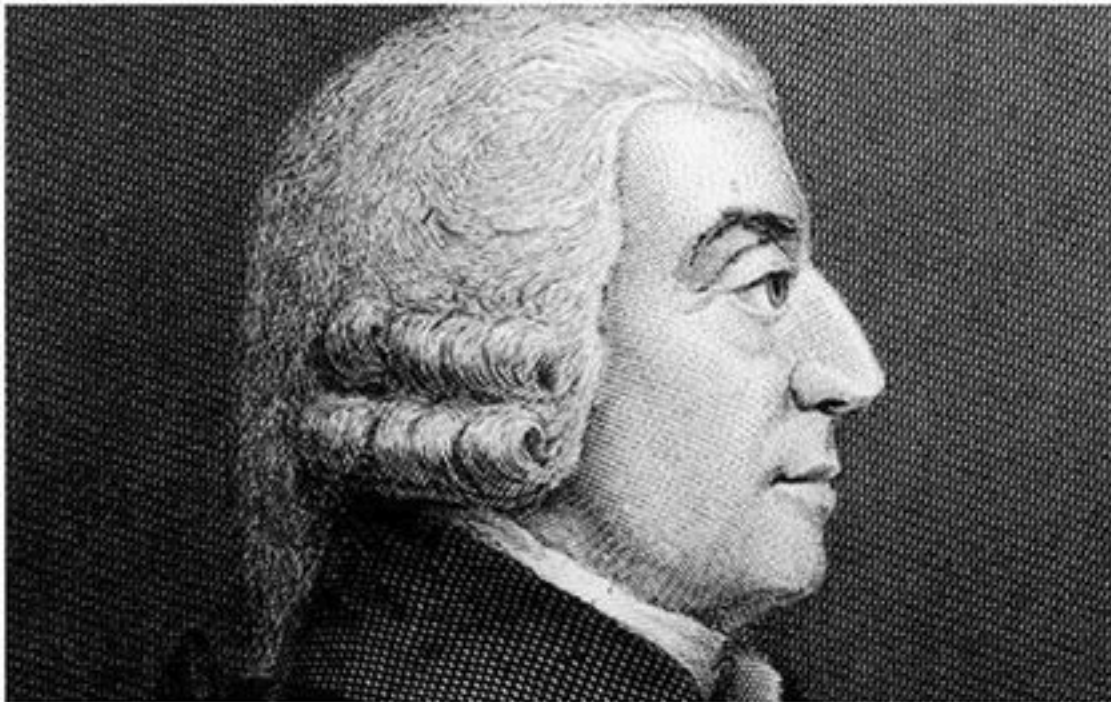
Thus, these marked differences among the countries of our global village de facto create two major groups of nations, commonly referred to as the First and the Third World. And as we will see in this article, they do so under the shadow of an intellectual giant: Adam Smith.

We will start by presenting a basic introduction to the principles stated in his pioneering work. Next we present some original ideas extrapolating those principles and exploring some of their more advanced implications in today's world. And at the end we will examine what the philosophical and historical context was at the time when Smith made his remarkable contribution.

Who Was Adam Smith?

The first question to cross the mind of any typical educated Latin-American when first encountering a thinker like Adam Smith would be “is he/she politically from the Right or from the Left?” where “Left” is essentially limited to how much the thinker in question would sympathize with Marxist philosophies and populist political movements, and “Right” would be everything else. Let’s transcend for a moment such limiting mono-dimensional thinking.

Adam Smith (1723–1790) began his career as a Professor of Moral Philosophy, and he took his moral concerns into his study of what he called “commercial society” and the new science of “political economy,” meaning the effective governmental economic policies. The goal of the open market economy, as Smith conceived it, was to make possible a continuous rise of the standard of living of the vast majority of the population.



In 1759, he published his first book, *The Theory of Moral Sentiments*, also a remarkable piece of work. This book looks at human nature and ethics and sets out a social scientific explanation on how people become moral beings. In it he states that all people had the capacity and the tendency to care about

others. In his own words: *"No matter how selfish we suppose man to be, there is obviously something in his nature that makes him interested in the fortune of others, and makes their happiness necessary to him, even if he derives nothing from it other than the pleasure of seeing it."* When stating this fact, Smith is not being a moralist, a preacher or a naive idealist but a scientist of remarkable objectivity.

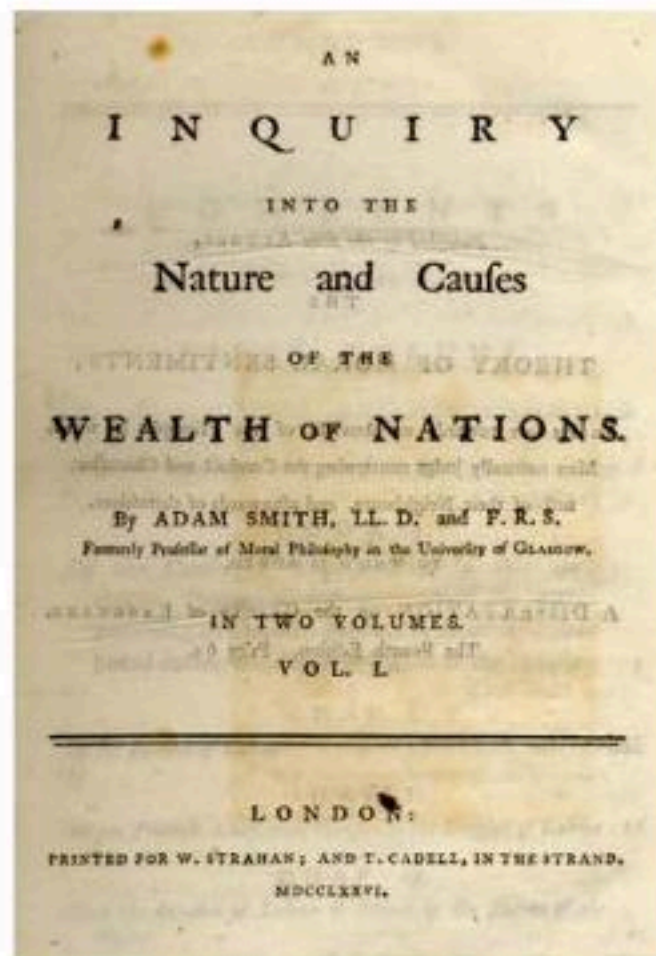
As a contrast, later in his second book and magnum opus, he would write a big deal about the importance and the convenience of self-interest as the fundamental force in Economics.

Another of his important works is what we now know as *"Lectures on Jurisprudence,"* a book that he never published and actually ordered destroyed when he was dying. Fortunately, some of his students took class notes and these have been compiled under the title of *"Lectures on Jurisprudence."*

The Wealth of Nations

"An Inquiry into the Nature and Causes of The Wealth of Nations" is a book about the market, written by a moral philosopher and public policy advisor who had turned his mind to commerce with the aim of providing public policies that would promote the well being of the great majority of the populous.

