

Adam Smith and the modern Left

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Introduction

This lecture is in seven parts. Section 1 explains why I regard the question of Adam Smith and the modern Left as interesting and topical. Sections 2 and 3 provide background on Adam Smith and the Scotland of his time. I argue that most Smith commentators have ignored the huge cultural and political differences between 18th-century Scotland and England; those who are aware of them tend not to draw out the implications for Adam Smith and his social science. Section 3 explores the consequences for Smith and David Hume of living under a weak state and a weak church. Section 4 explains why I regard Smith's *The Theory of Moral Sentiments* (1759; substantially revised 6th edition 1790) as one of the most radically egalitarian works of philosophy up to that date. Section 5, likewise, draws attention to the egalitarian assumptions and implications of Smith's *Inquiry into the Nature and Causes of the Wealth of Nations* (1776). Among other things, I argue that we need to pay attention to the full title of the book, not merely to its conventional abbreviation. Section 6 introduces the famous 'Adam Smith-Problem', so named because of the work of various 19th-century German writers who believed they had found a fundamental inconsistency between *TMS* and *WN*.¹ Like both Gordon Brown and Smith's Glasgow editors, I believe that the Adam Smith-Problem is a pseudo-problem and a distraction; but as some scholars continue to argue the contrary, I must make my case. The final section returns to the intriguing parallels between Adam Smith and UK Chancellor of the Exchequer Gordon Brown. They go beyond the fact that both of them are citizens of Kirkcaldy.

¹ Like all other modern academics writing on Smith, I cite the standard Glasgow edition of his works (for bibliographic details see References). I follow the convention of labelling the individual volumes as follows.

TMS: *The Theory of Moral Sentiments*. Glasgow edn vol. I.
WN: *Inquiry into ... the Wealth of Nations*. Glasgow edn vol. II in two parts.
EPS: *Essays on Philosophical Subjects*. Glasgow edn vol. III.
LRBL: *Lectures on Rhetoric and Belles Lettres*. Glasgow edn vol. IV.
LJ(A): *Lectures on Jurisprudence*, report of 1762-3. Glasgow edn vol V.
LJ(B): *Lectures on Jurisprudence*, report dated 1766. Glasgow edn vol V.
Corr. *Correspondence of Adam Smith*. Glasgow edn vol VI.

1. Motivation for the question

In 2001-02, Edinburgh University held an “Enlightenment Lecture series” to honour the leading figures of the Scottish Enlightenment, who had all had connections with Edinburgh and its university. The final lecture in the series was on Adam Smith (1723-90). Smith was born and brought up in the (then) small port of Kirkcaldy, in Fife, north of Edinburgh. He never studied at Edinburgh, his relatives rather surprisingly having sent him to Glasgow University in 1737. But after completing his degree there and six years of solitary study in Oxford, Smith came to Edinburgh in 1748 to give private lectures on ‘rhetoric and belles-lettres’, also on government and on the history of science, under the patronage of Edinburgh literati. He moved back to Glasgow as a professor in 1751 and remained there until 1764, when the opportunity to accompany a young aristocrat, the Duke of Buccleuch, on his travels to France made Smith financially independent for the rest of his life. He stayed with the Duke in France until 1766, and spent the rest of his life in either Kirkcaldy or Edinburgh, with four visits to London of a few months each. The Buccleuch family continued to pay Smith a pension. In 1778 Smith was appointed as a Commissioner of Customs for Scotland, in which post he served diligently for the rest of his life.

The 2002 Edinburgh lecture on Smith actually took the form of a mini-symposium, introduced by the UK Chancellor of the Exchequer, Gordon Brown. Like Smith, Brown is a native of Kirkcaldy. He took his degrees at Edinburgh University. He is clearly fascinated by both the writings and the personality of his eminent fellow-townsmen. The symposium was entitled “Can Both the Left and Right Claim Adam Smith?”² The economic historian Emma Rothschild was to speak for the left; the economist and journalist Irwin Stelzer for the right. Introducing their papers, Chancellor Brown said:

Is Smith, the author of the invisible hand, also the Smith of the helping hand?

Would the Adam Smith who has been the inspiration behind the right of centre Adam Smith Institute more likely to feel at home with the left of centre John Smith Institute?

Or is the Smith of “The Theory of Moral Sentiments” the Jekyll to “The Wealth of Nations” Hyde?

Is it possible two centuries and more on from his famous work “The Wealth of Nations” to find a way of reconciling his apparently contrasting views: that social behaviour is influenced by sympathy and that economic behaviour is motivated by self interest ?³

² Details are still available at <http://www.ed.ac.uk/events/lectures/enlightenment/adamsmith.html>, consulted 21.06.05.

³ Source: Edinburgh audio and video transcript. For the Adam Smith Institute, see <http://www.adamsmith.org/>. For the (John) Smith Institute, which co-sponsored the lecture series, see <http://www.smith-institute.org.uk/default.htm>. The reference to Jekyll and Hyde is to the Edinburgh novelist Robert Louis Stevenson’s *The Strange Case of Dr Jekyll and Mr Hyde*, itself based on the true story of the respectable but larcenous Deacon Brodie of Edinburgh Town Council (1746-1788).

The question continues to fascinate Gordon Brown. He has aired it twice more since then: once implicitly, while answering it (Brown 2003); and once more explicitly, in a series of events surrounding the visit to Scotland of Alan Greenspan, Chairman of the US Federal Reserve, in February 2005. Greenspan was awarded an honorary degree at Edinburgh University and gave the Adam Smith Memorial Lecture in Kirkcaldy, the latter in the church of which Gordon Brown's father had been the parish minister.⁴ Brown and Greenspan both paid more than ordinary tribute to Smith, Brown wondering how Smith's upbringing in Kirkcaldy would have exposed him to the disruption of Scotland's international trade after the Union with England in 1707.

This lecture, and the book into which it will grow (McLean 2006) are my response to Gordon Brown's challenge. My answers to his four questions are *Yes; Yes; No; and Yes* in that order. I am not the only person to take this view; for other relevant recent scholarship see Rothschild 2001; Kennedy 2005. If Rothschild, Kennedy, Brown and myself are right, then the still conventional view that Smith is the founder and apologist for capitalism at its most naked must be wrong. But first, like Gordon Brown, I believe that the importance of Smith's Scottishness has been understated, and needs to be brought centre stage.

2. Adam Smith and the Scotland of his time

The Acts of Union of 1707 united Scotland and England under a single monarch and parliament. They had profound effects on Scotland. They integrated both the Scottish market and the Scottish executive with their much larger counterparts in England. They freed Scotland from the restraints on its trade imposed previously by the mercantilist governments of England. The Union was, in short, a classic jurisdictional integration which produced the benefits classically to be expected from such integration.

But not immediately. As with the fall of Communism in central and eastern Europe beginning in 1989, things in Scotland got worse before they got better. The Union was initially unpopular, its unpopularity symbolised by several riots (especially the lynching of the crew of the *Worcester* in 1705 - McLean and McMillan 2005, Chapter 2 - and of Captain Porteous in 1736); and two full-scale rebellions, the Jacobite Risings of 1715 and 1745-6. In the latter, several of Smith's Edinburgh literary friends, but not Smith himself who was still in Oxford, turned out for the Edinburgh militia to help repel Bonnie Prince Charlie's troops, but failed to prevent his occupation of Edinburgh and were themselves defeated at the Battle of Prestonpans (21 September 1745).

