

Due: January 26

How does Adam Smith's Law of Population appear to save society from this apparent stationary state?

In his vision of society's economic progress, Smith saw two additional fundamental laws – beneath self-interest and competition – which propelled the market system in an ascending spiral of productivity and away from the 'avarice of private greed'. These laws he called the law of accumulation and the law of population.

The law of accumulation refers to the accumulation of profits, which are put back into production. By accumulating profits, capitalists can purchase additional machinery, which will stimulate further division and specialization of labor, thereby boosting productivity. However, additional machinery means more workers to work them. Eventually this increased demand for workers leads to higher and higher wages until profits vanish. At this point, further accumulations are impossible.

The solution to this obstacle is Smith's law of population. Labor, like any other commodity, is subject to demand. As the law of accumulation increases wages for workers, the numbers of the working class will increase. As the population of workers increases, its size becomes a counter-force, pushing wages down. As a result of lower wages, profits for the capitalist will rise again, and accumulation will continue.

Thus, these two evolutionary laws form an endless chain for society through which progress is inevitable. Even though the Law of Population depresses wages toward a subsistence level, it never arrives there. Conditions steadily improve, resulting in further accumulation for further investment. What is the end result? Not a utopia, but the economy, if left alone, will ultimately reach its "promised reward"—a world where poverty and wealth balance each other.