Self-interest is the key concept in this, his second book. In it Adam Smith explains how self-interest can be channeled through open markets to play a socially beneficial role. He explains how open markets work and how they could be made work better and in the direction of having them to provide higher standard of living to the vast majority of the population.



In it he also explains how human productivity could be increased in ways that makes it possible for an open competitive market to produce more and more goods to cover the needs of more and more people, lifting them from material poverty into greater material comfort, by making such products affordable to them.

It is also a book about public economic policies, which according to Smith have two objectives:

- 1) Provide plentiful subsistence to the people, or how institutions could be structured to provide the cheapest and most plentiful supply of goods to consumers.
- 2) Provide the State with sufficient revenues to cover the cost of public services. This has to do with the necessary roles of government and how it can best raise the revenues necessary to perform such roles.

To accomplish these objectives he includes analysis of existing institutions of his time. He asks why such institutions work, what

prevented them from working better and he makes recommendations on how they could be reformed to make them work even better.

The ultimate goal of Smith's analysis is to bring about a respectable standard of living for as many people as possible by enabling them to afford products in the commercial market. He called this "universal opulence." In Smith's eyes the existing protectionist restrictions of his time prevented such economic growth. Hence, most of his book was an argument for expanding the freedom to trade.

The Wealth of Nations is a scientific book. It was not written for merchants, investors or manufactures. It does not offer advice on how an individual can get rich although it does offer advice on how a nation as a whole can get wealthier, and by a nation Smith meant not its elite but the common people.

Seeing The Invisible Hand

As mentioned, Smith regarded the attempt to explain all of human actions solely on the basis of self-interest as patently absurd. However, he saw man's "benevolence," or altruism, as a phenomenon limited mostly only towards those people close to us. But the market consists of exchanges between people that usually don't know each other, people that often never met and not even know about each other existence.

Therefore Smith bases his Economics model on another ever-present element: self-interest. To put it in his own now famous words: *"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."* He contended, however, that this was not bad, that in an open markets scenario such self-seeking individuals were "led by an invisible hand" that caused them to unintentionally act in ways that benefited society.

In Smith's view, exchange is the main form of human interaction in the market: I give you something that you want, and you give me something that I want, where that "something" in general can be labor, the use of land, a commodity and, of course, money which can replace any of the formers.

Thus Smith's Economic model starts with "self-interest," and it goes like this:

- 1) Self-interest ==> leads to ==>> Exchange in general (products, land, labor, etc)
- 2) Exchange in general ==>> makes possible ==> The division of labor, since if we exchange then we don't have to produce all that we need for ourselves.
- 3) The division of labor ==>> increases ==>> Human productivity, since it brings specialization increasing the dexterity of the workman in his particular task. It also brings the elimination of the overhead intrinsic in changing from one task to another. It even favors the invention of new devices to cut down on the amount of work required to carry out each particular task.
- 4) The increase of human productivity ==> makes possible ==>> that more things can be produced more cheaply, making them more available to the majority of the population. And the wider and bigger the market, the more effective the productive effect of the division of labor would be. Later below we will explore some implications of this size-dependence fact using a Neural Network model.

To illustrate how the division of labor increases human productivity Smith presents his famous example of a pin factory, based on his real-life observations. One worker who did all the operations necessary to make a single pin, he said, could produce no more than 20 pins in one day. Thus, 10 workers working individually could make a total of 200 pins. If, however, each of the 10 workers specializes in one or two operations of the pin-making process — from drawing the wire to putting the

finished pin on a paper card — they would work more efficiently. Smith estimated that these 10 workers could produce a total of 48,000 altogether in one day, or an average of 4,800 pins per each worker. This is, the productivity per worker is increased 240 times.

Another aspect of Smith's Economic model is the structure of the prices of products. For each product that is sold in the marketplace there is what he called the Natural Price NP: the lowest price at which some good could continue to be produced covering all the expenses involved in producing it. This is the ideal price for consumers.

Now, the actual price in which a commodity is sold in the market at any given time Smith called it the Market Price MP, and this is determined by the relationship between the quantity of goods that is supplied by the producers of that particular commodity and the amount that was demanded by those with the ability to buy it (effective demand.)

Smith explains how the MP of commodities would tend towards NP. He also explains how the supply of any product would tend to the level of the demand, and all of this without anyone in the position of authority deciding neither the amount that should be produced nor the price they should be sold for.

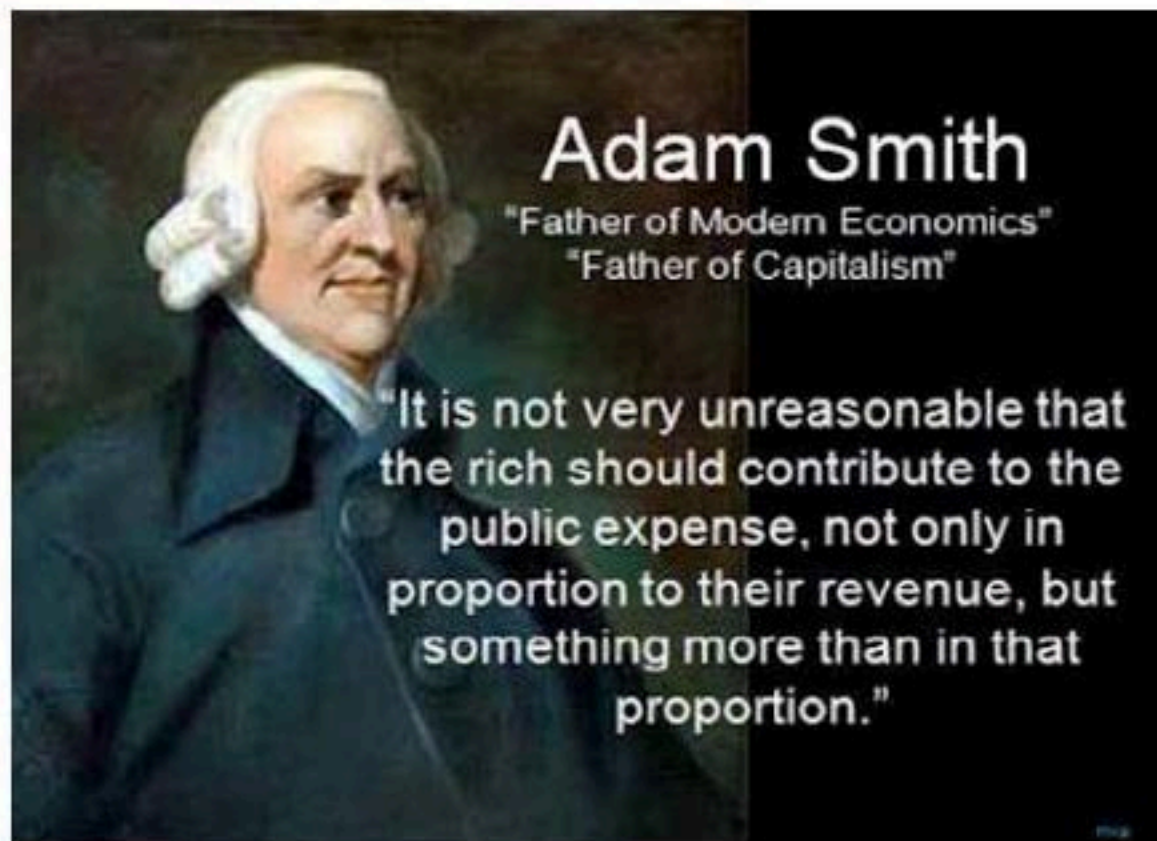
At any given moment the market price of a commodity could temporarily become below or above the natural price. In a $MP < NP$ scenario, self-interest will move away some of those who produce such commodity to produce another commodity. That in turn would lead to a decrease of the supply of that commodity and once the supply goes down the MP will rise again towards the NP.