However, by the time of Bonnie Prince Charlie's final defeat at Culloden in April 1746, the benefits of Union were already becoming clear. Smith and his friends – from what it is perhaps anachronistic but useful to call the Scottish middle class – were among the first

⁴ Greenspan's lecture is at <http://www.federalreserve.gov/boarddocs/speeches/2005/20050206/default.htm>.

to benefit. Before the Union, the city of Glasgow had set up a satellite port, imaginatively called Port Glasgow, on the south bank of the tidal Clyde about fifteen miles downstream. Before the Union, Port Glasgow had only coastal trade, as the English Navigation Acts banned Scottish ships from international trade. After the Union, it rapidly became one of the four most important ports on the British west coast (the others being Bristol, Liverpool, and Whitehaven). West coast trade expanded dramatically with the British settlements in America. Port Glasgow became primarily an entrepot, where American goods, especially sugar and tobacco, were landed before being repackaged and re-exported for final sale elsewhere. It had relatively little part in the most notorious American trade, namely slaves. The city of Glasgow grew rapidly. While still little more than a medieval village, it had acquired both a cathedral and a university – the latter chartered by the pope in 1451. By 1707, Scotland had four universities (Edinburgh, Glasgow, St Andrews and Aberdeen) to England's two. But they were all tiny; three in the shadow of the established church and Edinburgh in the shadow of the town council. The explosive intellectual growth of Edinburgh, Glasgow, and Aberdeen in the 18th century depended on money, students, intellectual freedom and the rapid growth of a Scots literary elite. Adam Smith experienced all four. Like his contemporary Edward Gibbon, he expressed contempt for the intellectual torpor of the Oxford they both attended.

The first great figure of the Scottish Enlightenment, and Smith's tutor, was Francis Hutcheson, who was Professor of Moral Philosophy at Glasgow from 1730 to 1746. Hutcheson was – I think significantly – an Ulster Presbyterian. Although the Presbyterian church was established in Scotland in 1689, it has never been established in Ireland. Hutcheson's liberal outlook emerged early in life, in church controversies where he took the side of conscience against authority. While he was at Glasgow, the Presbytery – i.e., church court – attempted but failed to prosecute him for heresy. His offence, according to his students, was to have taught that 'we have a notion of moral goodness prior in the order of knowledge to any notion of the will or law of God'. His students, who published a 'Vindication' of him, admitted that he had indeed taught that, but that the only alternative was to believe that if we had no notion of goodness apart from God's will, we would have no more to say in praise of God than that his will is consistent with itself (Moore 2004).

Hutcheson's students had been well taught. Hutcheson's argument is impossible to circumvent. God cannot be the creator of morality unless that sentence is a tautology – "morality is that which God tells us to do". In other words, Hutcheson recognised the need to supply a ground for morals independent of religion. The same need struck the three greatest figures of the Scottish Enlightenment: David Hume, Adam Smith, and Adam Ferguson. The three knew each other very well and moved in the same circles. Smith and Hume were very close friends. The relationship between Smith and Ferguson was patchier – at one stage Ferguson apparently believed that Smith had plagiarised his work; however, at another, Smith worked very hard to secure for Ferguson a tutorship of the same sort as Smith had held, in order to free Ferguson from his teaching duties as Professor of Moral Philosophy at Edinburgh.⁵ Hume created a religion-free morality, saw

⁵ *Corr.*, ## 138-42 and c-o.

religion as a human artefact, and belief in miracles as a miracle in itself. Ferguson and Smith both wrote what their mutual disciple Dugald Stewart first called ‘conjectural history’. The Revd. Adam Ferguson, who had been a military chaplain before he became a professor, makes almost no mention of religion in his *History of Civil Society*, but his passing references seem to show that, like both Smith and Hume, he treated religion as a human artefact, which arose at certain stages of society to satisfy human needs to explain the supernatural (Ferguson 1767/1995, pp. 48, 89, 192). Smith, Hume, and Ferguson all visited France; Smith, like Ferguson, visited Voltaire, the doyen of sceptical humanism in France. All three thinkers, rooted in Scotland, wrote for the world.

3. A weak church and a weak state

Smith, Hume, and Ferguson lived under a weak church and a weak state. If they had not, Smith and Hume might have been unable to publish their devastating demolitions of politics, economics, and religion as they found them. Had they depended on the universities of Oxford or Cambridge rather than Edinburgh or Glasgow, they might have been silenced as effectively as their great predecessor John Locke, who fled to the Netherlands in 1683, was expelled from his Oxford fellowship in 1684, and did not publish his great work in philosophy and politics until after the change of regime – the “Glorious Revolution”, which his work was seen to justify – in 1689.

The presbyterian Church of Scotland was founded by John Knox in the mid-16th century; but its organisation is due to his successor Andrew Melvill, one of the authors of the *Second Book of Discipline* (1578). In 1575 Melvill started to campaign for the removal of bishops from the Scottish church, there ‘being no superiority allowed by Christ among ministers’. The presbyterians used the power vacuum in Scotland during the imprisonment of Mary Queen of Scots (1566-87) to establish their system of church government. But Melvill overreached himself, famously grabbing King James VI by the sleeve in 1596 to tell him that he was ‘God’s sillie vassall’:

And thairfor Sir, as divers tymes befor, sa now again, I mon tell yow, thair is twa Kings and twa Kingdomes in Scotland. Thair is Chryst Jesus the King, and his Kingdome the Kirk, whase subject King James the Saxt is, and of whase Kingdome nocht a king, nor a lord, nor a heid, bot a member!

Melvill announced that he and his friends were a deputation from the General Assembly of the Church of Scotland ‘whame Chryst hes callit and commandit to watch over his Kirk’; ‘the quhilk na Christian King nor Prince sould controll and discharge, but fortifie and assist, utherwayes nocht fathfull subjects nor members of Chryst’.⁶

⁶ Diary of James Melvill, 1596, in Pitcairn (1842), pp. 369-70. *sillie*: plain, simple. *divers*: various. *sa*: so. *mon*: must. *Saxt*: Sixth. *whase*: whose. *nocht*: not. *whame*: whom. *the quhilk na*: which no. *utherwayes*: otherwise [*sc.* they are]

King James VI of Scotland became King James I of England in 1603. He and all his successors as kings (or Protectors) of Great Britain tried for ninety years to suppress the presbyterian church, with its Calvinist notion of two kingdoms. The idea that there was a kingdom where the king's writ did not run was anathema to Oliver Cromwell as much as to James (VI and) I, Charles I, Charles II, and James (VII and) II. None of them succeeded in extirpating Presbyterianism, although Cromwell came closest. He believed that "the Lord had delivered them into our hands" when the Scots guerrilla army was (it is said) ordered by its Presbyterian ministers to attack the starving English army, which had been about to be evacuated by sea, at the battle of Dunbar, in south-east Scotland, in 1650. However, with the restoration of Charles II in 1660, the hardline Scots Presbyterians – 'Covenanters' – again became a guerrilla force, especially in south-west Scotland. They acknowledged no bishop, although Charles II had restored episcopacy. The flight of James II in 1688 gave the Presbyterians their opportunity. The new king and queen William and Mary arrived in England by Parliamentary invitation. Immediately James escaped to France. His followers in the Scottish Estates also departed, to prepare for a military rising to restore him⁷. The remaining Whigs drew up a long Claim of Right, accepting William and Mary as monarchs on condition that they accepted the presbyterian church as the national church of Scotland. The ensuing revolt of "Bonnie Dundee" failed, as did the attempt of James to return to power via Ireland. The establishment of the national church was confirmed in 1707, when the Scots negotiators insisted on adding an act for the protection of the Church of Scotland – drafted for the Scottish parliament by the General Assembly of the Church itself. That Act remains part of the Acts of Union that constituted Great Britain in Smith's time, and still do to this day.

