

**Studies on Adam Smith in Japan:  
From a Non-Marxian Point of View**

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## Introduction

When one looks through several survey articles on studies of Adam Smith in Japan, it is easily recognized that they hardly mentioned such studies by non-Marxian economists. For example, the Society for the History of Economic Thought in Japan has published a book of surveys entitled The History of Economic Thought: Issues and Perspectives in 1992. Although it contains three articles relating to Adam Smith, which reflected the constant and enthusiastic interest in Smith in Japan, none of them refers to studies of Smith by Japanese non-Marxian scholars. The same can be also said to other survey articles, such as those appeared in The Annals of the Society for the History of Economic Thought in Japan (in 1985, 1990) and others.<sup>1</sup>

It can be said that there are some reasons why studies on Smith by Japanese non-Marxians have not been paid enough attention, however. The following are those reasons.

First of all, the number of such studies itself is so small compared with the enormous amount made by Marxians. In Japan, most historians of economic thought have not been well trained in the use of modern economic theories, on the other hand, those who are

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<sup>1</sup> See, for example, Kawakubo (1973), and Sugiyama et al. (1993). Although Omori, who are trained in the so-called modern economics, devoted some space to review studies by Japanese non-Marxian scholars (Omori (1976)), it is limited in space and does not cover more recent studies, especially those by Negishi.

so trained are less likely to major in the history of economic thought. Moreover, such trained ones hardly enter on studies in Classical economics, especially those of Adam Smith. This led Hiroshi Mizuta, one of the most outstanding scholars on Smith in Japan, to say that 'historical studies are hardly to be established in the so-called Modern Economics because it lacks by its nature some sort of historical sense<sup>2</sup>', even though he did not particularly refer to the studies on Smith by non-Marxians.

Secondly, the studies have had less influence on the contemporary and subsequent studies and continuities they might form than the studies in other traditions. The most unique feature of studies on Smith in Japan, since World War II in particular, lies in their striking continuities in which some key concepts such as 'civil society<sup>3</sup>' have been presented and vigorously discussed. It is true that Marxism has had an overwhelming influence in making

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<sup>2</sup> See Mizuta (1992), p.48. He considers Modern Economics as ahistorical, therefore it is not helpful for studying classics in economics. However, he criticizes also Marxian economics. See Mizuta (1976), p.58.

<sup>3</sup> This concept is too ambiguous to explain. According to Sugiyama et al. (1993, p. 293), civil society means 'a civilized, unmilitaristic and secular or religion-free society with no remnants of feudalism in human and social relations'. Those who have used this concept believed that the British society of Smith's time could be characterized by that concept and the Japanese society had not reached such a stage as yet.

such continuities<sup>4</sup>. On the contrary, non-Marxian studies have not yet constituted such continuities, however interesting and original their studies have been.

In addition to the fact that the above two reasons make a so-called vicious circle, thirdly, we can point out that some changes or shifts in the recent studies on Smith in general. Japanese non-Marxians tend to focus on theoretical aspects of Smith's work, on the other hand, recently more Smith scholars become interested in Smith more as a social philosopher rather than as an economist. They share the interest in the studies of Scottish Enlightenment whose epochal work is Hont & Ignatieff (eds.) (1983) with European and American historians of social thought.

However, it is not only desirable but also possible to discuss how much influential some work has been independent of how much important those works have been. It is not possible to determine a priori whether modern theories are relevant to study economics in the past. What is most needed is to examine how useful modern economics is in order to read classics in economics. Aside from the question whether the so-called Modern Economics is 'by its nature' ahistorical, it is at least possible to discuss how the process in

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<sup>4</sup> See Sugihara (1987), (1990). It is not always true to say that Smith studies in Japan have been and are always dominated by Marxian economics. Outstanding Smith studies have often originated from the critique against Marxian economics. Nevertheless, even those studies have relied heavily on Marxian tools and concepts, such as surplus value and scheme of reproduction.

which that economics has been introduced is characterized historically in Japan. Moreover, we cannot neglect such an important aspect that the development of theories as analytical tools may bring forth a new perspective in reading classics. History has always been written and rewritten.