If the $MP > NP$ scenario those people with capital or labor will be moved by self-interest to produce that commodity. In time the

supply for such commodity will go up and therefore its price will go down towards NP.

So we see that the MP gravitates around the NP while the level of supply gravitates around the level of demand, and both are tendencies that favor the consumer.

This is the famous “invisible hand” of the market, a concept that, as we will see below, has nothing to do with its common misinterpretation as Laissez-faire economics.



Alienation and the Division of Labor

Smith was completely aware of the potential negative effects of the division of labor, especially in manual workers. He wrote: *"The man whose whole life is spent in performing a few simple operations, of which the effects are perhaps always the same, or very nearly the same, has no occasion to exert his*

understanding or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become. ”

Later he proceeds: *“His dexterity at his own particular trade seems, in this manner, to be acquired at the expense of his intellectual, social and martial virtues. But in every improved and civilized society this is the state into which the laboring poor, that is, the great body of the people, must necessarily fall, unless government takes some pains to prevent it.”* This last phrase is very important, because much of Smith’s work has to do with the determination of the proper roles of government.

Thus, with the same strength he opposed the protectionist policies of his times (since they interfered with the free equal opportunity open market that would lead to universal opulence,) he advocated for government involvement to solve social problems. For instance, as an antidote of the mental degradation that division of labor may cause, he recommended universal public schooling; an idea now commonly accepted that was extremely at odds with the ruling classes of his time.

The Pernicious Side of Self-Interest

The idea that self-interest can lead to benevolent outcome may be disturbing for some people. The fact that there is a gap between the intentions and the outcomes often makes moralists feel uncomfortable, in the extent of people thinking of moral actions based on intention rather than on outcomes. Thus, the fact that self-interest can have a socially beneficial effect is disturbing to those who want to see a direct relationship between intentions and outcomes.

Also, some other people may find it uncomfortable simply because they don't fully understand the subtlety of such idea: Adam Smith never stated that under any circumstances self-interest would always lead to positive outcomes. His contention was that under the right institutional condition, in a commercial society (or capitalistic society in today's terminology) self-interest could lead to a much better standard of living for the vast majority of the population (universal opulence.) But Smith readily recognized that where the rule of law is lacking or where there is inequality before the law, commercial activity could lead to immoral outcomes. Consequently, much of his work deals on how to avoid them.

Smith thesis is that, from the point of view of the public interest, it was most beneficial that every person pursues his own self-interest channeling it through an equal opportunity open market, and it was the role of legislators and public officials to ensure that such conditions exist and prevail. But from the point of view of an individual producer, or a group of producers, it would be most beneficial to try to circumvent the competitive market, to get around it, and avoid strong and tough competition.

Smith shows that whenever and wherever individuals and groups could promote their own interest at the expense of the public interest by bypassing the free market they would. And they would because in a free market competition is tough. Free market creates difficulties in making profits. From the point of view of those producing goods and services, free market competition makes them work harder.

So, as a source of guidance and warning to legislators and economic policy makers, the *Wealth of Nations* is also a compendium of all the ways in which individuals and group of producers may try to get around the competitive free market to increase their profit at the expense of the public interest.

Commercial Societies and Human Virtues

Adam Smith was primarily a moral philosopher (but not a moralist!) and as such he was interested in the question of what it meant to be moral. He was particularly interested on how man becomes moral, on what was the social process by which desirable character traits, or virtues, could be created in him. According to Smith, the effect of the open market commercial mentality, and some of these desirable traits the market tends to foster and cultivate, extended over the whole society at large.

As a departing point, he did not feel that poverty was ennobling. In his own word: *"Before we can feel much for others, we must in some measure be at ease ourselves. If our own misery pinches us very severely, we have no leisure to attend to that of our neighbors: and all savages are too much occupied with their own wants and necessities, to give much attention to those of another person."* So a well functioning open market, by leading to a greater prosperity, will make it more likely that people act with benevolence.

He thought that open market commercial activity itself tends to produce certain desirable character traits. In a commercial society based upon exchange, every man becomes in some way a merchant. Therefore to get a sense of the moral effect of commercial society it is useful to look at his description of the kind of character traits that merchants are more likely to develop. According to Smith, commercial activity leads merchant to develop the habits of, as he called them, order (become organized,) economy (maximize efficiency and frugality,) and attention (devotion to the task at hand.) Once these character traits are learnt in one occupation they tend to spill over into other activities.

Smith thought that the establishing of frequent, regular and stable market relations tends to lead to honesty as a character trait. This is to say, once a business relation is developed, in

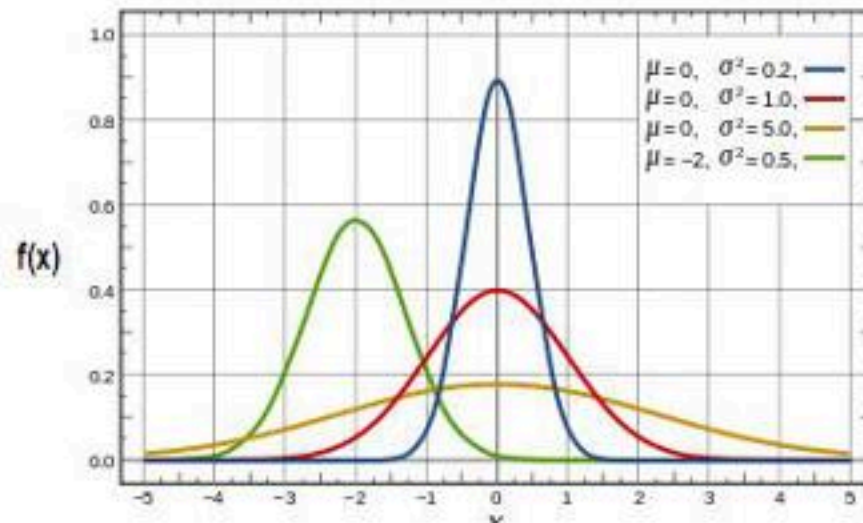
order to maintaining it, self-interest guide us into the keeping of promises. In a situation of a recurrent market relation, self-interest makes honesty the best policy. In other words in a recurrent market activity the seller is less interested in the profit from any one sale than in having the customer return time and time again. This is, in the situation of recurrent market activity what the seller wants to cultivate is trust.

