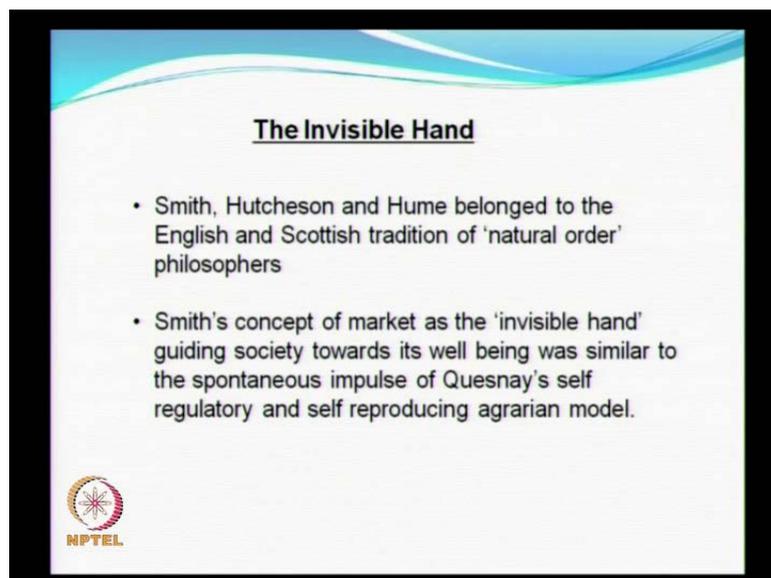


History of Economic Theory
Prof. Dr. ShivaKumar
Department of Humanities and Social Sciences
Indian Institute of Technology, Madras

Lecture No. # 17
Smith: The Invisible Hand

In the last class, we have seen to mid 18th century versions of the natural order thesis. We have seen the physiocrats and we have seen the Italians too, we shall proceed to do Adam Smith today.

(Refer Slide Time: 00:36)



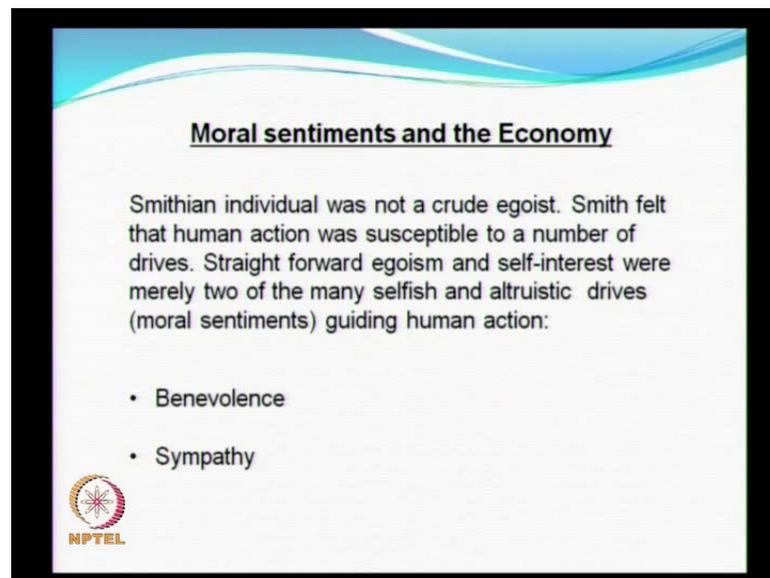
Adam Smith as you know was a Scotsman, and it is known that they followed this Scottish English tradition of looking at natural order. We did not know for instance, when we are talking about Kenai, what was the role of divine sanctioned in his conception of natural order, it is a rational system which is conceived as self being, self contained self reproducing and so forth, but which did have a role for the states to perform and which did rest on different social classes of people.

The farmers the distributary class for the landlord and lay class (()), in this consideration they believed in the spontaneous ability of the system to follow its own order, in which most important the monad or the key agent was the individual as the post to the social

class in the physiocratic system, in Smith's system natural order was pretty much the same as what he called the invisible hand, which was the hand of the market as an institution in which a large number of independent egocentric individuals participating.

It carried forward the physiocratic impulse of identifying a spontaneous force, which regulated in organized the economic process, but in the case of smith as you will see there was a huge step forward in more than one direction.

(Refer Slide Time: 03:04)



Moral sentiments and the Economy

Smithian individual was not a crude egoist. Smith felt that human action was susceptible to a number of drives. Straight forward egoism and self-interest were merely two of the many selfish and altruistic drives (moral sentiments) guiding human action:

- Benevolence
- Sympathy

 NPTEL

Most important will remove a common misconception, which predominates modern economic thinking about Smith's idea of what the human being was modern economic thinking believed that smith was a founder of a creed in economics, which assume that man was only self centered and egocentric and very rational and the equilibrium conditions that emerge in evolved in this kind of behavior were the natural order in the sense that itself centered egocentric behavior which was in the heart of it. We will take a little bit of time to see that smith had a lot of other things also as drives which lay behind human conduct.

For example, in the theory of moral sentiments which was a book he wrote before The Wealth Of Nations, Smith is very clear, about trying to understand many faceted nature of the human being. If you try to compile a list of drives which pushed the human conduct along in different directions you will find there are several of them some of them altruistic relating to finding satisfaction in the well being of others, and some of them

egocentric finding satisfaction in the well being of only oneself, but it is a combination of several altruistic and egocentric drives, put together Smith called them moral sentiments.