But while the Calvinist presbyterians had executed a coup within the church, driving out the Episcopalians from their parishes, the coup did not extend to the state. The state moved south in 1707, leaving Scotland to be governed by a succession of London-based Scottish managers. No monarch was again to visit Scotland until Sir Walter Scott stage-managed George IV's visit to Edinburgh in 1822⁸. The Calvinists faced a counter-coup within the church in 1750, when a group of ministers who were good friends of Smith and Hume took control of the General Assembly from their parishes around Edinburgh.

⁷ This is the context of Sir Walter Scott's song, in my childhood learnt by all Scots schoolchildren:
 To the Lords of Convention 'twas Claverhouse spoke:
Ere the Crown shall go down there are crowns to be broke
So each Cavalier that loves honour and me
Let him follow the bonnets of bonnie Dundee!

Chorus
Come fill up my cup, come fill up my can
Come saddle my horses and call out my men
Unhook the West Port and let us gae free
For it's Up with the bonnets of Bonnie Dundee!

'Claverhouse' and 'Bonnie Dundee' are the same person: John Graham, first Viscount of Dundee (?1648-89).

⁸ Hence George IV Bridge, the high-level street that spans the deep valley of the southern Old Town to open up southern suburbs. Previously, Adam Ferguson's house at Sciennes, a mile from Edinburgh city centre, had been nicknamed "Kamschatka" by his literary friends.

These ‘Moderates’ were certainly a minority within the church, but they were physically close to Edinburgh, and they could control the church, and hold the fire and brimstone, until they in turn were unseated in a counter-counter-coup in 1843. The Church had moved from hellfire to moderation in a century – it was to move back a century later.

As already explained, this weakness of church and state gave Smith and Hume the space in which they could write and publish freely. It also impelled them to fill the vacuum left by the intellectual failure of hellfire moralism, and to think about first principles of government and economics. These are the subjects of the next sections of this lecture. But it is worth pausing to discuss Smith’s evaluation of the Scottish church as an agency of social improvement.

Smith was probably a deist: that is, one who believed in a god who created the universe, but whose action was not required to explain how that universe developed. Divine intervention, Smith makes clear in his essay on the History of Astronomy, was a primitive belief that gave way to scientific hypothesis testing.⁹ Although he kept his impatience with the sects of Christianity to himself, his most revealing comment comes in one of the numerous letters he wrote around the time of the death of Hume, an event that affected him profoundly. Hume, he told the politician Alexander Wedderburn,

is dying very fast, but with great chearfulness and good humour and with more real resignation to the necessary course of things, than any Whining Christian ever dyed with pretended resignation to the will of God.... Since we must lose our friend the most agreeable thing that can happen is that he dyes [as] a man of sense ought to do. (AS to Wedderburn, 14.08.1776; *Corr.* # 163.)

It is interesting and, I think, significant, that Smith’s comments about religious organisation come not in his book on ethics, *The Theory of Moral Sentiments*, but in his book on prudence, ‘police’¹⁰, government and economics, *The Wealth of Nations*. The only passage of *TMS* which expounds standard Christian (Protestant) doctrine, on the Atonement of Christ, was withdrawn in Smith’s extensive revisions in 1790 and replaced

⁹ Smith, *The History of Astronomy*, in *EPS* pp. 33-105. Note especially at p. 49: “in all Polytheistic religions ... it is the irregular events of nature only that are ascribed to the agency and power of the gods. Fire burns, and water refreshes; heavy bodies descend, and lighter substances fly upwards, by the necessity of their own nature; nor was the invisible hand of Jupiter ever apprehended to be employed in those matters”.

¹⁰ ‘Police’ had a much broader meaning in the 18th century than now. It is one of Smith’s titles for the subject-matter of LJ (A and B); and hence for *WN*, which is derived from those parts of LJ. The *Oxford English Dictionary* explains at *Police*, n., sense 3. a. *The regulation, discipline, and control of a community; civil administration; enforcement of law; public order*:

The early quotations refer to France, and other foreign countries, and to Scotland, where Commissioners of Police, for the general internal administration of the country, consisting of six noblemen and four gentlemen, were appointed by Queen Anne, 13 Dec. 1714. This was app[arently] the first official use of the word in Great Britain. In England, it was still viewed with disfavour after 1760. A writer in the *British Magazine*, April 1763, p. 542, opines that ‘from an aversion to the French..and something under the name of police being already established in Scotland, English prejudice will not soon be reconciled to it’.

by a short sarcastic passage that could have come from the pen of Hume (*TMS* Appendix II, esp. at p. 400).

But in *WN* Smith has a lot to say about church organisation. He greatly prefers the Church of Scotland to the Church of England *for their respective effects on government and society*.

In Scotland the establishment of the parish schools has taught almost the whole common people to read, and a very great proportion of them to write and account. In England, the establishment of charity schools has had an effect of the same kind, though not so universally....

There is scarce perhaps to be found any where in Europe a more learned, decent, independent, and respectable set of men, than the greater part of the presbyterian clergy of Holland, Geneva, Switzerland, and Scotland.

In countries where church benefices are the greater part of them very moderate, a chair in a university is generally a better establishment than a church benefice.... Where church benefices, on the contrary, are many of them very considerable, the church naturally draws from the universities the greater part of their eminent men of letters.... In the former situation we are likely to find the universities filled with the most eminent men of letters that are to be found in the country. In the latter we are likely to find few eminent men among them.... In England, accordingly, the church is continually draining the universities of all their best and ablest members.... (*WN* V.i.f-g, quoted at pp. 785, 810, 811).

Of all people, Smith's friend the Revd Hugh Blair, one of the leaders of the Moderate coup mentioned above, complained on the publication of *WN* that 'You are, I think, too favourable by much to Presbytery. It connects the Teachers too closely with the People; and gives too much aid to that Austere System [viz., hell-fire Calvinism] you Speak of, which is never favourable to the great improvements of mankind' (*Corr.*, no. 151). For the century that the Moderates ran the Church of Scotland, they made sure that the Teachers were not connected too closely to the People. Smith and Hume both approved.

Smith himself was a religious pluralist.

But that zeal [once again, Smith is probably thinking of hellfire and damnation] must be altogether innocent where the society is divided into two or three hundred, or perhaps into as many thousand small sects, of which no one could be considerable enough to disturb the publick tranquillity. (*WN* V.i.g, p. 793).

In other words, in religion as in the economy, a free market drives out monopoly power. Smith's reasoning is exactly that used in the following decade by James Madison and Thomas Jefferson to disestablish the church, first in Virginia, and then, by the 'Establishment Clause' in the First Amendment to the US Constitution, throughout the

United States¹¹. The passage of Smith just quoted is remarkably close to Madison's argument against faction in *The Federalist* # 10, which Jack Rakove has shown was originally an argument for religious, rather than political, pluralism (Madison 1999, pp. 29-36; 160-7; McLean 2003).