He thought that the most basic (or root) virtue was self-command (meaning self-control) without which all other virtues cannot be effectively executed. Smith's key finding is that the market itself is a sort of disciplining institution in society. The market through self-interest tends to lead to some level of self-control. The market in general tends to promote prudent forms of behavior and the ability to defer short-term gratification for longer-term benefits. Other virtue that Smith thought market activity foster was punctuality.

To the degree that in a commercial society every man becomes a merchant, all these qualities of self-control, commitment to honoring promises, and punctuality are spread through society. Thus, in the quest of wealth through the market activity, individuals will learn valuable moral habits, or as he put it, "*a steady perseverance in the practice of frugality, industry, and application, though directed to no other purpose than the acquisition of fortune.*"

Although Smith stated that open market commercial activity naturally tends to produce certain commendable character traits and virtues (like prudence and self-control,) he did not think these virtues would be enough to produce a flourishing society. In his view some citizens with "greater virtue" were needed, like legislators, policy makers and public servants, who would be prudent and well informed and would devote themselves to the public will and interest.

With the understanding that today we have of probability theory and statistics we can argue that a number of such citizens “with greater virtue” will naturally be created by the commercial society following what is called the normal (or Gaussian) Probabilistic Distribution $f(x)$:



$$f(x) = \frac{1}{\sqrt{2\pi}} e^{-\frac{(\mu-x)^2}{2\sigma^2}}$$

In this case the variable “ x ” would be some “character traits and virtues” index. This distribution function $f(x)$ involves the parameter μ , the average value of variable “ x ” for a case in particular, and the parameter σ (standard deviation,) which is a measure of how wide or sharp such distribution $f(x)$ is around that average value μ .

Thus, a required percentage number of citizens “with greater virtue,” will always be randomly created by the commercial society, provided the average μ of the variable “virtue” in such society is high enough, or close enough to the “greater virtue” value, and the standard deviation σ of the Gaussian Distribution is wide enough.

It is our personal observation that these commercial character traits and virtues, as described by Smith, are readily noticeable in the common population in countries of the First World, while at the same time they are also noticeably absent in societies of the Third World. It is such personal observation what led us to conclude that the fundamental reason for these differences between the "First" and "Third" World countries is simply that they practice, or not, the principles that this great moral philosopher and thinker, Adam Smith, compiled in his works more than two centuries ago.

Our "Capitalistic Gene" and Its Survival Value

Adam Smith observed that *"Man is an animal that makes bargains: no other animal does this - no dog exchanges bones with another."* With today's advances in Animal Behavior we can better appreciate how right Smith was on this, since not even higher primates engage in trade activity. But Archeology can add more, much more, almost to a new dimension, to Smith's observation.

When members of our species, the Cro-Magnon (or Homo sapiens) moved to occupy Europe 45,000 years ago, they found it already occupied by another hominid, the Neanderthal (Homo neanderthalensis,) who had been well established there for more than 300,000 years (longer than the entire time we Homo sapiens have been around.)

The Neanderthals were physically much stronger than us and at least as intelligent. Same as us, this hominid was a tool creator and commanded a sophisticated stone technology, with a brain bigger than ours, capable of speech and with elaborated cultures which included care for their elders, sick and wounded, the burying of their dead involving funeral rituals, some believes in an after-life and perhaps even music. Despite all this, they were a completely different species, so different from us that it is

thought that cross-breeding was not possible (or very marginal,) and that sexual cross-contact was even repulsive for both.

With our arrival to Europe the two species were now occupying the same area and ecological niche, hunting the same wide range of animals, and gathering a similarly eclectic range of plant food. In other words, we became natural competitors.

Now, one of the great puzzles in science today is the cause for the Neanderthal extinction around the time we came in contact with them. It was a rather sudden demise in a period of about 10,000 years. With all those natural capabilities described above, plus their appropriate physical adaptations to the ice-age conditions in which they lived (better than the one we the Cro-Magnon had,) why then the Neanderthal became extinct?

Aggression hypotheses, such as “us killing them,” are discarded since no traces of Paleolithic inter-species warfare exist and because the two species may have not even met in many areas due to low population densities. Besides, we have to assume that the behavior of our ancestors in those times was much closer to our genetic “biological moral,” much closer to “le bon sauvage” paradigm, to allow any kind of highly unnatural motives and practices, such as genocide and purposely extermination, to occur (for such highly unnatural behavior to happen, a highly civilized people is necessary, like the Germans in the 1930's.)

Other hypothesis, like that the two species merged, as in “we absorbed them,” has been ruled out based on the DNA evidence that modern humans do not carry Neanderthal genes, or at least not in a big extent (as we write, this has become a very hot and controversial research topic. Check Dr. Svante Pääbo's Neanderthal Genome Project and Dr Anders Eriksson and Dr Andrea Manica's computer simulation and opposing view.)

In the middle of this absence of any credible hypothesis, Dr. Jason Shogren, of the University of Wyoming, has suggested that trade and specialization, the two major elements in Adam

Smith's Wealth of Nations, are the very reasons why Homo sapiens displaced previous members of the genus, such as Homo neanderthalensis, and emerged triumphant as the only species of humanity.

One thing Homo sapiens did that Homo neanderthalensis shows no sign of having done is trade. The evidence suggests that trade was going on in our species even 40,000 years ago. Stone tools made of non-local materials and sea-shell jewelry found far from the coast are indications of long-distance exchanges. That Homo sapiens also practiced specialization and division of labor is suggested not only by the skilled nature of his craft work, but also by the fact that his dwellings had spaces apparently set aside for different uses.

To see if trade might be enough to account for the dominance of Homo sapiens, Dr Shogren and his colleagues created a mathematical model of population growth that attempts to capture the relevant variables for each species. These variables include fertility, mortality rates, hunting efficiency and the number of skilled and unskilled hunters in each group, as well as levels of skills in making objects such as weapons, and the ability to specialize and trade (<http://arno.uvt.nl/show.cgi?fid=14033>)

Initially, the researchers assumed that on average Neanderthals and modern humans had the same abilities for most of these attributes. They therefore set the values of those variables equal for both species. Only in the case of the "trading" and the "specialization" variables they gave Homo sapiens an advantage. Specifically, they assumed that the most efficient human hunters specialized in hunting while bad hunters hung up their spears and made things such as clothes and tools instead. Hunters and craftsmen then traded with one another. We call this intra-group trade.

