

The psychology of specialization and the origins of money

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Abstract. This paper raises a worry that it is difficult to reconcile Adam Smith's claims about the relationship of specialization to talent and character with his account of the origins of money. Specialization makes one stupid outside of one's specialism yet money arises by specialists also providing what everyone wants.

Draft version: Version 2 (9th October 2022, "an actual problem," "exaggerating").

Who travels the seas like snails

The wind not in their sails?

Adam Smith's account of the origins of money is renowned, in some circles anyway (Humphrey 1985: 49), but who believes it? I have a worry about reconciling Smith's account of the origins of money with his account of how specialization relates to character and talent.

Let us start with the latter (part of which appears earlier in Smith's text). Smith thinks that the appearance of greater talent in a field is more the effect of specialization than the cause. I don't specialize in a certain field because that is where I have some greater talent than average, rather specializing in that field causes me to be better at it:

The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education. (Bk. 1, Ch. 1)

Later Smith also proposes that specialization makes people stupid, or stupid outside their

specialism:

In the progress of the division of labour, the employment of the far greater part of those who live by labour, that is, of the great body of the people, comes to be confined to a few very simple operations; frequently to one or two. But the understandings of the greater part of men are necessarily formed by their ordinary employments. The man whose 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. (Bk.5, Ch.1)

How do we reconcile this claim with Smith's account of the origins of money? (Bk. 1, Ch. 4) There is a stage in the development of society in which people realize that it is more efficient for each to specialize and work together to achieve ends – the ends are achieved more quickly – or for different specialists to trade with each other. But in this early stage, after specializing, individuals ran into a problem: “What if people do not want my specialist good? I offer them it in return for some good of theirs which I need, but they do not want what I am offering.” This was an actual problem, not just a hypothetical question. The solution was this, according to Smith (my words, exaggerating his somewhat): “Sometimes I need to be able to offer something that everyone wants as well.” This something which everyone wants, or almost everyone, becomes money, in Smith's account. However, when we consider what Smith says about the psychology of specialization a problem arises. It starts from these propositions of his:

- (a) Specialization produces my ability in my specialism.

(b) Specialization makes me stupid outside of my specialism.

(c) I must be able to provide something that everyone wants, as well as my specialist good, in order to flourish.

It is natural to ask, “But if specialization produces my ability in my specialism and specialization makes me stupid outside my specialism, how can I also provide something which everyone wants?”

References

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