The purpose of this article is to review how Japanese non-Marxian economists have studied Smith and to show their characteristics. By its nature, it should be selective and arbitrary rather than comprehensive and well-balanced. Therefore, it will stress two points. First, it will take into consideration the historical situations in which Japanese non-Marxian economists studied and relate it to their studies themselves. It means that this article attempts to reconstruct the history of Japanese non-Marxian economics (the so-called Modern Economics) through the looking glass of Smith. Secondly, it will examine how much interesting points those studies presented even from today's point of view. In other words, it will review their originalities. In stressing those two points, this article should be characterized as a critical review.

The structure of this article is as follows. Section 1 treats Tokuzo Fukuda, one of the most influential economists in the prewar period, his students in Keio University, and Yasaburo Sakamoto in Kobe College of Commerce (now, Kobe University). Even though Fukuda

played a very active and important role in introducing economics (not only Non-Marxian Economics but also Marxian one), his study on Smith is not so important compared with his other achievements. Rather, the work of Sakamoto deserves a well-recognition. Section 2 discusses the work of Ichiro Nakayama. His work can be evaluated as the most unique and still innovative one (aside from the work done by Negishi). Section 3 is devoted to analyze the postwar work of Takeyasu Kimura. He analyzed Smith from the viewpoint of 'Welfare economics'. Section 4 reviews the recent work of Takashi Negishi. Negishi, who excels as a theorist, has blown new breeze into the study on the history of economic thought. Finally, concluding remarks summarizes previous discussion and speculates a possible direction of research.

### 1. From Introduction to Study

Tokuzo Fukuda introduced economics in general, including also Marxian economics and represented prewar economist in Japan along with Hajime Kawakami, a famous Marxian<sup>5</sup>. Fukuda gave a lecture on the 200th anniversary of Smith's Birthday. This was published as Fukuda (1922).

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<sup>5</sup> Tokuzo Fukuda (1874 - 1930) was trained under the supervision of Lujo Brentano, a famous German historical economist, around 1900 and raised many leading Japanese economists at Keio University and Tokyo College of Commerce (now, Hitotsubashi University).

This article received much popularity then and provoked a controversy. In his article, he defined Smith as 'a Fighter of the Philosophy of Welfare'. Even though he insisted that the word 'Philosophy of Welfare' was a translation of Pigou's Economics of Welfare<sup>6</sup>, it seems unfamiliar and its meaning is in fact very different from what we understand by the word 'Economics of Welfare'. According to him, Smith was an outspoken critic of the capitalist economic system which was based upon profit-seeking behavior led by self-interest, because Smith considered the sole purpose of production as consumption. Moreover, his critique on mercantilism should be considered as a critique on capitalism itself.

Fukuda's interpretation was erroneous even judging from the standard in his time, however, it is to be noted the fact that Fukuda interpreted Smith as 'a Fighter of Social Policy' in German sense, who requested the overall intervention of the state in order to enhance its national welfare. In other words, his view of Smith reflected his ideal type of economist, social reform oriented state interventionist<sup>7</sup>. In sum, Fukuda's study is interesting in a way

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<sup>6</sup> See Fukuda (1922), p.417.

<sup>7</sup> Fukuda relied heavily on then popular neo-Kantian philosophy. Moreover, he did not seem to care so much about correctness of his interpretation of Smith as that of Kant. Therefore, in Fukuda(1924) he counterattacked Sugimura's review (Sugimura (1924)) which attacked Fukuda's misunderstandings of Kantian philosophy, while he did not replied for Taniguchi (1924)

that it reflected the main concern of one of the most influential economists of the day, although 'it does not worth mentioning'<sup>8</sup>.