According to this mathematical model, such arrangement resulted in everyone getting more meat. This drove up fertility and thus increased the population of the Homo sapiens. Since

the supply of meat was finite, that left less meat for Neanderthals, and their population declined.

What validates Dr. Shogren's mathematical model is that it predicts how rapidly the decline of the Neanderthals might have taken place. Depending on the numbers plugged into the equations, Neanderthals became extinct between 2,500 and 30,000 years after the two species begin competing — a range that nicely brackets reality. Moreover, in this model, the presence of a trading economy in the Cro-Magnon population can result in the extermination of the Neanderthals even if they had been at an advantage respect us in traditional biological attributes such as hunting ability or even higher individual intelligence (a possibility perhaps uncomfortable for some which has not been ruled out yet.)

In their mathematical model Dr Shogren and his colleagues took into account only intra-group trade, not inter-group trade, although, as we mentioned above, there are clear indications that traveling bands of early humans interacted with each other and that inter-group trading networks existed in such extension as to allow long-distance exchanges.

Thus, the fact that their analysis considers only intra-group trade, the minor component of the total trade activity, validates even more their premise that trading was the key, our winning card, in our competition with the Neanderthals for the fix amount of resources in the Paleolithic Europe.

Such inter-groups trading implied not only exchanges of goods, but also of ideas, know-how and stone-age technologies. This helped early humans to develop "super-group social mechanisms," enabling early humans to increase their non-subsistence activities like art, while simultaneously out-competing Neanderthals on their common hunting grounds. Inter-group trade also gave way to continuous exchange of DNA, amidst the primeval splendor of our ancestor's mating rituals and

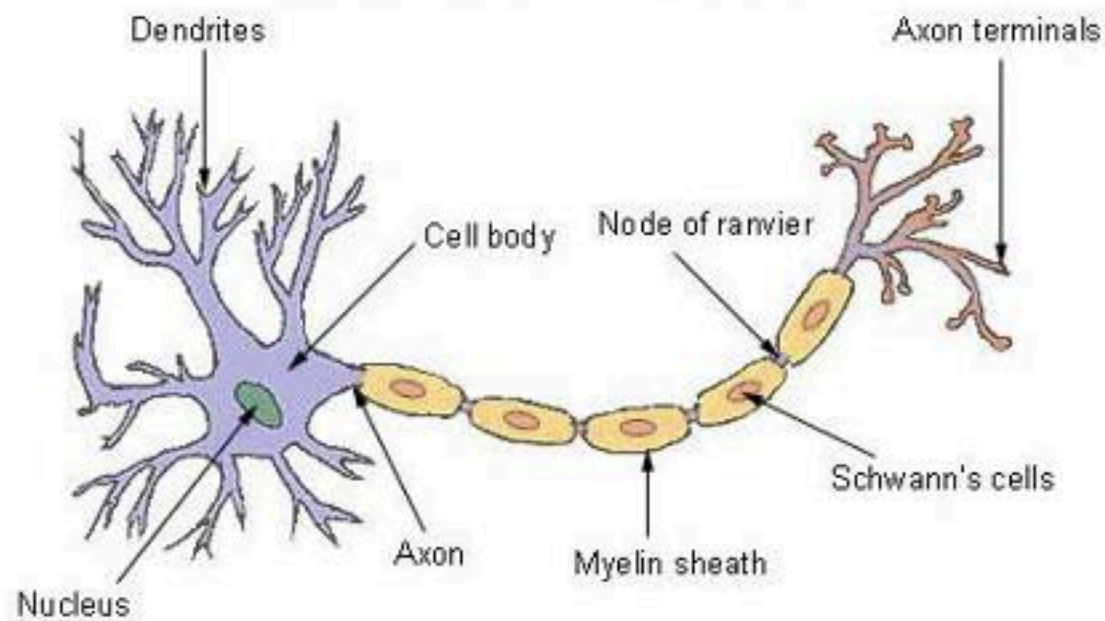
pair bonding vows by which our nomadic bands exchange members, strengthening our species' genetic pool.

All this constitute strong evidence supporting the relevant role that our primitive open market and Paleo-capitalism played in the prevailing of our species over other intelligent hominids, and that among the things that make our human species quite unique is our instinct for free trade.

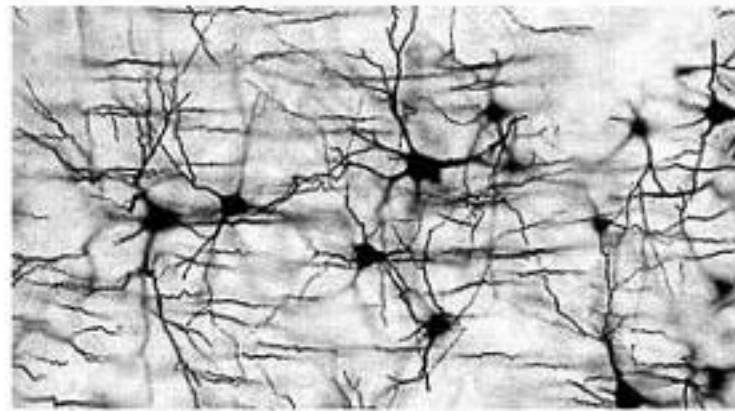
Capitalistic Neural Networks and Supra-intelligence

The human brain can be described as a biological neural network consisting of a group (or groups) of about 100,000 millions cells, called neurons, each one connected to between 1,000 and 10,000 other neurons. A neuron is a rather simple input/output element with as many inputs as above, and it produces a single output also connected to about the same number of other neurons. These connections, called Synapses, pass electrical or chemical signal to the other neurons without actually touching them.

Each neuron is composed of a Soma (body with nucleus,) a big number of inputs channels to the Soma (Dendrites,) and an Axon or output channel from the Soma. An output signal through the Axon is the product of a limited processing that the Soma executes over the inputs (Dendrites.) Thus, each single neuron is connected to the other neurons through the input dendrites and the output Axon.



In the brain learning occurs by changing the effectiveness of the synapses so the influence of one neuron over another changes. Somehow from such network of neurons, human intelligence emerges.



It is clear to us that a free trade commercial society could be modeled as a parallel processing neural network of intelligent processors (this is, human beings instead limited processing neurons.) With this we are expanding the traditional concept of Neural Networks to include fully processing intelligent “neurons.”

Each “neuron” of this commercial-society neural network is actually a human being with numerous “Synapses” (input and output contacts, from and to other “neurons.”) Through these “Synapses,” exchanges of information, services and products occur (motivated by self-interest.) We are mostly interested in

those contacts that are related to the economic and productive activities (business/work.)