What are all the moral sentiments that you can identify in Smith's writing about human beings, the first one which you can clearly find out his Benevolence, that people do receive satisfaction in giving in making other people happy through gestures of giving and offering so that is benevolence that is definitely there in Smith's writing, then he has Sympathy Smith feels slightly differently about sympathy as we do today we have a word today called empathy do not we, what is empathy?

Student: (())

Absolutely Smith meant by sympathy what we mean by empathy

(Refer Slide Time: 05:37)



So, this was a very pronounced drive the drive empathetic drive, then they desired to be praised flattered they desired to be told a good boy that too is a part of Smithian moral sentiment list of them, then there is a propensity also in the man and Smith's writings of self appraisal is a valuing himself both in terms of his altruistic being, and in terms of his egocentric being, the self appraisal reflexive aspect of human personality as it is called today is very much part of Smith's set of drives.

And the next one is a very important very central thing which we shall come back to again and the end of this list, it is a desire to be an impartial spectator to oneself. It is a kind of social conciseness. It is a kind of introspective view of looking at oneself in the milieu that one is in the society and see where one is in relation to all the drives which is driving oneself. It is a kind of a self evaluative, self appraising, perspective rather than thought, then off course there is this very central drive which is part of smith drive to constantly improve yourself.

The smith's human being is never satisfied with whatever he has whenever he is, he always like to be a bit better of then what he is now, then he always likes to be praised and to be told that he is doing well he is a good man, his a virtuous person in other words he likes approbations, off course smith's individual is also a person full of pride, who says he does not have an ego, he has an ego, and that ego is constantly accompanied by pride.

(Refer Slide Time: 07:45)

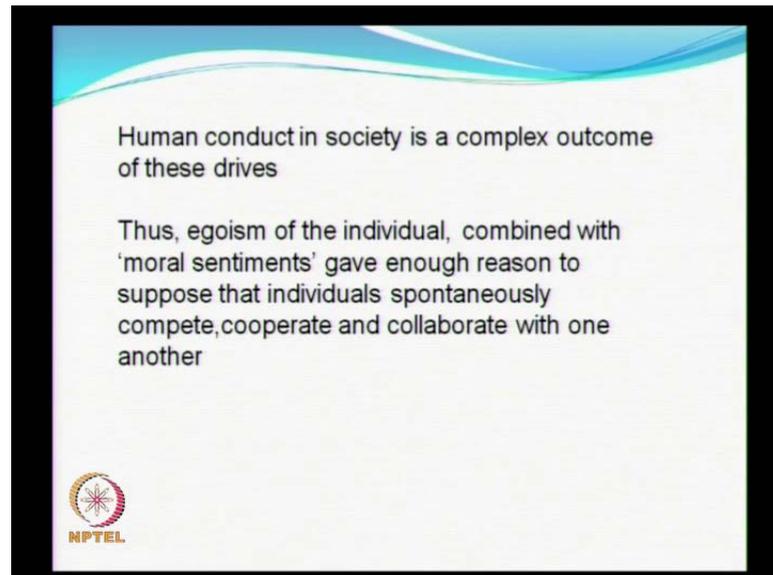


The smith's individual also has love of power; he likes to dominate others which is different from the love of being better of the love of earning more money is different from the love of power.

Then, he has a sense of honor, he does not like for his loss of face in society, he has a sense of virtue, not so much that he is virtuous or non virtuous, but he has a sense of virtue in the sense that he likes to acknowledge himself as a virtuous person. Then a love

of liberty fundamentally he does not like to be told what to do and where to go and how, combined with all these things. There is also streak of the sly in Smith's man. He likes to get by as best as he can if possible by cutting corners. So there is an opportunism in Smith's man too, and finally not finally, a propensity to avoid work the laagered a bit of laziness, a bit of trying to get well off without trend work much all that is also there.

(Refer Slide Time: 08:55)



So, you can see the number of drives which is pushing Smith's man around, he is not a simple egocentric machine, he is not a rational egocentric machine calculating watts units for me each time no, the lots of time when Smith's man relegates himself to a secondary position. Sometimes he relegates the society to such a secondary position that he becomes an opportunist. It is a combination of things, Smith's man is as complex as today's individual is, so it is this combination of complex drives which creates the activity of individual in society and in the economy, and this leads to different modes of behavior since egocentrism is primarily at the heart of most of Smith's drives. Smith's man is basically competitive, is basically a competitive man, but he would like to have his competition within certain rules and norms, because he is also benevolent, because he is also got a sense of charity, he is also got a bit of altruism in him, he is got a sense of virtue in him. In other words, there is certain major of accountability of himself to others which Smith's man would guarantee.