Both of his students at Keio University, Shinzo Koizumi and Seiichiro Takahashi, were also very active in introducing and popularizing Modern Economics in Japan. Among them, Koizumi translated William Stanley Jevons' Theory of Political Economy first into Japanese in 1913 and wrote several articles on marginal utility theory<sup>9</sup>. He also wrote several books and articles on Smith, they were mere brief accounts of Smith's life and contribution<sup>10</sup>. Instead he majored in the study of David Ricardo, by which he persistently criticized Marxian economics<sup>11</sup>.

In this period, Sakamoto published a few articles on Smith. He discussed Smith mainly from two points; first, he analyzed Smith by use of marginal utility theory, which was then called subjective value theory; and secondly, he treated Smith's argument of

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which pointed out exactly Fukuda's misunderstandings of Smith.

<sup>8</sup> See Iida (1984), p.78.

<sup>9</sup> Koizumi was born in 1888 and died in 1966. He studied Phillippovitch, Seligman and Marshall when he was undergraduate student at Keio University. The former wrote a textbook which combined both of classical school and marginal utility school, and Seligman wrote a book which explained the work of J. B. Clark. The biographical account of Koizumi comes from Terao (1968).

<sup>10</sup> For example, essays which are compiled and reprinted in Koizumi (1968) are either biographical accounts of Smith or introductory essays to Smith's economics.

<sup>11</sup> See Iida (1973).



formation of natural prices. For the first, he tried to clarify relationship between the words which Smith used such as utility, use, and useful and such concepts as marginal utility and total utility, concluding that Smith's 'merit' was close enough to marginal utility. In this sense, Smith's argument did not lack some elements of subjective value<sup>12</sup>. In his second study, he showed that remunerations to factors, i.e. wages or interest were mainly determined by supply of and demand for factors<sup>13</sup>.

Sakamoto could not complete his well-balanced and high-level studies on Smith, however, his students contributed to studies on Smith, even though they were not well-recognized in Japan<sup>14</sup>.

## 2. Smith as 'a General Equilibrium Theorist': Ichiro Nakayama

Nakayama's work (Nakayama(1936)) is very important and unique not only in a sense that it is one of few books written by those who are trained in mainstream neo-classical economics but also in a sense that Nakayama himself was the most responsible for the spread of general equilibrium theory in Japan.

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<sup>12</sup> See Sakamoto (1935).

<sup>13</sup> However, it is not easy to judge whether such analysis was done 'from a Marshallian standpoint' (Sugiyama et al.(1993), p.305).

<sup>14</sup> See a great deal of works written by Minakata, Mori, and Seki. Seki is a student of Minakata.

He was a student of Fukuda at Tokyo College of Commerce and also influenced by J.A.Schumpeter during his visit at University of Bonn. His first book Pure Economics, published in 1933, enjoyed considerable popularity and introduced a general equilibrium theory first into Japanese readers<sup>15</sup>.

The most distinguishing feature of Nakayama's work is his argument that 'the economic theory of Smith's economics shown in The Wealth of Nations consists of an equilibrium theory<sup>16</sup>'. As he himself admitted, The Wealth of Nations is not just a book on theory but 'a comprehensive synthesis of theory, history and policy'. However, he resolved to focus on Smith's theory, because he believed that history and policy should be grounded on theory. As he recalls later, such characterization of Smith's economics as an equilibrium theory followed the basic idea of his first book. 'Earlier days, I got enjoyment when I Just found out elements of equilibrium theory underlining in several doctrines. ---- Smith's Wealth of Nations reflected such attitude of study<sup>17</sup>'.

His 'attitude' was astonishingly so painstaking that he could

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<sup>15</sup> See Ikeo (1993) for the history of introduction of general equilibrium theory into Japan and the role Nakayama played in it. Schumpeter's influence on Nakayama was so prominent that Nakayama's first book could be considered as a kind of abridged edition of Schumpeter's first two books, Das Wesen in 1908 and Theorie der wirtschaftlichen Entwicklung in 1911.

<sup>16</sup> See Nakayama (1936), p.1.