One very important implication of this model is that, same as it happens with the human brain, an autonomous collective intelligence can be expected to emerge. To distinguish it from the intelligence of a single human, we will call this the *supra-intelligence*.

And the effects of this *supra-intelligence* are well manifested in today's world. Long gone are the days in which the intelligence of a single individual could command all the elements and stages of the manufacturing process of usual tools (arrow heads, stone knives, cooking tools, etc.) Now days the sophistication of our common tools (cars, airplanes, computer-phones, etc) has become too big for that. Instead, all those wonderful toys are products of the *supra-intelligence* of our worldwide Capitalist Neural Network.

These are natural extensions to the ideas of Adam Smith, who considered that the wider the market, the more effective the productive effect of the division of labor would be. But when a system grows, it is bound to gain not only size (or sheer number of "atomic" elements) but also complexity and structure (or have its underlying hidden structures to manifest.) And a clear structure that our global open and competitive market is manifesting is one of a neural network, resembling, up to some point, the most remarkable entity created by evolution: the human brain.

More implications of this model may yet to be explored when the advances on Artificial Neural Network research can be applied to better understand socio-economics neural network systems.

A Capitalistic Neural Network and Our Path of Power

The evolutionary path of our species is a path of power. It's not a path of adaptation to the environment but one of control over it. Control not only over our environment but also over our minds, our bodies and even our own evolutionary process itself. As a species, we crave for access and command over all the powers that this cosmos contains, and hides.

And our journey along this path, selected eons ago, is inescapable: it cannot be stopped nor reversed, and no moralistic or puritanical ideology, legislation, or dictatorship will ever accomplish that. In a way we have been condemned to face the challenges that our path of power entails.

Our quest for power over nature is so much inside us that even those who engage in religions do so in the hope of gaining access through praying to the power of the gods, not for love of them. But this fateful path of power has already made us more powerful than many gods of antiquity, and someday it will make us more powerful than the gods of today... if we survive our own power, that is.

Yes, if we survive, because our path of power is full of vulnerabilities, risks and perils. It is a path in which any big mistake could be our last. In a way, our powerful species lives at the edge of an unexpected extinction. Any path of power is a close dance with death.

We might hold a better chance to survive if our global village became a reason-driven society (as opposed to a religious-dogma-driven one) but the hopes for that to happen are, realistically speaking, quite low. So far human History seems to indicate that it is too much of a challenge for our human intelligence to produce a world of reason. But that might not be the case for the *supra-intelligence* of our Capitalistic Neural Network.

In the same way that Adam Smith's open market ideas once showed the way to universal opulence (and inadvertently to our current impressive power,) their conceptual expansion into being studied and understood as socio-economics Neural Network systems might hold the key, through a better understanding of the phenomenon of *supra-intelligence* and its application to solve human and social problems, to help us survive our own power and make possible that our species endures... at least for as long as the Neanderthals did.

The Moralists' View: Poverty as a Virtue

At least in its earliest form, Christianity, one of the mayor traditional influences on the Western Culture, was quite hostile to the idea of wealth. Famous are the words put in Jesus' own mouth about being easier for a camel to pass through a needle's eye than for a wealthy man to reach salvation (regardless of what "salvation" actually means for Christians.) Thus, from the beginning, poverty was declared a virtue by the Christian church, a view also adopted by their later Fathers.

All these condemnations of wealth were consistent, and perhaps motivated by the assumption of wealth as a "[zero sum](#)" process (see web ref. 15 & 16.) This is, the erroneous assumption that the material wealth of humanity is more or less fixed, and thus the gain of some could only come at the loss of others. As Saint Augustine put it: "*Si unus non perdit, alter non acquirit,*" (If one does not lose, the other does not gain.)

The Christian's praising of poverty may also have had an additional psychological motivation, if we consider material poverty as an example of earthly suffering. Suffering in general seems to be dogmatically perceived as virtuous by many Christians of later generations, perhaps as a subconscious aspiration to emulate the painful death of the founder of their faith.

In today's world, a group of moralist who feverishly subscribes, endorses and manipulates the "[zero sum](#)" mentality regarding wealth and poverty are the populist demagogues of Marxist tendencies, despite that in an industrial age wealth is clearly not fixed, and the "[zero sum](#)" assumption has no justification.

Another mayor influence on the Western Culture is the Civil Republican tradition, which traces back to the ancient Greeks City-States. The central concern of this tradition was how a State maintains itself by preventing being conquered by other States, and how to prevent a republican government to degenerate into some kind of dictatorship. This subject was explored in the works of big Greek philosophers like Plato and his disciple Aristotle. This tradition stresses the importance of the devotion of all citizens to the republic, by acting as soldiers and as politicians.

Although not as hostile as the Christians, the Civil Republican tradition was also apprehensive and suspicious of trade, commerce, consumption and the idea of an individual accumulating wealth. The fear was that the pursuing of wealth could lead to a situation in which citizens would put their private material interests above the interests of the State. Or even worst, it could lead to corruption: citizens using their government position to enrich themselves thus conducting to the decline of the City-State. *"In the city that is most finely governed," Aristotle wrote, "the citizens should not live a vulgar or a merchant's way of life, for this sort of way of life is ignoble and contrary to virtue."* Thus, although Athenians were fed by grain purchased from abroad, the ideal polis of the Greeks left no room for internal or external trade and commerce.

But in the XVII century both traditions, the Civil Republican and the Christian tradition, came to be challenged. The later by the intellectual reaction to the religious civil wars that torn parts of Europe apart during the XVI and XVII centuries. This critical reaction also included a critique of the Church's animosity

against the personal quest for material wealth and comfort. The thinker that came to challenge the Christian tradition most explicitly, openly and incisively was Thomas Hobbes, author of the book *Leviathan* (meaning *The State*, 1651,) which is for some the greatest work of Philosophy written in English. For Hobbes a key problem was how to rescue people from the fanaticism and strife that religions seem to bring with them. Hobbes saw religions as source of conflicts, which in his own days were leading to terrible civil wars.

And regarding the Civil Republican tradition, a challenge to its original form began to develop when in the XVII century the small Republic of the Netherlands became the richest and the most powerful State in Europe due to trade and commerce. Not only that, the Republic of the Netherlands also became the most tolerant State in religious matters.

This led to a reconsideration and reformulation of the Civil Republican tradition. Now there was a growing recognition that trade and commerce was an essential element of national power and hence of political survival since the State needed material means for its own defense.

Dutch politicians and political publicists began writing books about the links between the preservation of the republic and its commercial strength. As the best example, in 1662 Pieter de la Court wrote *The True Interest and Political Maxims of the Republic of Holland*, a strong defense of the benefits of free trade and of an open and tolerant society in which economic freedom and social and religious liberties go hand in hand to make a vibrant society and a State well capable to defense itself. The book angered some clerics when it appeared but it nevertheless became a best seller.