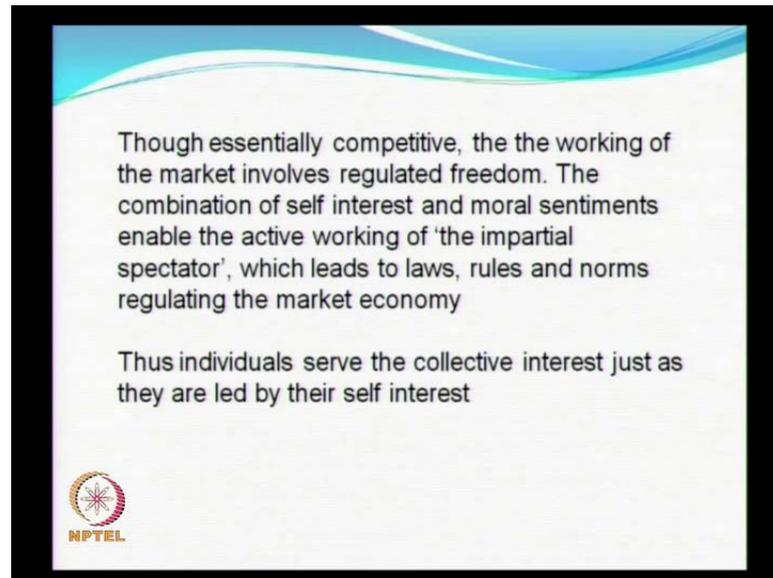
So, there is competitiveness, but then there are whole lot of rules and norms and laws which are evolved in Smithian society which regulate the competitive behavior within what might be called norms. Any question on this? Yes.

Student: Why this complex being called man still why does modern economic (()) profit or utility maximizing.

I will be coming to that words that end of the class. It is a disorder in Smith which I think is thanks mainly to Bentham and his followers in utilitarian school of thought, will come to that smith is none of this straight jacketed thinkers he is not a man, who propounded some kind of robot no, this is man was pretty much like ours, if you look at if you read as you have read Smith in the original you will find that most of what he says is good common sense almost everything that he says is good commonsense, that is the heart of Smithian thinking, that the vitality of thinking of smith and the originality comes exceptionally well because of this commonsense.

He was not trying to theories, he was not trying to idealize, he was just trying to look at the world as it is. He was trying to look at the man as he saw him in the society, and then he tried to see what is the meaning of progress in this? So people compete with each other, people also cooperate with each other, people also collaborate with each other in this business of participating in economic process. The competitive part is highlighted today, and lot of non competitive behavior is relegated in modern economics to exceptional behavior like in the formation of an oligopoly, or in the formation of monopoly and so forth, all of which Smith was very clear to argue was exceptional and sometimes not very forgivable behavior too.

(Refer Slide Time: 13:23)



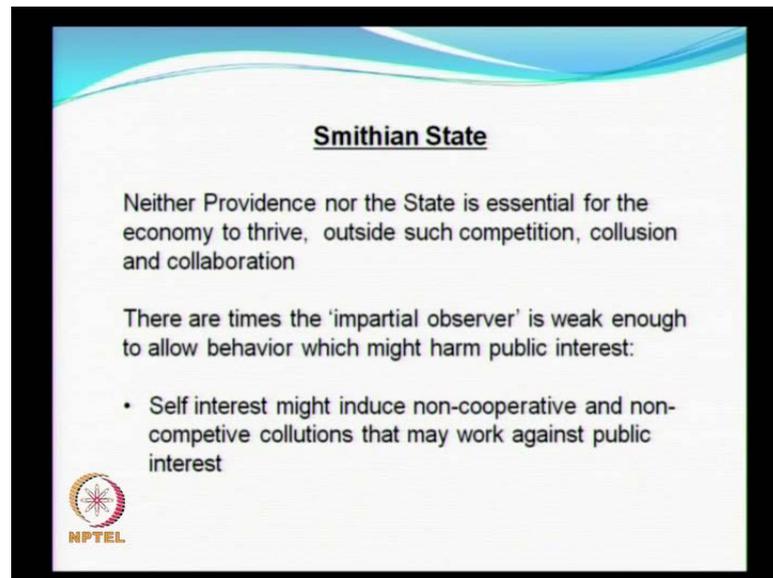
Now, what is crucial in this complex of drives is the impartial observer. It is a kind of an internal judge and internal referee, who is looking at himself and every person has an him this impartial observer, it is this impartial observer, who suggest the rules of the game as it were, who draws the limits to what can be done and what cannot be done.

It is his impartial observer who is behind all the laws of the society, and all the norms of conducted that evolve through time. So in the Smithian system, the free competitive market and the invisible hand that it suppose to represent work beautifully as long as the impartial observer in the individual is working well. So when the impartial observer get weak which means, if the human being is overcome by greed or slyness there come about abrasions in the system, where Smith is a first one to condemn, and secondly he is the one who suggest that these are areas, where the stay should come in and make sure that there are laws which prevent this kind of behavior.

There are times when the impartial observer is so weak and the opportune behavior of people is so dominant, that they lead to that people behave in manner we suggest graft, corruption, bribery. Smith is very quick to point these out, and says this is not what is meant by the power of invisible hand. So, what smith is talking about is a regulated freedom, Lazy faire yes, but lazy faire subject to the rules and norms and governance of the impartial observer, it is not a word of lawlessness, it is not a word of petition in the name of competition. Smith's word is very different you must understand he wrote the

theory of moral sentiments before he wrote *The Wealth Of Nations*, which shows his priorities clearly. Anyway subject to this pervasive it is true that Smithian individual achieves collective interest a public good by following his self interest, but here self interest defined very carefully in a self governed fashion.