4. The egalitarianism of *TMS*

Like Hutcheson, therefore, Smith saw the need for a non-religious grounding for ethics. His method of providing one was in some ways similar to Ferguson's: they were both pioneers of historical sociology. Their common method of conjectural history may have been inspired by Montesquieu. But Ferguson and (especially) Smith take it into entirely new directions.

We know quite a lot about the evolution of Smith's moral, political and economic thought. It began under Hutcheson in Glasgow – “the never to be forgotten Dr Hutcheson”, Smith called him when accepting an invitation to become Rector of Glasgow University (*Corr.*, # 274, 1787). Throughout his work, Smith shares Hutcheson's aim of finding a non-theological grounding for ethical behaviour. Hutcheson postulated a common moral sense, innate among all humankind. This view was influential in America, transmitted by Hutcheson's writings and by his student John Witherspoon to *his* star student James Madison (McLean 2003, p. 19). It reappears unmistakably in Jefferson's draft of the Declaration of Independence: *We hold these truths to be self evident: that all men are created equal*. Smith rejected Hutcheson's “common sense” ethics, but not his aim.

On graduating from Glasgow, Smith spent six lonely years at Balliol College, Oxford. He learnt nothing from any tutors there, but directed himself in a programme of extensive reading in classical and contemporary literature and social science. He was notably interested in (mostly French) writings about anthropology and sociology – about societies, such as Native Americans, whom Europeans were meeting for the first time. This was to become source material for Smith's four stages of history, which play a prominent role in *LJ* and *WN*, but not in *TMS*. After Oxford, Smith returned for two years to live with his mother in Kirkcaldy (he never married, and lived all his life with his mother or cousins). In 1748, as briefly noted in Section 1, he moved to Edinburgh and set up as a private lecturer on a wide range of subjects, including both literature and the philosophy of science – work that we now know as *LRBL* and *EPS*. It was at this time that he became a close friend of Hume and other members of the Edinburgh literary establishment that was just beginning a remarkable flowering. In 1751 he was appointed to the chair of Logic in Glasgow University, and moved over in 1752 to the chair of Moral Philosophy. He held that chair until 1764, when he left to travel in France with the Duke of Buccleuch. After returning from France, he spent the rest of his life on successive revisions of *TMS* and *WN* and on public policy and public service.

¹¹ “Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof...”. US Constitution, First Amendment, ratified 1791.

TMS and *WN* both derive from Smith's public lectures as Professor of Moral Philosophy in Glasgow. They both incorporate earlier material, and they both continued to be revised – *WN* until publication in 1776, and *TMS* extensively for the 6th edition published in 1790, the year Smith died. We shall look briefly at the effect of the changes made in this edition below. But the core of both is in Smith's lecture series.

As Professor of Moral Philosophy, Smith gave a lecture at 7.30 a.m. every weekday from October to June. His lecture series fell into four parts. The first, "Natural theology", was presumably required by the nature of his post. He seems to have got through it very quickly. In the report of one of his students,

he considered the proofs of the being and attributes of God, and those principles of the human mind upon which religion is founded¹². The second comprehended Ethics strictly so called, and consisted chiefly of the doctrines which he afterwards published in his *Theory of Moral Sentiments*. In the third part, he treated at more length of that branch of morality which relates to *justice*.... In the last part..., he examined those political regulations which are founded, not upon the principle of *justice*, but that of *expediency*, and which are calculated to increase the riches, the power, and the prosperity of a State.... [This] contained the substance of the work he afterwards published under the title of *An Inquiry into the Nature and Causes of the Wealth of Nations*. (John Millar to Dugald Stewart, 1790, in *EPS* pp. 274-5).

A few days before his death, Smith asked two friends to destroy all his manuscripts except what his executors published as *EPS*. For a hundred years therefore, the contents of the third section of his Glasgow lectures remained unknown beyond this report. However, in 1895, a set of student notes taken in the session of 1763-4 was found. In 1958 a second set, taken in the session of 1762-3, surfaced, as did a set of Smith's "private" lectures on rhetoric and belles-lettres, which he delivered later in the day to a more select group of students. These three sets of notes are now available as LJ(B), LJ(A), and LRBL respectively. I return to these discoveries later in this lecture, when I use them to show that the "Adam-Smith-problem" is indeed a pseudo-problem.

How then does Smith provide his non-religious grounding for morals? He had several forebears and contemporaries, and he carefully distinguishes his approach from all of them in Section VII (as it now is, after the extensive rearrangements of 1790) of *TMS*. Smith's Glasgow editors surmise that, although coming at the end of the book, this section came at the start of Smith's lecture course, because it is a survey of the rival "Systems of Moral Philosophy" whose problems Smith wished to highlight before advancing his own system. Of the ancient systems of philosophy, Smith is clearly most sympathetic to the Stoics, whom he presents as not only 'stoical' in the modern English sense, but also as pioneer utilitarians (*TMS* VII.ii.I.16). In a passage deleted in the 6th edition, he goes on, "The Stoics ... appear to have regarded every passion as improper,

¹² It has often been said that we know "nothing" about Smith's lectures on Natural Theology. Actually, this one-sentence report tells us a lot. It tells us specifically that Smith's attitude to religion is the same as that of Ferguson (and Feuerbach, and Marx, who studied Ferguson and Smith): viz., that religion is an artefact of the human imagination.

which made any demand upon the sympathy of the spectator". In a phrase echoed by his letter to Wedderburn complaining about 'Whining Christians' (above), Smith says that the "spirit and manhood" of the Stoics' doctrines "makes a wonderful contrast with the desponding, plaintive, and whining tone of some modern systems" (TMS VII.ii.I.29).

Smith goes on to describe the systems that ground virtue in prudence (where he places the Epicureans) or in benevolence (where he praises his teacher Hutcheson as the most eminent), before proceeding to attack 'licentious systems'. These plural licentious systems boil down to one: Bernard Mandeville's *Fable of the Bees; or, Private vices, public benefits* (1714). Mandeville's argument is in his subtitle. If private vices (such as extravagant spending on personal luxuries) generate public virtues (such as national wealth), then they are praiseworthy. Smith concedes that Mandeville's system could not have become so notorious "had it not in some respects bordered upon the truth" (TMS VII.ii.4.13). However, he did not tackle Mandeville's economics until his second book.

To our eyes it is surprising that Smith says much about Mandeville, little about Hobbes, and nothing about Locke. The reason seems to be that Smith treated Hobbes and Locke as political rather than moral philosophers, belonging therefore in the book on Jurisprudence, which he never completed, and to the third rather than the second part of his Glasgow lectures. The perfect dovetailing of the end of *TMS* and the start of *LJ(B)* corroborates this. *LJ(B)* opens with a short discussion of Hobbes, whom Smith treats much more sympathetically than Mandeville, possibly because of Hobbes's "utter abhorrence of the ecclesiastics" (*LJ(B)*, 2). Smith is cursory on Locke, whom he does not mention in *TMS*. In the two surviving sets of student notes on Smith's Lectures on Jurisprudence, Locke features only as one of the proponents of the fallacy that government can be derived from a social contract, and of the right to rebel if government fails to retain the consent of the governed (*LJ(A)* v.114-6; *LJ(B)* 94).