<sup>17</sup> See Nakayama (1972), p.ix.

go further beyond his master Schumpeter's famous interpretation. Even though Schumpeter discovered 'rudimentary equilibrium theory' in Smith<sup>18</sup>, he never praised Smith's economics as a whole. On the contrary, Nakayama considered Smith's division of labor, one of the most fundamental concepts in The Wealth of Nations, as an equilibrium theory, therefore he could appraise Smith higher than Schumpeter.

Nakayama (1936) could be thought to consist of three parts. The first part, corresponding to Book I of The Wealth of Nations, examined Smith on division of labor, value and prices, and tripartite division of income into wages, profit and rent. The second part, corresponding to Book II, discussed Smith on accumulation of capital or stock. Part three analyzed Smith's 'system of natural liberty' and explored the relationship between theory and policy<sup>19</sup>.

Among them, the best is part one, in which Nakayama showed his analytical skill fully. He interpreted Smith's famous statement

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<sup>18</sup> See Schumpeter (1954), p.189.

<sup>19</sup> The table of contents is as follows;

- Introduction
- Chap.1 Division of Labor and Equilibrium
- Chap.2 Theory of Value
- Chap.3 Theory of Natural Prices
- Chap.4 Wages, Profit and Rent
- Chap.5 Capital and Circular Flow of Economy
- Chap.6 Capital and Development of Economy
- Chap.7 System of Natural Liberty
- Chap.8 Theory and Policy

that 'the division of labour is limited by the extent of market' as a statement that division of labor is determined by mutual interdependence of markets. Few Smith scholars would disagree, when one would consider the division of labor as one of the most fundamental concepts in Smith. Nakayama was unique in comprehending Smith as an equilibrium theory by relating division of labor to an equilibrium theory. Moreover, he understood Smith's theory of value and prices in terms of an equilibrium theory. He went beyond such an interpretation that only recognizes convergence of market prices to natural prices as an equilibrium element in Smith, to insist that natural prices themselves were determined by supply-demand relationship which was represented by the word 'the state of society'<sup>20</sup>. In this sense, Nakayama anticipated later interpretations of Smith's economics from an equilibrium theoretical perspective such as Schumpeter (1954) and Hollander (1973) and went further in some points.

Then, what did he mean by the term 'general equilibrium theory'? For him, it is nothing but a theory that puts stress on 'general interdependence of economic quantities'<sup>21</sup>. According to Nakayama, 'generally speaking, the equilibrium theory should constitute the essential part of all economic theories, at least

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<sup>20</sup> See Nakayama (1936), p.94.

<sup>21</sup> See Nakayama (1936), p.38.

formally', because 'it is obvious that mutual interdependence among economic phenomena is the essence of economic phenomena<sup>22</sup>'. Therefore, what is important for Nakayama is not several concepts such as marginal utility or marginal productivity, but 'equilibrium theory'. 'Equilibrium theory does not develop only within doctrines of Modern Subjective School [which means marginal utility school], however. Although it has indeed owed to the historical development of that Subjective School, in its essence it constitutes the very basis upon which all economic theories are built<sup>23</sup>'. It was an outstanding recognition considering the then situation in Japan in which marginal utility theory, or Subjective Utility School were confused with an equilibrium theory. Therefore, his 'equilibrium theory' did not require elaborate mathematics or models. What was most important for him was a vision according to which an economy could be grasped, if we would put it like Schumpeter<sup>24</sup>.

The latter parts of his study lacked analytical sharpness, however. In his analysis on Smith's theory of capital, he used the distinction between 'circular flow' and 'development', borrowing

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<sup>22</sup> See Nakayama (1936), p.39.

<sup>23</sup> See Nakayama (1936), p.52.