(Refer Slide Time: 16:34)



Now, if the individual works like this, where does the state come in, we must play smiths in the context of people were looking at individual and state through social contract theories, we look at him in the context of lock, hobs and Russo, because Smithian idea of freedom sits somewhere in this strain where these are the picks of special theories, John Locks idea freedom is very clear, it is not meant to be sacrifice, it is not meant to be given up at any cost, people only give up some of their freedoms in order that there are rest of the freedoms are conserved in order the rest of the freedoms survive. The freedom of property is very central in Lock system, and therefore lock suggest that people forgo set another freedoms in order that the freedom of property is held.

So, it is a partial freedom on which locks individual who makes a social contract create the state and the society, this individual keeps a constant eye. Am I giving up too much in the hands of state, then I will go into terrene, is my sanction of freedoms into the hands of the state just adequate to look after my property, in other words, the state is under constant scrutiny in the lock system, because loss of freedom per say in the lock

system is not comfortable. Now in the hobsian system loss of freedom is total, you studied hobs haven't you, we have talks about hobs to earlier in the hobsian system, the state of nature is predatory, anarchic no human being is safe and secured in the state of nature because self sauternes is also lawless self sauternes, anything may happen, nothing is secured so hob says surrender everything in the hands of a superman a super power and having surrender this feel secured.

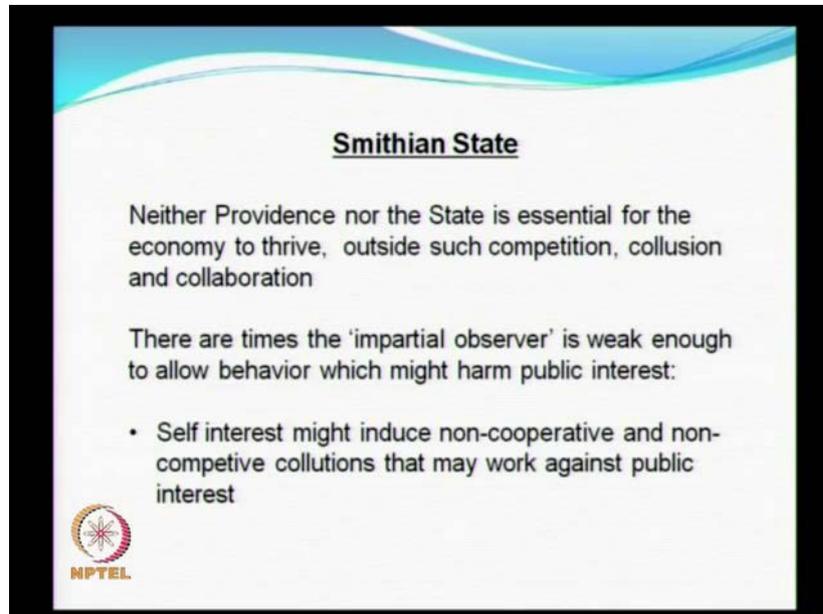
So, this was the other extreme from Lock, somewhere around the course Russo has a different path, I will not call it a middle path but in the Russoian system freedoms are surrendered through social contract in order that other freedoms come in. Freedom of the state of nature surrendered so that freedoms of the civil society are acquired by the individual, so once again there is a partial freedom and civil society also keeps a constant look out to whether the state is transcribing its limits in Russoian system. I remember telling you sometime that wittingly or unwittingly almost all leaders of the French revolution would something to Russo, he inspired them in different ways, many of them in fact gave a revolutionary fervor to Russo which he himself did not have. He became a symbol of the very revolution in France.

Long after his time and without being aware of the consequences of his actions in the history of France, anyway so we see these are the three positions in terms of freedoms, where does Adam smith coming in this, Adam smith's comes in a very pragmatic way, in a sense lock hobs and Russo all three are idealists, there looking at an ideal situation and ideal definition of freedom, an ideal definition of social contract, an ideal definition of surrender of freedom and then supervision of the state. Adam smith is very pragmatic he says the economy consisting of a number of people who have their own interest in mind, were subject to moral sentiment also as a natural tendency for the betterment of the public interest.

Automatically the invisible hand ensures that. So, there is a question of loss of freedom is not an issue of ideals for Smith's, the loss of freedom in the system is only a regulation of one's own freedom, which is why I said long before Smith's state comes into consideration it is an observer in Smith, who becomes more important because whatever the laws which state constitutes, whatever statues the state bring in, whatever the regulatory authority the state bring into existence there all creation of this observer in the

individuals, in other words some this invisible monitor this invisible umpire within the person.

(Refer Slide Time: 22:43)



So, the state is not an outsider in all in all these three Russo, lock and hobs there is a clear dichotomy in language, on the one hand there is the individual with his or her freedoms, on the other hand there is this thing which takes your freedoms away called state. So the whole question is how do you define this thing which is outside of you and how much can you give that thing to protect yourself, so it is the individual and the state which is essentially an exogenous thing. Am I not right? In smith system the state is endogenous is not exogenous, you want you can write this down.

As I said, the need for regulating human conduct comes not when the impartial observers nice observers is nice and strong within the human beings then they regulate themselves, but there are times when the impartial observer is weakened the power of by the power of ego, or the by the last far power, or for getting quite benefit without much work any of the other drives which is negative in the human being; for example the formation of a cartel in business. What is a cartel? It did not exist in the time of Smith but, we know cartels today.