Of his predecessors, then, Smith sympathises with the Stoics and with Hutcheson; recognizes Mandeville as an opponent whose arguments need to be taken seriously; regards Hobbes' arguments as clever but impracticable because of the open fury they incited among clergymen; and overlooks Locke. Having done this ground-clearing, he erects his own moral doctrine. His key devices are *sympathy* and the *impartial spectator*. As *TMS* is partly a descriptive work of historical – or conjectural-historical – sociology, Smith wishes to know what makes us recognise something as a *moral* sentiment, as opposed to any other kind. He answers that the first requirement is a kind of imagination which he calls sympathy. By that he does not mean sympathy in the ordinary English sense, but rather the capacity to see that the world could look different through another's eyes. To understand Smithian sympathy it might be helpful to consider its opposite. The narrator of *The Curious Incident of the Dog in the Night-time* (Haddon 2003) is a 15-year old boy with Asperger's Syndrome, who is quite incapable of seeing the world, or himself, as others see them. He cannot tell a lie (because it involves mathematical contradiction), but nor can he recognise a moral sentiment. "I know that they're working out what I'm thinking, but I can't tell what they're thinking. It is like being in a room with a one-way mirror in a spy film." In fact for Smith it is not a one-way but a conventional mirror. The impartial spectator is a person outside me who looks at me in order to

evaluate my behaviour. I can mentally interrogate him in order to find out whether my behaviour is moral or not:

[O]ur first moral criticisms are exercised upon the characters and conduct of other people.... But we soon learn, that other people are equally frank with regard to our own.... We begin, upon this account, to examine our own passions and conduct, and to consider how these must appear to them, by considering how they would appear to use if in their situation (*TMS* III.i.5).

Robert Burns caught the idea exactly, and passed it on to millions who have never read *TMS*:

O wad some Power the giftie gie us
To see oursels as ithers see us!
It wad frae mony a blunder free us,
An' foolish notion:
What airs in dress an' gait wad lea'e us,
An' ev'n devotion! (*To a Louse*, final stanza. The whole poem is in the Appendix to this lecture).

Under the stern gaze of the impartial spectator, we would free ourselves from our own follies, including (but, as the lawyers say, not limited to) our airs in dress and gait. Smith's philosophy, like Burns's poetry, is profoundly egalitarian.¹³

But how and why can I argue (with Gordon Brown) that *TMS* makes Smith a man of the Left? To say that he was a man of the Left in his own time is anachronistic. The words 'left' and 'right' in their political sense date back only to the French Revolution, where they denote the positions of opponents and supporters of the king in the National Assembly, as viewed from the presiding chair. But we can talk about conservatism and radicalism in 18th-century thought, and class Smith without hesitation as a radical.

The idea of the moral and political equality of all mankind was new (or at least recently renewed) and startling. Most thinkers, and still more, most citizens of Smith's time agreed with Shakespeare's *Troilus and Cressida*: *Take but degree away, untune that string / And, hark! what discord follows*. In Greek philosophy, both Plato and Aristotle believed in hierarchy and rule by the morally (or intellectually) superior. The ancient philosopher whom Smith discusses at greatest length, and obviously likes best, is the slave Epictetus, one of the leaders of Stoicism.¹⁴ The ideal of equality of humankind is of course derivable from Christianity, but it had had little prominence in western Christianity before the mid 16th century. Only the Christians of the Reformation, and then

¹³ After publishing the 'Kilmarnock Edition' of his poems in 1786, Burns was lionised by the Edinburgh literati, including Adam Ferguson, at whose house Burns met the young Walter Scott. As Commissioner for Customs in Scotland, Smith tried to get a better job for the struggling Dumfries exciseman Robert Burns (Ross 1995, p. 374).

¹⁴ See 'Epictetus (c.55-c.135 CE)' in *The Internet Encyclopedia of Philosophy* at <http://www.iep.utm.edu/e/epictetu.htm>. The Greek name 'Epictetus' simply means 'the acquired one'.

mostly the more extreme reformers, including Calvinists, Anabaptists, and Quakers, took it seriously. But then, by 1596, we have Andrew Melvill grabbing the king's sleeve to argue his point of view the more forcibly (see above). It is in 1647, during the English Civil War, that we hear the political implications of Reformed egalitarianism for the first time. The officers of Cromwell's army are debating the future republican constitution of Great Britain in Putney Church, to the south-west of London. General Ireton asks what the 'Levellers', the most radical faction of the army, mean by their demand that 'every man that is an inhabitant is to be equally considered' in parliamentary representation. Col. Thomas Rainborough replies, "For really I think that the poorest he that is in England has a life to live as the greatest he; and therefore truly, sir, I think it's clear that every man that is to live under a government ought first by his own consent to put himself under that government" (Sharp 1998, p. 103).

Smith was not greatly concerned with political egalitarianism. Of Locke's reworking of the Leveller doctrine that government is legitimate only if it has the people's consent, Smith said (remarkably forthrightly) in one of his Glasgow lectures, "God knows it is but a very figurative metaphoricall consent which is given here. And in Scotland still more than in England, as but very few have a vote for a Member of Parliament who give this metaphoricall consent" (*LJ(A)* v.134). Smith never had a vote himself, although he became a senior government adviser. He was much more concerned with *moral* egalitarianism. A key passage early in *TMS* runs:

And hence it is, that to feel much for others and little for ourselves, that to restrain our selfish, and to indulge our benevolent affections, constitutes the perfection of human nature; and can alone produce among mankind that harmony of sentiments and passions in which consists their whole grace and propriety. As to love our neighbour as we love ourselves is the great law of Christianity, so it is the great precept of nature to love ourselves only as we love our neighbour, or what comes to the same thing, as our neighbour is capable of loving us. (*TMS* I.i.5.5, p. 25)

This illustrates multiple things about Adam Smith. It subtly hints that he places Stoic ethics ('to love ourselves only as we love our neighbour') above Christian ethics, while not appearing to deny the truth of Christianity. It conveys the fundamental economic idea of reciprocity, of exchange. And it describes a moral sentiment while also giving a guide to life which Smith himself admired. Like his great friend David Hume he was a very frugal man. To love oneself only as one loves his neighbour is morally desirable, but it also freed Smith, as it freed Hume, from any awkward dependence on others. In 1754, Hume had been censured by the Faculty of Advocates in Edinburgh, whose librarian he was, for buying two allegedly pornographic French books for the library. Hume described his ingenious reaction in a letter to Smith, which it may not be fanciful to imagine Smith had in mind while writing the above section of *TMS*

But being equally unwilling to lose the Use of the Books and to bear an Indignity; I retain the Office, but have given Blacklock, our blind Poet, a Bond of Annuity for the Sallary. I have now put it out of these malicious Fellows power to offer me

any Indignity; while my Motives for remaining in this Office are so apparent.
(Hume to AS, 17.12.1754, *Corr.*, # 19).

Thus *TMS* is of the left not only in its time but in ours. It sets out a system of egalitarian and post-Christian ethics which attract moralistic and frugal politicians of the Left to this day.

5. The egalitarianism of *WN*

It is helpful to return to the point where *TMS* ends and *LJ* begins, mentioned above. The set of notes discovered in 1895, now known as *LJ (B)*, contains an elaborate copperplate title page describing the contents as “Juris Prudence: or, Notes from the Lectures on Justice, Police, Revenue, and Arms delivered in the University of Glasgow by Adam Smith Professor of Moral Philosophy”. The first page of notes continues, “Jurisprudence is that science which inquires into the general principles which ought to be the foundation of the laws of all nations”. And, a little later in the same lecture:

The four great objects of law are Justice, Police, Revenue, and Arms.

The object of Justice is the security from injury, and it is the foundation of civil government.

The objects of Police are the cheapness of commodities, public security, and cleanliness, if the two last were not too minute for a lecture of this kind. Under this head we will consider the opulence of the state.