<sup>24</sup> In this sense, Nakayama's 'general equilibrium theory' resembles recent argument of Morishima. According to Morishima, Schumpeter, who was a teacher of Nakayama, is an eminent general equilibrium theorist who first treated issues of credit and banking. See Morishima (1992), Chap.8.

from Schumpeter, but it did not work well, because by use of such distinction he came to point out theoretical deficiencies rather than merits. Furthermore, in the last part, he frankly admitted that some ideas such as natural law or natural order played a very powerful role in Smith and The Wealth of Nations could not be grasped without recourse to Smith's thought. ' All elements in The Wealth of Nations cannot be evaluated appropriately without taking intellectual background into consideration<sup>25</sup>'. Later he himself explained a certain change in his interpretation of Smith. ' As this work reached to the final stage, I noticed that there was a change in my idea about the place of equilibrium theory in Smith. ---I began to think that in Smith disequilibrium elements coexisted with an equilibrium theory<sup>26</sup>'.

For example, he mentioned Smith's case for the Navigation Acts. Despite Smith was an enthusiastic proponent of free trade and most fierce critic of state intervention, he supported the Acts and did not even recognize his inconsistency. Nakayama reflected that in Smith disequilibrium elements were not excluded and somehow coexisted with his very equilibrium theory<sup>27</sup>.

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<sup>25</sup> See Nakayama (1936), p.196.

<sup>26</sup> See Nakayama (1972), p.x.

<sup>27</sup> As he remarked on Allyn Young's famous article (Young (1928)) in his note (Nakayama (1936), p.41n), he was not unaware of problems of disequilibrium or instability of equilibrium. However, it was not until Negishi (1981) that problems were discussed with

Certainly it was an important reflection. Nakayama chose 'an equilibrium theory' as a theoretical framework of Smith' Wealth of Nations because he believed that theory should be the basis for policy or history. Later he admitted that theory might not be the basis. However, 'I reflected on it much later', as he said, and then 'I was just pleased to find out an equilibrium theory<sup>28</sup>'.

Like almost all later studies by non-Marxians, Nakayama's work was not paid much attention and was almost denied or ignored<sup>29</sup>. Nevertheless, Kazuo Okochi, one of the leading Smith scholars in Japan, wrote a brief review of Nakayama's work. His criticism toward Nakayama is sharp. Although he admitted that Nakayama's interpretation was indeed a possible viewpoint, he argued that 'it is difficult to determine whether Smith attempted to analyze causal interrelationship of economic phenomena or functional quantitative interrelationship'. In addition to that, he asked Nakayama that 'if the author[Nakayama]'s reasoning were true, could not Marx and his Das Kapital have been considered also as a forerunner of Modern Economics ?<sup>30</sup>'.

The similar criticism have been often directed against

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regard to Smith.

<sup>28</sup> See Nakayama (1936), p.x.

<sup>29</sup> For example, Tanaka (1936) reviewed Nakayama (1936) from Marxian point of view and denied it vigorously.

<sup>30</sup> See Adam Smith Society ed. (1979), p.151.

several studies in the line of mainstream economics, such as Hollander's. Of course, it is very difficult to determine the essence or true meaning of any texts. Unfortunately for Nakayama and also for the academia of Japan, Nakayama's interpretation was just ignored and did not provoke any controversies, whereas Nakayama himself lost his good opportunity to improve not only his interpretation but also his own equilibrium theory further. It was tremendously unfortunate considering the fact that Nakayama's work reached high analytical level compared with other Smith studies in the western world of the day. After all, Nakayama (1936) remained to ' a negative work for popularizing equilibrium theory in Japan<sup>31</sup> '.

### 3. Smith 'in the Tradition of the Cambridge School': Takeyasu Kimura

If Nakayama saw Smith from a viewpoint of Walras, Kimura sought to analyze Smith from a viewpoint of Marshall. Kimura became specialized in the field of welfare economics after the war, and were familiar with the Cambridge School, originating from Alfred

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<sup>31</sup> See Nakayama (1972), p.vi.



Marshall<sup>32</sup>.

Both of Kimura's two articles on Smith attempted to see Smith in the tradition of 'welfare economics'. His first article, Kimura (1949) is an interesting one, which stated clearly that Smith's labor theory of value was a measure for evaluating welfare. Such interpretation is now widely received, and anticipated a famous article by Blaug (1959).