Student: (())

Right say oligopoly; right. Now, an oligopoly consists of certain number of firms which are not competitive, but which are not cooperative either, but the specific purpose in mind they collude with each other. Now, this oligopoly might end up fixing prices, or regulating supplies in such a manner that prices get fixed. Can you think of the biggest oligopoly in the last 40 years with changed virtually the fate of this world.

Student: (()).

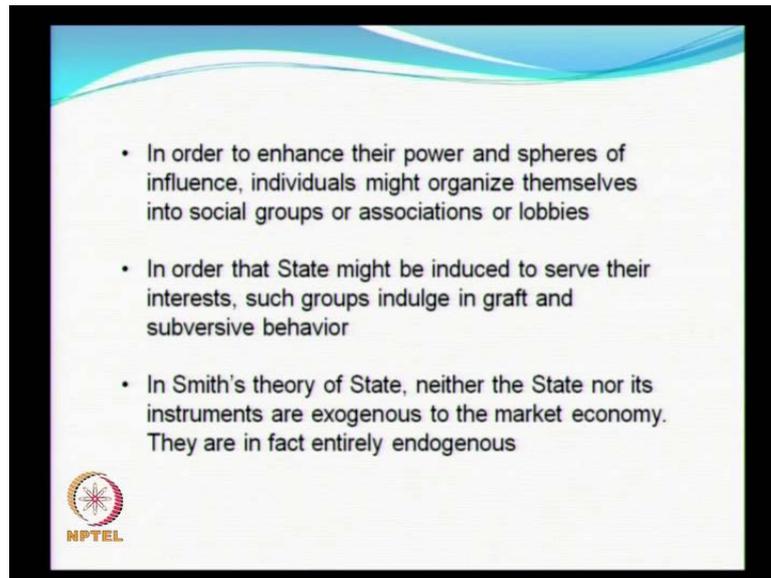
Apache fantastic my god what did you have for lunch, very nice tell me what Apache did?

Student: Apache they regulate the production of (()) so that the prices if they wont increase especially in the 1973.

It is an organization of petrol in exporting countries, they got together form the organization and simply announce to the world, they are not going to increase the supply of petrol for so many days, so many weeks, it is going to be stopped at this point. It was unilateral decision, a unilateral declaration, and then what happened petrol prices shot up 3 times, 4 times within a matter of 2, 3 months. Now, this was not in public interest, it was not in the interest of anybody in the world, it was not in the interest of oil processing companies, it is not in the interest of oil losing customers across the world, but it was there interest to do this because they hiked up their earnings.

So, this is one good example of what Smith meant when he said you might indulge in a non competitive and non cooperative behavior which might go against public interest.

(Refer Slide Time: 26:55)



Then you might form organizations associations groups which might further your power in the system, but which may go against the public interest in the system too. The best examples that you can think of this today are in India caste organizations right?. What is a caste organization? What is a caste? Sharanya.

Student: (()).

Is a caste caste organization?

Student: The talking about the caste system.

Indeed.

It is basically an organization that is based on a social hierarchy based on purity and pollution, so the people at the higher at the top of the system are consider purer then (()) and have faith of privileges and basically it advocates endogamy and not mixed (()).

Did you have course on sociology in this thing? In this program my God you are talking endogamy you are talking o boy you are well inform are not you? so what is can you think of why caste organizations could behaving in this Smithy and fashion today, can you name something that happened in the last couple of years a particular caste organization which built up enormous power, yes say it.

Student: Gujjars.

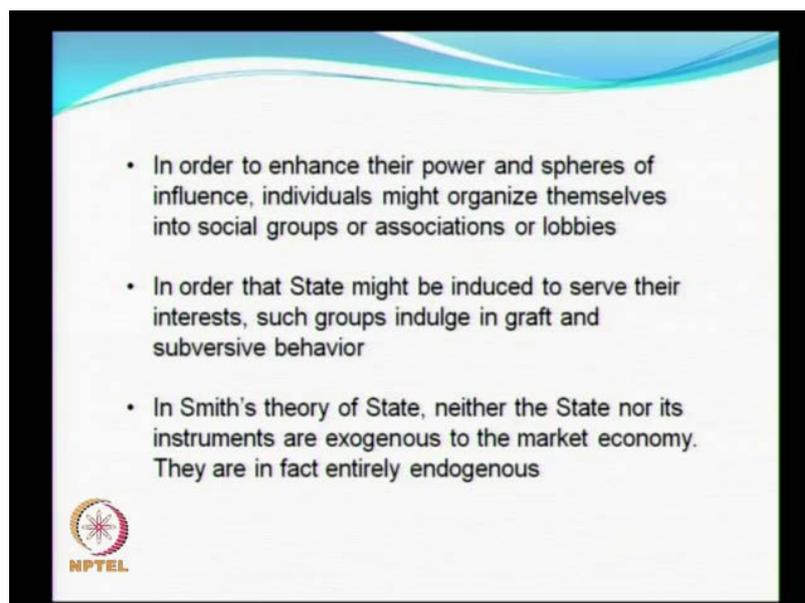
Yes the Gujjars.