It is likewise necessary that the magistrate who bestows his time and labour in the business of the state should be compensated for it. For this purpose and for defraying the expences of government some fund must be raised. Hence the origine of Revenue....

As the best police cannot give security unless the government can defend themselves against foreign injuries and attacks, the fourth thing appointed by law is for this purpose, and under this head will be shewn the different species of Arms with their advantages and disadvantages, the constitution of standing armies, militias, etca.

Here is Smith’s programme clearly set out.¹⁵ *Justice* – the part never published, and we assume destroyed by Smith’s executors just before he died – is narrowly construed as the institutions that protect the security of property and contracts. *Police*, *Revenue*, and *Arms* all went into *WN*. But in the years between Smith leaving Glasgow and publishing *WN*, he hugely expanded the ‘police’ section, leaving ‘revenue’ and ‘arms’ each to occupy a small but important niche in Book V. It is convenient to discuss them in reverse order.

5.1 *Arms*

¹⁵ *LJ (A)* and *(B)* are remarkable tributes to that Scottish education system that Smith praises so fulsomely in *WN*. The two sets of notes, taken by members of Smith’s class in consecutive academic years, are very clear and coherent, and each serves as a validity check on the other. The later one is not copied from the earlier, because they report the lectures in a different order. Most of the students in Smith’s class were boys aged between 14 and 17 – in modern British terms, between Key Stage 3 and AS (in England) or Higher (in Scotland).

The argument between supporters of a standing army and of a citizen militia raged fiercely in Scotland, England, and America in Smith's time. It was important both in political theory and in practical politics. Thinkers who may be grouped together as 'country Whigs' viewed a standing army as a standing threat to the liberties of the freeborn Englishman (or Scot, or American). The most important of these thinkers were Andrew Fletcher of Saltoun (1655-1716); Adam Ferguson; and Thomas Jefferson (1743-1826).

Andrew Fletcher is best known as the most eloquent Scottish opponent of the union of 1707. But he spent most of his life outside Scotland. His *Discourse of Militias and Standing Armies* (Fletcher 1697/1997) was written to oppose William III's retention of a standing army after the end of a war between England and the Netherlands. Fletcher argues that all standing armies in peacetime lead to tyranny; that "the subjects formerly had a real security for their liberty, by having the sword in their own hands" (p. 18); and that that liberty should be restored by disbanding William III's army. The Revd Captain Adam Ferguson was a regular, not a militia, officer. Like Smith, he was out of Edinburgh when Bonnie Prince Charlie occupied the city in 1745. But their friends William Robertson, Alexander Carlyle, and John Home – Moderates and *litterati* – all offered to join an impromptu citizen militia to repel the Young Pretender. Ferguson later formed the Poker Club, its name, as he wrote, an 'Alusion to the use of that Instrument when fires like ours need to be Stirred' (Sher 2004), to agitate for a Scottish militia. Its members were the same cast of convivial Edinburgh intellectuals and *litterati*, including Smith.

Country Whig ideology had its most practical flowing in America. The revolutionary army was indeed a citizen militia (albeit with help from the regular French army) which defeated the standing army of the United Kingdom. The issue called forth some of Thomas Jefferson's finest writing. One much anthologised item is the last thing he ever wrote – a letter of June 1826 to the Mayor of Washington, DC, stating that he would be unable to attend the 50th anniversary Fourth of July celebration there due to ill health:¹⁶

May it [viz., American independence] be to the world, what I believe it will be (to some parts sooner, to others later, but finally to all,) the signal of arousing men to burst the chains under which monkish ignorance and superstition had persuaded them to bind themselves, and to assume the blessings and security of self-government..... All eyes are opened, or opening, to the rights of man. The general spread of the light of science has already laid open to every view the palpable truth, that the mass of mankind has not been born with saddles on their backs, nor a favored few booted and spurred, ready to ride them legitimately, by the grace of God (TJ to Mayor Roger C. Weightman, 24.06.1826, in Appleby and Ball 1999, p. 149).

In a fine act of literary detection, Douglass Adair (1974, pp. 192-202) showed that the image of 'saddles on their backs' comes from the dying speech of Col. Richard Rumbold, a former Cromwellian – and associate of the Levellers - sentenced to death for his

¹⁶ Jefferson and his fellow-revolutionary John Adams, the last two surviving signatories of the Declaration of Independence, were actually both to die on that same day, 4 July 1826.

participation in Monmouth's rebellion against King James II in 1685. Jefferson knew that this letter was *his* dying speech. It is the manifesto to posterity of Jefferson the opposition Whig, like so many of the American revolutionaries seeing the revolt against the British Crown as the country against the Court. The rest of his imagery is distilled Enlightenment thought. 'Monkish ignorance and superstition' is pure Voltaire, Hume, or Smith.¹⁷ The country Whigs came to power in the United States under Jefferson and his friends, and enshrined their ideology in the Bill of Rights – the first ten amendments of the US Constitution. The (very Smithian) guarantees of freedom of religion in the First Amendment have already been quoted. The Second and Third Amendments now seem to belong in a different ideological universe entirely to the First. The Second Amendment states:

A well regulated Militia, being necessary to the security of a free State, the right of the people to keep and bear Arms, shall not be infringed.

But the Second Amendment is merely the logical culmination of the militia campaign of Fletcher and Ferguson.

Smith's view of Arms therefore came as a severe disappointment to the other members of the Poker Club. He acknowledged the country Whig view that militias and liberty went together, but viewed a standing army as an inevitable accompaniment of a more advanced division of labour (*LJ (A)* iv.88; *WN* V.i.a). For Smith, society passed through four historical stages. The first was that of hunter-gatherers ('the lowest and rudest state of society'); the second, a society of shepherds; the third, an agricultural society; and the fourth, a commercial society. The nature and causes of the wealth of nations lay in this evolution. A commercial nation could take the division of labour, and hence the creation of wealth, to far greater length than any of its predecessors. But one necessary consequence, according to Smith, was the division of labour in warfare as in every other trade. War itself had become more specialised; but so had every other occupation. "Military exercises come to be as much neglected by the inhabitants of the country as by those of the town, and the great body of the people becomes altogether unwarlike" (*WN* V.i.a.15). Therefore the only practical option, in a commercial state, is for the state to tax the people for the upkeep of a professional army. However, he notes prophetically that a militia which campaigns for several seasons may become as good as a standing army: "Should the war in America drag out through another campaign, the American militia may become in every respect a match for [the British] standing army" (*WN* V.i.a.27). Indeed it did.

Adam Ferguson, the founder of the Poker Club, liked Smith's chapter on Arms as little as the Revd Hugh Blair liked his chapter on religion:

You have provoked, it is true, the church, the universities, and the merchants, against all of whom I am willing to take your part; but you have likewise

¹⁷ Hume wrote sarcastically of 'the whole train of monkish virtues'; Smith, in *TMS*, of the 'futile mortifications of a monastery'. *TMS* pp. 133-4 and note.

provoked the militia, and there I must be against you. (AF to AS, 18.04.1776, *Corr.* #154.)

5.2 Revenue

Smith's discussion of taxation and public expenditure is one of the finest parts of *WN*. In relying on ideas that were not formalised until co-operative game theory, he is indeed two hundred years ahead of his time. His fellow citizen Gordon Brown seems particularly struck by this part of Smith's thought. In his Edinburgh speech, Brown half-seriously announced that he kept Smith's canons of taxation beside him while preparing the 2002 Budget.¹⁸ The affinity goes much deeper, as will be discussed later.