His second article, Kimura (1958), tried to reconsider the distinction between gross and net revenues, and classification of capital or stock in terms of 'national income accounting'<sup>33</sup>. According to him, 'Smith's scheme of production process or reproduction exemplified in Book II of The Wealth of Nations corresponds to modern national income accounting analysis, aside from several details<sup>34</sup>'. He argued that Smith was right in general in spite of various confusions. Kimura's analysis is painstaking and reasonable, pointing out both of Smith's analytical advantages and disadvantages.

It is to be noted that there was a certain historical

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<sup>32</sup> However, Kimura's works in the prewar era seemed to be conducted in the line of Walrasian economics, or Schumpeter-like Warlasian. See Mazane (1969), pp.394-5. Kimura, born in 1909 and died in 1973, served as a professor of economics in the University of Tokyo.

<sup>33</sup> Kimura's 'national income accounting' was that of Hicks (1952), therefore rather different from the current one.

<sup>34</sup> See Kimura (1958), p.65.

background which stimulated Kimura to analyze Smith's 'national accounting'. These days under the enthusiastic atmosphere of the so-called 'econometric revolution', a lot of various econometric technique were imported and digested in Japan<sup>35</sup>. Kimura's studies on Smith represented such an intellectual stage well.

#### 4. Smith as 'a Non-Walrasian Economist': Negishi Takashi

After Kimura's studies, the number of studies by non-Marxian economists has steadily increased<sup>36</sup>. However, major change did not occur until the 1980s. Negishi's work symbolizes such a change in the direction of studies on Smith<sup>37</sup>. His work is very unique in Japan not only because he is a non-Marxian, but also because he himself is a worldwide famous economist and has strong analytical background. Moreover, he has published several books on the history of economic thought in English ( Negishi(1985), Negishi (1989)),

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<sup>35</sup> Similar attempts were also made by Nakayama. See Nakayama ed. (1959), Chap.1. See also Wakatabe and Ikeo (1993) and Ikeo (1994) for some other studies mentioned Smith in a context of macroeconomics of the day.

<sup>36</sup> See works done by students of Sakamoto at Kobe University.

<sup>37</sup> Another possible source of change could be the publication of the Japanese translation of Hollander (1973) in 1976. How much impact did this work have on Japanese historians of economic thought is illustrated by Okada (1974) and his subsequent studies, and several studies by Omori. That book were welcomed and at least taken seriously because its style was very familiar to most historians in a way that proved statements by quoting much from Smith's texts.

which has been very rare among the Japanese historians of economic thought.

Earlier, he summarized his standpoint as a historian of economic thought as 'a study of the history of economic thought for a study of current economic theories<sup>38</sup>'. According to him, his study has mainly two purposes. First, he attempted to support and underline his own study which aims to construct microeconomic foundations of Keynesian macroeconomics, through self-criticism of neo-classical, Walrasian economic theories. It means that his study of the history of economic thought could be considered as an extension or supplement of his own theoretical achievement which is lucidly shown in Negishi (1979).

Secondly, he clearly stated that his study is pursued from the standpoint of Modern Economics, i.e. mainstream economics. He declared explicitly that both of Marxian economics and Modern economics are intellectual descendants of Classical economics, therefore it is of significant to analyze problems set out in Classical and Marxian economics by making full use of Modern Economics<sup>39</sup>.

These two purposes do not always harmonize, however. Of

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<sup>38</sup> See Negishi (1981), p.v.

<sup>39</sup> This interpretation is indeed new, however, because those who believe the so-called 'marginal revolution' would not argue so. In this sense, he sees Classical and Neo-Classical as a continuum.

course, his intention is in criticism of neo-classical theories, not their abandonment or recantation, then he is no anti-Walrasian. However, if he would put his emphasis too much on the former purpose, it may contrast discontinuities rather than continuities between Classical economics and Modern economics.