In the north Gujjars are traditionally a very powerful caste group centered on Haryana, Rajasthan and western UP. Essentially they come from a background of cattle maintenance, cowherds they belong to the Yadava background, but they do not identify with the rest of the Yadavas, they think they are different, they think they are they are an independent aristocracy, because you had a Gujjar kingdom very powerfully in the border between Rajasthan, Delhi, Haryana in that little triangle you had a very powerful Gujjar political influence right through the Mogul period and after.

Whatever reason they have reasons to believe that they are very special people and they are being neglected in the system, and what did they do they got together organized massive protest public which are some parliamentary, some were non parliamentary protest. Eventually what happened they got the government to get into a dialogue about what should be done to the Gujjars.

So, eventually this is a kind of behavior which Smith had in mind when he said yourself interest might lead to your creation of groups or organizations or associations which improve your power over the state and help you influence a state in your favor. This is a situation where the impartial observer has become weak.

(Refer Slide Time: 30:26)



- In order to enhance their power and spheres of influence, individuals might organize themselves into social groups or associations or lobbies
- In order that State might be induced to serve their interests, such groups indulge in graft and subversive behavior
- In Smith's theory of State, neither the State nor its instruments are exogenous to the market economy. They are in fact entirely endogenous

 NPTEL

And then either individuals or groups trying to influence the state to make decisions on their behalf might indulge in straight forward graphed, bribery, corruption, Smith finds out these vacations and his contempt's towards them, but the fact remains that he sees the situations as one when the impartial observer is weak. So all these three are occasions, when the state becomes an active player within the system; you can't say the state is outside. If an MLA from Gujjars is lobbying in the legislature for the Gujjars you cannot say that the Gujjars and and state are I (()) exclusive, am i not right? So it is for this reason that in the Smithian system must understand the state and all its instruments are endogenous, they are all part of the system.

They are the political face of the economic system, so there is a social face there is a political face, F A C E and an economic face, non exclusive to the other. The entire system is very what should I say open ended is non exclusive and everything has a play everything in politics has a play in economics, anything in economics is a society and so on and so forth, you can see that Smith's mind is a very catholic is wide open to thinking in multiple directions, but what is important here is that the state is endogenous, makes a big difference.

I will introduce you to a little bit of modern theory of regulation we started since 1960, to show how it simply accord this particular angle of Smiths writings, it is said that smith is a founding father of modern economics, in more senses than one modern economics is inspired by a lot that smith throughout including newer theories newer ways of looking at the economic system and so forth.

In the 1960's a very interesting direction of thought opened out in the west, of course it had its own fallouts in India. People were looking at economic regulation in other words the government regulates the economic activity in this system through its capacity to make laws. To make statues and in other ways to guide and push the economy in preferred directions; and in all this the conventional thinking was in a dichotomy state just as we have discussed earlier about how Lock and Russo and hobs themselves thought in a dichotomous fashion about the state and the individual. Conventional wisdom up to the 1960s whenever they talk to the state within the economical theoretical framework it always assume that the state is exogenous market is something else, market and state never mixed they were like oil and water, so when people talked of state they thought of communism. When they when they thought of market they talked of freedom

and democracy, so you can see there were whole language associated with the state, whole languages associated with the market up to the 60's. In the 60's there was whole jar of writing which was started.

I think initially by a paper by George Stigler of Chicago on the theory of regulation, where he almost echo's what Smith has been saying in 1776. Stigler says the state consist of water some senators, some legislatures and government officials, other such functionaries and so forth. And what does the state do it forms laws and it enforces the laws, and who are the people who get into the state the people of the society, they get elected they get in there and do what the state must do, so who are these people again they are also who are the part of economic system with different economic western interest access to grind.

So Stigler says the diverse economic interest in groups in the society which try to influence the decision making process in the legislature the executive and so forth, in such a manner that laws are framed or formed or laws are revoked or repealed as a now specific interest groups benefit out of it, so Stigler actually started theory of interest groups and a theory which explain why the state did what it did in the name of regulation, subsequently a lot of people wrote about this are well into the mid 90s, 1990s. They were thinking in terms of the state has fully endogenous, the state the state is partially autonomous, the state has slightly autonomous, or more autonomous as the case may be but, they never thought of the state has being exogenous to the system.

Do you understand the profundity of this theory? do you want me to repeat it? please say so if I have to right, which part to have to repeat, shall I start with George Stigler see up to the time of Stigler people always thought. When i say up to the time of Stigler after the second world war and up to the 1960s. When people thought of the market they thought of market, democracy, freedoms and all that sort of stuff. when they start thought of the state they said regulation, restriction, limiting the activities of the market, controlling the market, nationalizing property in short everything that was anti market, anti democracy, Anti freedom. So model of the state was communism, the model of the market was democracy, so this was the way of thinking, two different languages so state was exclusive, market was exclusive, and the whole question of big debates among economist was if you extent in the hands of the state your weakening the hands of the market, and therefore your working against the market.