And in this spreading wave of recognition across Europe for trade and commerce as essential elements of national power, at the end of this XVII century, in England, Nicholas Barbon

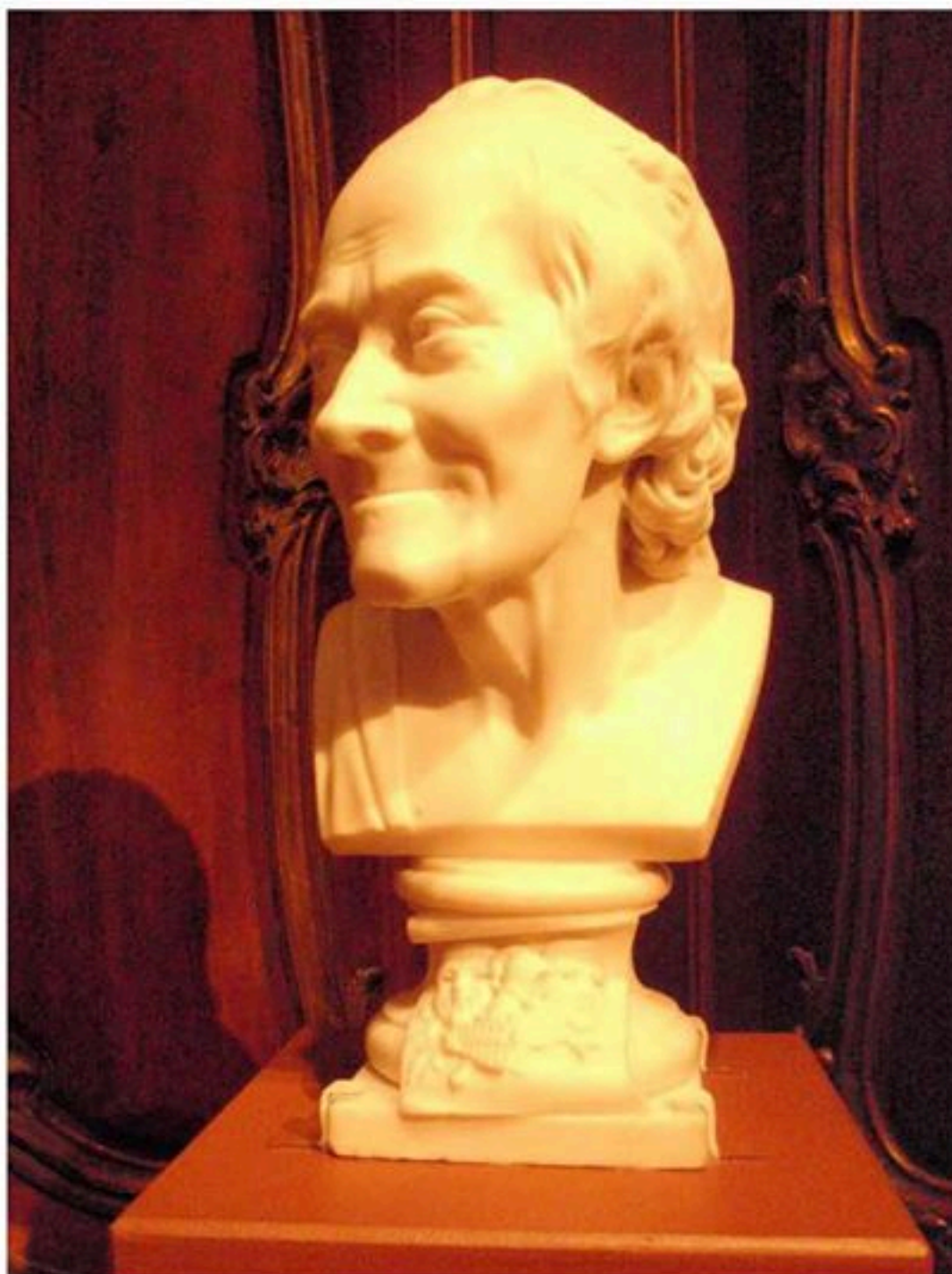
recognized in his *A Discourse of Trade* (1690) that the problem with political thinkers, from the ancient Greeks to Niccolò Machiavelli, was that they had said almost nothing about trade and its importance to the State.

Thus, the amazing commercial success of the XVII century Dutch set the stage to a series of debates: was it just coincidence that the richest country in Europe was also the most tolerant in religious matters? Or is there a link between capitalism and tolerance? How should moralists evaluate the spread of consumption and the public's taste for new commodities and luxury? Was this something to be welcome, or rather to be feared? And then there was the question of what policies would work better in enhancing national wealth and power: protectionism with its implicit "[zero sum](#)" assumption (also known as Mercantilism, which conducted to series of wars all aimed to control trade,) or just free and open trade?

The Economics Enlightenment and Adam Smith

There is a deep connection between the Age of Enlightenment and capitalism. In fact, thinking about the implications of the expansion of commerce was the focus of interest of many of the intellectuals of the time. Also, the rapid spread of ideas was possible due to several factors: 1) the already established commercial networks, 2) the rise of gathering places and cafes well stocked with printed material for the customers to read and discuss, creating the new phenomenon of "public opinion," 3) a commercial market for books and "Journal of opinions" (such as *The Spectator*, the first one, founded in 1711 "*...to bring philosophy out of the closets and libraries, schools and colleges, to dwell in clubs and assemblies, at tea-tables and coffeehouses.*") This market also required a printing industry and a network of sellers. All this was at the heart of the Age of Enlightenment, a time when two major and opposing characters became prominent: Voltaire and Rousseau.

François-Marie Arouet, better known as Voltaire, was the role model for what would become to be known as an “intellectual” (or *philosophe*.) Same as Hobbes, Voltaire saw religious enthusiasm as the major source of social discord, and proposed the replacement of all religious concerns by the pursuit of earthly wealth and happiness, thus confronting both the Christian and the Civil Republican traditions. Two of his major themes were the legitimacy of material improvement and consumption, and the notion that the pursuit of wealth through market activity had important political consequences in the raise of tolerance, theme that he developed in his book *Letters on England*, published in 1734, which started off the French Enlightenment as a public force. In it Voltaire claims that the pursuit of economic self-interest through the market may serve as an antidote to religious zealotry and intolerance. In his own words: “*Take a view of the Royal Exchange in London, a place more venerable than many courts of justice, where the representatives of all nations meet for the benefit of mankind. There the Jew, the Mahometan, and the Christian transact together, as though they all professed the same religion, and give the name of infidel to none but bankrupts.*”



At that time the London Exchange was the embodiment of a new form of financial capitalism. Although it is now recognized as a prerequisite for the later British success and power, in those days the London Exchange was a very controversial institution, decried by moralists who reacted to it with suspicion and hostility. It was said that these investors at the Exchange were mere money grabbers and speculators, gamblers and even insane, taking money from secure investments, like land, and putting it to dubious ones that depended upon people's imagination and bold guesses. But Voltaire's description of the

London Exchange scene was written precisely to upset and put such perception on its head by describing them as *“representatives of all nations meet[ing] for the benefit of mankind.”* And in this romantic XVIII century Voltaire held an intellectual duel with Rousseau.