These days his emphasis seems to shift from the first one to the second one. He seems to concentrate more on analysis of theoretical structure of classics in economics. That recent shift can be clearly found out by examining Negishi's studies on Smith. In this section, we will consider his place in the line of Smith studies by non-Marxian economists, admitting his originality in this field<sup>40</sup>.

Negishi started his own study of Smith with reference to his first purpose<sup>41</sup>. From the viewpoint of the current economic theories, there is a problem which has been quite often discussed in the literature; compatibility of increasing returns and competition. Isn't there any inconsistencies or contradictions between Smith's vehement stress of increasing returns due to the

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<sup>40</sup> Negishi has written a numerous articles on Smith. In fact, he started his study on the history of economic thought with a critical review of some mathematical models of Quesnay and Smith (1980). Negishi (1989), chap.3 is very convenient to review his studies. In this article, we cannot discuss his studies on international economics of Smith (Negishi (1981), Chap.5, Negishi (1985a), Chap.10), although they are interesting and important.

<sup>41</sup> See Negishi (1981), Chap.4.

division of labor and his overall assumption of competition in The Wealth of Nations ?<sup>42</sup> Negishi attacked this question with the aid of modern tool called kinked demand curve. It follows from his reasoning that it is not costs but some sort of demand deficiency which restrict or limit the expansion of firm which can enjoy increasing returns. Therefore, 'division of labour is limited by the extent of market'<sup>43</sup>.

This study has shown that 'in Smith's economics there is a certain element which could led to recent Keynesian non-Walrasian economics', and provided a clear and formulated counterargument to a received view which confused Smith's 'free competition' with 'perfect competition'. In the history of Smith studies, it should be noted that Negishi explored the point which Kimura (1948) overlooked. Kimura could not relate the problem which Sraffa (1926) posed, to his study on Smith, even though he was well acquainted with that problem which appeared around Marshall's controversial concept 'representative firm' and even placed Smith in the tradition of the Cambridge School. This difference came from the difference of problems which Negishi and Kimura intended to solve, but also from the difference of intellectual environment. At

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<sup>42</sup> See Young (1928) and Richardson (1975).

<sup>43</sup> Curiously, this solution is in fact similar to that suggested by Sraffa (1926), although he did not know a suitable analytical tool such as the kinked demand curve.

Negishi's time, the so-called Modern Economics in Japan has reached such a stage of 'self-criticism', as Negishi has put it. In other words, the time of import and digestion is over. Nakayama and Kimura tried to explore some aspects which has flown to today's mainstream economic theories, while Negishi has discovered in Smith seeds which has not yet fully grown in today's mainstream economic theories.

While Negishi's early studies on Smith contain very inspiring seeds, his interest seems to change to the second purpose. He began to tackle such problems that Smith's contemporaries or immediate followers questioned in The Wealth of Nations. One result in that line of research is his analysis on the coexistence of high (real) wages and high profit, or that of high wages and low profit in a growing economy<sup>44</sup>. As is well known, David Ricardo severely criticized Smith's argument of the decline of profit rate. Smith attributed the cause of decline of profit rate to 'competition of capitals', which should violate Say's Law, according to Ricardo. However, Smith's most fatal error would be his ignorance of decreasing returns due to the scarcity of land in agriculture. Against such criticism, Negishi defended Smith by constructing a Smithian growth model, 'a von-Neumann like model of

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<sup>44</sup> See Negishi (1985), Chap.1; Negishi (1988); Negishi (1989), pp.83-89; Negishi (1990). In Negishi (1992) he extended his model to include the effects on wages considering Smith's own numerical examples illustrated in Early Drafts of the Wealth of Nations.

production of commodities by means of commodities including labor commodities', and showed clearly that both of high wages and high profit could be consistent in case of high growth rate due to high labor productivity, on the other hand, profit would be decreased in case of high saving rate while high wages could be maintained. He went further to argue the main difference between Smith and Ricardo, and attributed to their difference in the conception of wages. For Smith, the natural wage (which is different from the subsistence wage) will be reduced but the labor value of the real subsistence will be increased when the difficulty of acquiring food is increased, whereas Ricardo considered his natural wage as a constant real wages at the subsistence level<sup>45</sup>.