The canons of taxation are laid out in *WN* V.ii.b (Glasgow edition pp. 825-6).

- I. The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state....
- II. The tax which each individual is bound to pay ought to be certain, and not arbitrary....
- III. Every tax ought to be levied at the time, or in the manner in which it is most likely to be convenient for the contributor to pay it....
- IV. Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible, over and above what it brings into the publick treasury of the state....

In (McLean 2006) I shall speak at length of the “left-wing” credentials of Smith's canons of taxation, even though they are a part of his thought that may seem to bring more comfort to the contemporary Right than Left. Here, though, there is space only to discuss canon I. Smith not only says that taxation should be proportionate to income, but gives as his reason that the rich enjoy more revenue than the poor “under the protection of the state” – a thoroughly egalitarian justification of proportionate taxation. He goes on to say that all the factors of production, which he identifies as Rent, Profit, and Wages, should bear an equal proportionate burden, but gives reasons why he believes that land rents have been taxed too lightly. Indeed, anticipating later writers including David Ricardo and Henry George, he goes on to say:

Ground-rents seem, in this respect, a more proper subject of peculiar taxation than even the ordinary rent of land. The ordinary rent of land is, in many cases, owing partly at least to the attention and good management of the landlord. A very heavy tax might discourage too much this attention and good management. Ground-rents, so far as they exceed the ordinary rent of land, are altogether owing to the good government of the sovereign.... Nothing can be more reasonable than that a

¹⁸ Brown, Edinburgh Enlightenment Lecture transcript.

fund which owes its existence to the good government of the state, should be taxed peculiarly ... towards the support of that government (*WN* V.ii.e.11; p. 844).

As to public expenditure, Smith is equally radical. He and Hume worked out what we now call the theory of public goods. A public good is anything non-excludably supplied to everyone. If anyone gets the benefits of the Royal Navy, everyone does; you can neither practicably exclude anyone from its benefits nor charge anyone in Britain individually for naval services rendered. There are other goods which the market, left to itself, fails to provide. As Hume remarked in 1738,

Two neighbours may agree to drain a meadow, which they possess in common: because ... each must perceive, that the immediate consequence of his failing in his part, is the abandoning the whole project. But it is ... impossible, that a thousand persons should agree in any such action; ... each seeks a pretext to free himself of the trouble and expense, and would lay the whole burden on others. Political society easily remedies ... these inconveniences. (Hume 1738/1911, Vol. II p. 239; original Book III Part ii, chapter 7).

The market fails to deliver some goods because, left to themselves, people rationally take a free ride. Therefore the state ('Political society') must provide what the market fails to.

According to Smith, the state should provide Defence, Justice, publick Works and publick Institutions (*WN* V.1.a-e). All of these are either non-excludable public goods or, like Hume's meadow, are un(der)provided in the market. Public works such as roads and bridges, and public institutions such as schools and universities, deliver both private goods to those who use them and the public good of a more mobile, educated and tolerant population. Schools and universities should be part-funded by the state, but independent (as in Scotland), not in the service of the established church (as in Smith's England).

But public provision does not necessarily imply provision by salaried public employees. Roads and bridges can be financed by turnpike tolls (though that too causes perverse incentives, which Smith discusses at *WN* V.i.d.1-10). Students should pay fees direct to their professors. Smith himself had collected the fees from his students as Professor of Moral Philosophy at Glasgow and had tried vainly to return them when he left part-way through the year 1763-4. Oxford and Cambridge professors, who drew their salaries whether or not they did any teaching or research, did not impress the young Smith who taught himself for six years at Balliol.

5.3 *Police*

Whereas the sections of *WN* that deal with 'arms' and 'revenue' seem comparable in scope with Smith's treatments of them in his Glasgow lectures, the section on 'police' – that is, as we may put it, the main development of Smith's economics in Books I to IV of *WN* – is vastly larger. Smith had been thinking about economics before Glasgow and

continued to think about it afterwards. A so-called 'Early Draft' of *WN* (LJ pp. 561-84) probably dates to Smith's Glasgow years but he may have been thinking about it earlier. Dugald Stewart quotes from a 'short manuscript drawn up by Mr Smith' in 1755, containing 'many of the most important opinions in *The Wealth of Nations*' (Stewart, *Account*, in *EPS*, pp 321-2). Furthermore, says Stewart, Smith stated that the manuscript was in the handwriting of an amanuensis who left his service in 1749. This was in the context of charges of plagiarism, probably both by and against Ferguson, that were still raw in 1793; and the manuscript has disappeared. However, as one of Smith's two Glasgow student note-takers recorded him as saying, parts of Smith's thoughts on 'police' were "too minute for a lecture of this kind" – i.e., a course of lectures on moral philosophy. Accordingly, Smith spent twelve years, in France, then in Kirkcaldy and London, developing his ideas with great refinement and detail.

In France, Smith met the leading French 'physiocrats', François Quesnay and A-R. Turgot: first their ideas in the liberal salons of Geneva and Paris, and then in the flesh. Turgot joined Smith in urging Hume not to prolong the dispute which the paranoid Jean-Jacques Rousseau had started against his befriender Hume. Quesnay later sent Smith his collected works (Ross 1995, p. 215). Smith had planned to dedicate *WN* to Quesnay before the latter's death.

A rather silly argument about intellectual priority between the Physiocrats and Smith arose in the 19th century and has not entirely disappeared. Some people have alleged that Smith's ideas are derivative from the Physiocrats' – in particular, from Quesnay's master idea that ultimately the land is the only source of wealth. The publication of Smith's lecture notes, antedating his visit to France, should have put paid to that once and for all, but it still crops up from time to time. In France, he first started work on "a book in order to pass away the time" (*Corr.* # 82) during the boring 18 months that he and Buccleuch spent in Toulouse, before he became personally well known to the Paris-based academicians. In Toulouse he must have noticed the contemporary political dispute about free trade in grain. In France (unlike Great Britain) there were internal barriers to free trade, caused partly by the interests of tax farmers and partly by a feeling that food should be retained in its region of production to prevent famine there (even if this caused famine elsewhere). The Physiocrats, above all Turgot and Condorcet, were passionately hostile to this regime, and denounced it furiously. But this work seems to have been independent of *WN*. Although, as we have seen, Smith met Turgot, his and Condorcet's works on freeing trade in grain (known at the time as the *guerre des farines*) are independent of Smith (Baker 1975, pp. 60-1; Rothschild 2001, pp. 78-82). Turgot was a politician and Condorcet what we might now label his special economic adviser (just as Smith was to be a member of the council of economic advisers to Chancellor of the Exchequer Charles Townshend in 1767; to Solicitor-General Alexander Wedderburn in 1778; and possibly to Prime Minister Pitt the Younger in 1787). But the economic context was different. Smith did not have to solve the Frenchmen's problem of internal trade restrictions (solved in Britain in 1707). He did have to deal with the tricky problem of colonial trade and taxation.

Smith summarised his view of the Physiocrats in *WN*:

That system which represents the produce of land as the sole source of the revenue and wealth of every country, has, so far as I know, never been adopted by any nation, and it at present exists only in the speculations of a few men of great learning and ingenuity in France. It would not, surely, be worth while to examine at great length the error of a system which never has done, and probably never will do any harm in any part of the world. (*WN* IV.ix.1; p. 663).