There is a peculiar type of intellectuals who are willing to defend any particular point of view independently of whether they really consider such view to be true or false. Their sole interest seems to be to display their rhetorical talent for fallacies and sophisms with no scruples whatsoever regarding the validity of the points they choose to defend. We consider such lack of intellectual honesty in these individuals as a lack of intellectual honor, and this as an indication of their lack of honor and integrity in all other aspects of their personal life. A good example of this is Jean-Jacques Rousseau.

Although an important part of the Enlightenment, Rousseau was on the opposite side to the Economics Enlightenment, almost as a counter reaction to it. His leitmotiv was equality, the commitment to increasing man's worldly happiness, and moral virtue. His typical modus operandi was to emit a lot of preaching-style criticisms, using lots of “what should be” and “what shouldn't be” in “zero sum” reasonings (more below,) but without providing practical solutions. Also, many of his descriptions of man's circumstances were simply contrary to reality, perhaps honest misperceptions and misconceptions product of his disturbed personality.

His concern on “equality” was not about equal opportunities or equal rights for all citizens but rather the monotone prevention of human diversity and the impediment of citizens exercising their talents to avoid the creation of distinction among them. This is an unnatural objective, of course, since our uniqueness as individuals is inevitable and the diversity among us is the survival key of our species (and of any other.) We also find Rousseau's concern for moral virtue quite inexplicable since he was immoral

enough to have abandoned all his five children to an orphanage, at that time as horrible places as we can imagine them to be. Perhaps with his focus on morals he just wanted to present himself as morally superior to others, something that most moralists love to do.

In 1750 he entered a contest to write an essay answering the question: "*Has the Reestablishment of the Arts and Sciences contributed to the purification or the corruption of morals?*" To win that contest Rousseau answered in his "*Discourse of Arts and Sciences*" that indeed the progress of the arts and sciences has led to the corrupt of morals, and that the contemporary society was based on a way of life that was contrary to what would make people happy. As he put it: "*the progress of the arts and sciences has added nothing to our real happiness.*" Quite presumptuous words indeed for a man whose so many inadequacies, which he never was smart enough to overcome, prevented him from ever knowing what "real" happiness was.

The philosophers of the Enlightenment sought to deliver mankind from unnatural restraints so they could act freely in their pursuit of happiness, but they never offered any concrete way to pursue it once such freedom was at hand.

And in fact, the benefits of increasing society's material wealth pertains only to the improvement of physical comfort, as well as to the progress of medical care and sciences, to the increasing of the enjoyment of beauty in all its forms, either perceptual, intellectual or hedonistic, to a wider accessibility to all the cultural and sensual pleasures of life, to the growth of the power of the population over nature, etc, but not to making people happier. Even Adam Smith in his *Wealth of Nations* showed the way to universal opulence but he never referred to anything similar to universal happiness - he never even used the word "happiness" in his book, and he had sound reasons for not to.

Happiness is a very personal pursuit, and it is not that much subordinated to the degree of material wealth an individual possesses. In fact, the percentual ratio of unhappy/happy people is surely fairly constant across all the spectrum of incomes, from low to high. Happiness has much more to do with an individual's inner developing of a coherent, robust, serene and smoothly functioning "operating system" of emotions and thoughts, understanding "operating system" in the Computer Science sense as a set of brain-running software elements that work together (spawning and invoking each other, initiating and terminating emotions and thoughts as processes, etc.) In other words, the developing of a brain "operating system" that runs without producing internal pain. Needless to say, that would be only the bottom minimum acceptable running state since superior states of running blissfulness are also possible. The methodology for such developing varies widely among the different schools of philosophy and religions, as so does the degree of coherence, serenity and robustness that can be achieved. We have very credible reports of individuals involved in a particular pre-Columbian discipline who have achieved degrees of power that far surpass the one attributed to Jesus by the Christian faith... but all that falls beyond the scope of this article.

The State could still consider that it has a duty of ensuring some degree of mental health in the general population and require psychiatric evaluation and treatment the same way that certain vaccines are now required, considering psychological dysfunctions as contagious diseases, (which they are.) Perhaps an idea ahead of our times or it simply happens that the first ones afraid of such medical practice may be our politicians democratically elected.

In 1755 Rousseau published his "*Discourse on Inequality*" where he argues that the contemporary commercial society was fundamentally immoral. He saw equality and moral virtue as been corrupted by modern society. Subscribing the Civil

Republican tradition, Rousseau claimed that the arts and the sciences bring with them the desire for new wants for new comforts and such desire actually distracts people from political participation and moral virtue, understanding virtue as the willingness to put the common interest above individual interest and to sacrifice oneself for the sake of the State. This is a typical example of Rousseau's "[zero sum](#)" reasoning: in order to be a responsible citizen the individual must abandon all responsibilities toward him/herself. It can only be one or the other but not both. For one to exist it must be at the expense of the other.

Rousseau views on education are presented in his *Emile* (1762.) In it he claims that education shouldn't be education on the arts, on the Sciences and not even in philosophy, but it should be primarily a moral education. Again Rousseau construes the fallacious argument that it must be one or the other but it cannot be both. Again, the rousseaunian version of the "[zero sum](#)" mentality.

Rousseau was one of the first modern writers to seriously attack the institution of private property, an absurdity since contrary to what he says the concept of "private property" has deep biological roots. Unlike other animals we humans are not self-contained. We need external tools to survive. In our evolution we became one with our survival tools. As hunters, we became one with our spears, arrows and knives. They were our "private property," extensions of ourselves, so dear to us as its paws and teeth were to a tiger. When the agricultural revolution took place (just recently, 10000 years ago,) when our survival tools stopped being our spears to become a piece of land and a plow, the private property "gene" was already in us.

Rousseau's work is full of contradictions, a direct consequence, we insist, of his lack of intellectual honesty. And he never appeared to be the least disturbed by such contradictions nor did he ever attempt to reconcile them, and we also attribute that to

his lack of intellectual integrity. But on top of our own opinion, we must add that during the XVIII century a Scottish giant thinker reviewed Rousseau's work and considered it rhetorically brilliant but wrong headed. That giant thinker was a moral philosopher who once walked this earth under the name of Adam Smith.

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