So, state and market have not only exclusive interest, but they are mutually detrimental interests this was the way they thought, and this was how economic regulation was thought of, so whoever thought of regulating the economy was immediately told he was trying to constrained the market, he was trying to restrict the market, he was trying to limit the market in short he was trying to destroy the market, it is in this milieu that George Stigler wrote this theory of interest groups, in his theory of regulation he said well of course, doing all this regulation a bunch of Saunters, a bunch of executives in this state,

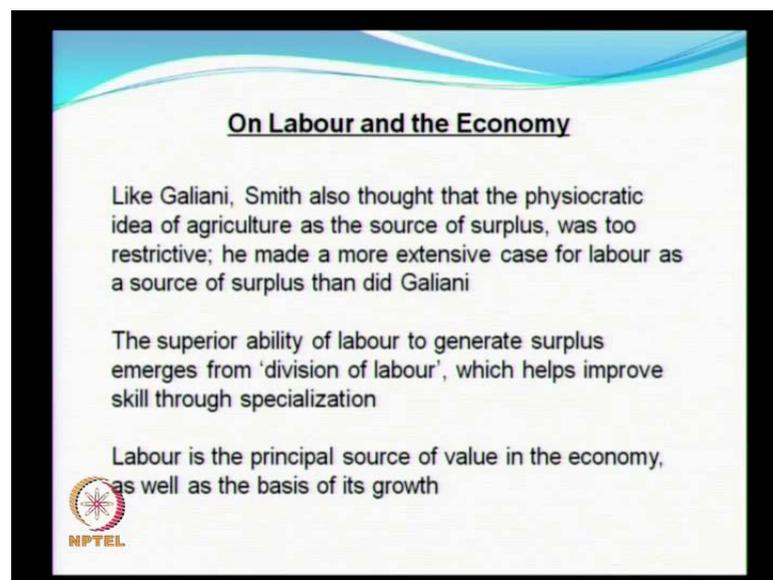
And how do they take decisions, do they hold a census each time they want to they make decision on the law, no they listen to people who have interest in this matter, they want to do something about steel industry they talked to the steel industry people, they want to do something about cement industry they talked to the cement industry people, each industry has its own law based, they have their own spokesman,, their own organization, in other words each is an interest groups, so the economy not only consist of players in the market, but the economy also consist of people who are also constituents of different interest groups, and these interest groups have has their main function to constantly look at what the state is doing, what kind of laws its enacting, what kind of locks it is repealing, what kind of statues its bringing so that they will constantly keep looking at the state to see if its interfering in their tuff.

And, secondly making sure that their tuff is better looked after by the state than other tuffs, so there series of competing interest groups across the nation who are trying to turn the regulatory power of the state to their advantage, am I not right this is the theory of regulation and see what Smith is said in 1776. He saying the same thing people can get together farm associations organization etcetera. To enhance their power over the state, well that is what Stigler was saying, and then what do they do they used these organizations associations etcetera, in a number of ways by hook crook or to men over the state to do things which suits their group, and therefore to suit their members.

It might be graph, it might be bribery, it might be open lobbying in the par limit anything, but they have to get their way, so this is the political process in the system this is the way state works which is exactly the way George Sigler was describing is theory of interest groups and regulation. I am just trying to show what people mean when they say that Smith is a founding father of economy, all branches of their subject all kinds of

areas which have been influenced by what Smith wrote very often without being aware of George Stigler probably had in mind this bit of Smith before he wrote his paper he wrote them through independent awareness, independent empirical observations, independent directive reasoning by watching America around him, but look eventually and ended up saying something which had Smith had said in 1776, this is just an insight to show you how something modern also dates back to the past.

(Refer Slide Time: 41:42)



On Labour and the Economy

Like Galvani, Smith also thought that the physiocratic idea of agriculture as the source of surplus, was too restrictive; he made a more extensive case for labour as a source of surplus than did Galvani

The superior ability of labour to generate surplus emerges from 'division of labour', which helps improve skill through specialization

Labour is the principal source of value in the economy, as well as the basis of its growth

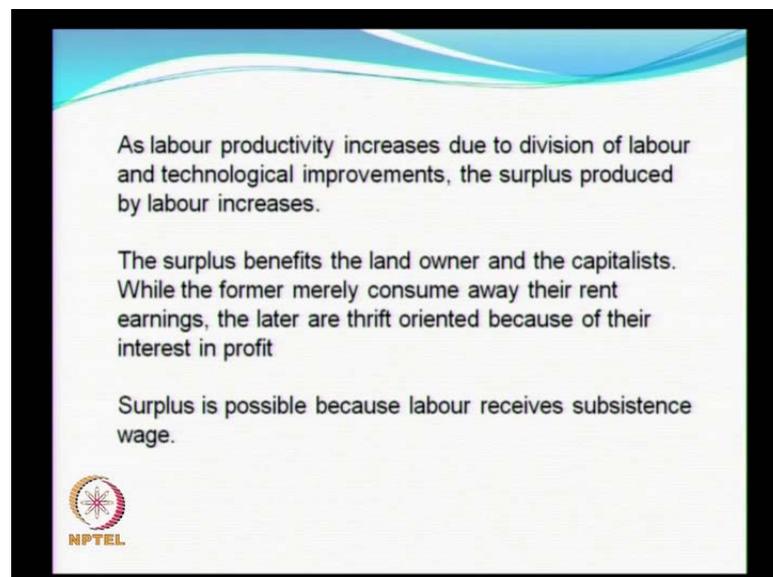


Now, Smith had a close relationship with labor in his mind, because his one criticism of physiocrats was very much like Galvani do you remember Galvani said who said only agriculture generates surplus, wherever people are smart in efficient they can generate surplus is might what he said, which is why he said manufacturing can generate surplus too, because it is a laborer the worker who works their, who is source his skill is a source of surplus, so Smith goes on parallel line see he agrees with Galvani there, he thinks physiocrats were great because they are talking of surplus in the system for the first time, that the system should generate surplus which should benefit the whole system and enable his growth, it is a great idea but, he says look not land is limited he agrees with Galvani when he says his look land is subject to vagaries of nature, rain, slued, might kill a crop, or might not have enough land to grow the crops that you need, where as if you depend upon labor and his productive skill there is no end to the surplus that you can generate in the system wherever labor works, so it is just a question of wrong mind set according to him the physiocrats focused on land and restricted themselves

whereas, he look the labor which after all also work land,, then completely the picture changed.