At the beginning, Negishi was not welcomed by most of Japanese historians of economic thought. Even today, his studies on Smith are not discussed or treated so much as they deserve. The situation seems similar outside Japan<sup>46</sup>. Among his numerous studies in the history of economic thought, other studies has been

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<sup>45</sup> Another problem Negishi tried to solve is the old problem of the 'natural order of investments'. Why investment in agriculture should be preferred to investments in other fields such as manufacturing or trading? Reconsidering Smith's unconvincing reasoning, he tried to find the clue to this problem in the relationship between division of labor and capital accumulation set out in Smith's Introduction to Book II of The Wealth of Nations. See Negishi (1985), Chap.3; and Negishi (1989), pp.95-102.

<sup>46</sup> A notable exception is a brief and critical mention by Reid (Reid (1989), pp.20-24), who wrote an excellent survey on kinked demand curve analysis (Reid (1981)).

paid more attention, and at least discussed<sup>47</sup>. Such situation is unfortunate for the development of studies on Smith. As he himself admits, his earlier studies might provoke only rejection from historians of economic thought trained in a traditional way, and his formulation is too masterful for others to use. Nevertheless, his recent studies have proposed many interesting points, which could not be ignored any more<sup>48</sup>.

### Concluding Remarks

From the above discussion, what can be said to studies on Smith by non-Marxian economists ? First of all, it is easily recognized that Smith studies were influenced by contemporary intellectual environment. Sakamoto relied on marginal utility theory and simple theory of demand and supply, while Nakayama chose a general equilibrium theory as his reference point. However, his general equilibrium theory itself was historically characterized in a sense that he imported it from Schumpeter. After

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<sup>47</sup> See, for example, his study on J.S. Mill, which provoked a controversy in The History of Political Economy.

<sup>48</sup> As an example of one influence Negishi has, see studies of Wakatabe. Relying on modern concepts such as entrepreneurship and the economics of organization, he attempted to analyze Smith in a different way. See Wakatabe (1991), (1992a), and (1992b). He has also written a paper with an economic theorist, analyzing and proving theoretically the benefits of division of labor without recourse to increasing returns or technological change. See Kiyono and Wakatabe (1993).



the war, Modern Economics armed itself with a great deal of analytical weapons, among which macroeconomic tools became very popular in Japan. In fact it required the development of macroeconomic analytical tools, such as national income accounting, in order for non-Marxians to understand and analyze Book II of Smith's Wealth of Nations. Finally, in the case of Negishi, Modern Economics in Japan has reached a new stage. The time of introduction and digestion of theories which had been developed in other countries has been over. It is now possible to use a great deal of various analytical tools, and even criticize the existing theories with a view to improve them.

As Mizuta has put it, Modern Economics in Japan has been considered as 'ahistorical', however, such Economics has been developed historically and changed drastically.

Secondly, it could be well said that some studies showed much originality in interpretation of Smith. Nakayama's analysis from the point of general equilibrium theory was excellent one, although his concept of general equilibrium theory was rather different. Kimura's two articles on Smith worth careful reading even now. And of course, Negishi has been and is a constant source of insights into the studies of the history of economic thought.

What is a future direction of research ? It is true that a development of analytical tools itself does not necessarily

guarantee a good reading of classics in any field. Therefore, it is necessary for historians of economic thought to select the most suitable tools and sometimes modify them. For historians to do so, they require certain knowledge and understanding of current economic theories. Furthermore, I believe that it is necessary to compare previous results, such as Smithian growth models which have been presented until now and combine them or construct new one<sup>49</sup>. What we need is a kind of more fruitful and active interactions among studies and scholars. Only based on such interactions, we can present the overall understanding of the system of Smith's economics, of which most of Smith scholars in other traditions have been proud.

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<sup>49</sup> See Negishi (1993) which compared his model with those model by Hicks, Eltis, Samuelson and Reid.

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