So, labor was at the heart of whole productive process and labor was the route of economic value in Smithian economics, more surplus comes from labor how because division of labor increases productivity, specialization which increases more productivity, so the source of surplus is labor which is going through the continues process of division of labor and specialization.

(Refer Slide Time: 44:08)



And labor is also able to generate surplus, because it gets way below what it produces, a laborer might work for 15 hours a day, but if you look at how many hours it costs for him to earn enough to eat that day probably 2 hours and 3 hours.

So, rest is surplus, in Smithian system part of the surplus went to the capitalist, part of the system part of the surplus went to the landlords, through rent and Smith says the landlords are not great guys for the growth of the system, because they get their money and spend it and have a great time, whereas the capitalist oriented towards profit and gains when they get their money their thrifty they save it they accumulate more capital, so he sees growth as a process which involves the thrifty accumulative behavior capitalist on the one hand, and the ability labor to produce surplus on the other, a combination of these two you sees is the secrete of economic growth. tremendous.

So, what is a static model in the physiocrats becomes a very dynamic moving, flowing, growing model in Smith, that is probably the genius of Smith, and then does it mean that Smith advocates the government strongly fixing subsistence wage to workers so that they can't earn more and the system can grow that is what the mercantile did, Smith says no the economy has a natural tendency for wages to be moving along subsistence leads, now Smith followers Ricardo and others they said it happens because the demography, population, growth of population keeps wages at subsistence level Smith says nothing he says a political economy, once again he says the employers the capitalists they tried to push terms towards their favor, they try to form collusions among themselves so that they can fix the maximum wages that they will give to the workers and nothing about that, they try to influence the government to prevent the workers from forming unions, it used to be called combination in those days.

Business of workers combining unions was called making combinations, so there were lots of time and there were movements against combination of workers, they were all at the initiative of the capitalists, so on the one hand there was a political force of capitalist on the other hand there was political force of the workers who are trying to combine form unions and to struggle make sure that they got some minimum wage above the subsistence level, so this was a potentially political situation, potentially conflict (()) situation and Smith was very conscious of it, he was not saying the invisible hand is not going to save you here the interests were in conflict.

So, he says in the long run what happens each is trying to influence and manipulate and man over the state which is endogenous, eventually he says in the long run wages end towards subsistence wages, because of two reasons, one the power of survival of capitalists when they are face to face pictured again each other capitalists have better power of survival, simply the worker cannot starve for so many days if he goes on strike, capitalist can simply survive closing the factory for months.

Second, the capitalist economic strength in lobbying and creating influence in the state is far higher than that of the worker, and therefore in the long run the wages tend towards subsistence wage, and this is normal according to Smith, again I think this is incredible genius because as we shall find out after the break in this bit of Smith lay the whole socialistic economy including Marx, but that will be after the break do you have any questions at this point? Yes.

Student: Already you mention that Rousseau's in a Rousseau's theory was found limiting the power (()) and limiting the liberty so that there is civil society may come in like it civil society understood same way as we understand it now.

It is a lovely question lovely question do you have a question to add to that.

Student: No I just wanted to like (()).

(()) Idea was that for general will a collective will, so when theory is more towards collective there is a collective will and which is which is collection of all the people the general will should always be (()) so if an individual does not follow the general will, that means he should be forced to be free and follow the general because this general will is in the best interest of the individual too.

My question is. No his question is like. But the civil society, there is basically the general will and that is what my answer was say it is in today's sense civil societies fear which is outside that of the state and ah.

Student: Market.

Market yeah, but far then he was not came in terms of these divisions of state market and civil society. He was (()) his theory of social contract (()) to general will as a I do not know civil society but, there was the general will (()).

I think may I contribute a little bit there, you see you are right and you are right too. The two words mean different things. I think about the time and Rousseau was right in 18th century the Italians had better conception of civil society.

They were thinking in terms of they are at more much clearer concept, rather than better of civil society, they thought for instance economics civil economics, so they had an idea of civil as relating to the public, and therefore economics became a civil economic because it related to the public's sphere and the government was the part of that public sphere and the market was part of the public sphere, they use the word civil as Rousseau towards at the end of 18th century he use the word people, towards the end of 18th century there was a big group in Russia called the (()) were talking about the people all the time, you see the people which included the government, you know the Italians and the French's in the second half or first half or the middle of 18th century talking of civil

in this sense, today civil society as acquire a very distinctive meaning as you are pointing out. It mean something that is not the government which is trying to regulate the economy not market which puts a profit and price and everything, but which is working on the bases of moral imperatives. Today civil society has a very limited perspective because you as a civil society member as an NGO you can neither make profits nor can you tell others what to do you are in a limbo, is that clear?