He goes on nevertheless to examine the Physiocrats' "error" for a further fifteen pages. So much for the idea that Smith was the purblind follower of the Physiocrats.

Smith's basic economic ideas, then, did not come from France, although many of his supporting illustrations did. I think that his basic ideas came from observing the world he saw about him: above all from a Scotland whose transformation in a generation since 1707 was as astonishing as the rise of the Asian tiger economies in the 1980s. Smith's most direct remarks about the Union come in a letter of 1760 to his publisher William Strahan, an expatriate Scot educated at the High School in Edinburgh:

The Union was a measure from which infinite Good has been derived to this country. The Prospect of such good, however, must then have appeared very remote and uncertain. The immediate effect of it was to hurt the interest of every single order of men in the country. The dignity of the nobility was undone by it.... Even the merchants seemed to suffer at first.... The Clergy, too, who were then far from insignificant, were alarmed about the Church. No wonder if at that time all orders of men conspired in cursing a measure so hurtful to their immediate interest. The views of their Posterity are now very different. (*AS* to William Strahan, 04.04.1760, *Corr.* # 50.)

Although not born until sixteen years after the Union of 1707, Smith had lived through the wrenching dislocations of Union. Free trade with England had rapidly ruined some Scottish economic interests (including the 'trade .. to France, Holland and the Baltic ... almost totally annihilated' (*ibid.*; Kirkcaldy lost from Union as Glasgow gained)) and as rapidly promoted others. Speaking of the then proposed Union with Ireland in *WN*, Smith writes:

By the union with Great Britain, Ireland would gain, besides the freedom of trade, other advantages much more important, and which would much more than compensate any increase of taxes that might accompany that union. By the union with England, the middling and inferior ranks of people in Scotland gained a compleat deliverance from the power of an aristocracy which had always before oppressed them. By an union with Great Britain the greater part of the people of all ranks in Ireland would gain an equally compleat deliverance from a much more oppressive aristocracy ... founded ... in the most odious of all distinctions, those of religious and political prejudices. (*WN* V.iii.89; p. 944).

That particular prophecy went badly wrong, because the Union of Ireland with Great Britain, effected in 1800, was dissolved in 1921, leaving the sulphurous and riven province of Northern Ireland behind. But this is because the Union did not take place on Smith's terms. Smith envisaged the disappearance of the Anglican Ascendancy in Ireland, which in his time lorded it over the much more numerous Catholics in the south and Presbyterians in the north of Ireland. Instead, King George III's refusal to grant Catholic Emancipation left a sullen and resentful majority in Ireland, who never accepted the legitimacy of the Union (McLean and McMillan 2005, ch.3).

Smith's economics, therefore, anticipates two great economists of the 20th century: Joseph Schumpeter (1883-1950) and Mancur Olson (1932-98). What Smith observed in Scotland was, in later terminology, endogenous growth facilitated by the creative destruction (cf Schumpeter 1942, Chapter VII) of capitalism. The economic interests that had been protected up to 1707 lost their protection, and suffered thereby. But this was more than offset by the economic interests that prospered – and whose prosperity had not been anticipated in 1707. Smith gives the instance of the meat trade, which not only prospered but caused the value of formerly valueless land in highland and southern Scotland to rise (*WN* I.xi.b.8 and I.xi.m.13; note that the Dukes of Buccleuch are the largest landowners in southern Scotland).

But what enabled the creative destruction of capitalism in 18th-century Scotland to succeed? Precisely the weak state and the weak church under which Smith had grown up. The difference between Scotland after 1707 and Ireland after 1800 was that in the former (only) the old institutions of social domination were destroyed and traders could work their creative destruction without institutional hindrance. Smith saw institutions in exactly the light that Olson was to see them in his *Rise and Decline of Nations* (Olson 1982). Here is Smith on trade associations:

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the publick, or in some contrivance to raise prices. It is impossible indeed to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But although the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary. (*WN* I.x.c.27; p. 145).

And here is Olson:

There was extraordinary turmoil [in Britain] until a generation or two before the Industrial Revolution (and this probably played a role in opening British society to new talent and enterprise), but since then Britain has not suffered the institutional destruction, or the forcible replacement of cities, or the decimation of social classes, that its Continental counterparts have experienced. The same stability and immunity from invasion have made it easier for the firms and families that advanced in the Industrial Revolution and the nineteenth century to organize or collude to protect their interests. (Olson 1982, p. 84).

Accordingly, for Olson, Britain was the ideal type of what he called “institutional sclerosis”. Sclerotic democratic polities were those where free institutions had grown up for a long time in restraint of trade. In a democracy, the law cannot hinder people of the same trade from sometimes assembling together even for merriment and diversion, but the conversation often ends in a conspiracy against the public. This is equally true of associations of land, of labour, and of capital. But both Smith and Olson are most exercised by the pernicious effects of organisations of capital. (For more on Olson see McLean 2000).

Here, simultaneously, lies the source of Smith’s greatest originality, greatest egalitarianism, and greatest capacity to be misunderstood. He characterised *WN* as a “very violent attack ... upon the whole commercial system of Great Britain” (AS to Andreas Holt, 26.10.1780; *Corr.* # 208). The violence is concealed behind Smith’s elegant yet plain style. Sometimes you need to read a passage twice to see how violent it is; sometimes not.

To found a great empire for the sole purpose of raising up a people of customers, may at first sight appear a project fit only for a nation of shopkeepers. It is, however, a project altogether unfit for a nation of shopkeepers; but extremely fit for a nation that is governed by shopkeepers. (*WN* IV.vii.c.63; p. 613).¹⁹

The discipline of colleges and universities is in general contrived, not for the benefit of the students, but for the interest, or more properly speaking, for the ease of the masters. Its object is, in all cases, to maintain the authority of the master, and whether he neglects or performs his duty, to oblige the students in all cases to behave to him as if he performed it with the greatest diligence and ability. (*WN* V.i.f.15; p. 764).

And thus, place, that great object which divides the wives of aldermen, is the end of half the labours of human life; and is the cause of all the tumult and bustle, all the rapine and injustice, which avarice and ambition have introduced into this world (*TMS* I.iii.2.7; p. 57).

Smith’s most violent attacks are reserved for those who have secured power on behalf of a special interest. The most flagrant conspiracies against the public, as he sees it, are those committed by the chartered monopoly companies such as the East India Company, which excluded others from their business and could therefore reap monopoly profits. The mercantilist, protectionist ‘nation governed by shopkeepers’ that he attacked saw the United States as simply ‘a people of customers’, to be taxed at the whim of the East India Company. It was to protect that company’s monopoly of tea sales that the British government levied the taxes that led to the Boston Tea Party and spread to open revolt. Smith was not opposed to taxing the Americans, only to taxing them for the benefit of British special interests. In fact, in his policy advice to the British government, he firmly stated that the American colonists should be taxed to pay for the defence from the Native

¹⁹ In the second edition Smith deleted ‘nation that is governed by shopkeepers’ and substituted the slightly less offensive ‘nation whose government is influenced by shopkeepers’.

Americans and the French of which they were the sole beneficiaries. His most visionary scheme was for a peace with the United States, combined with ceding Canada and Florida - 'those splendid, but unprofitable acquisitions of the late [Seven Years, 1756-63] war' - back to France and Spain respectively. This would 'render our colonies the natural enemies of those two monarchies and consequently the natural allies of Great Britain' ('Smith's Thoughts on the State of the Contest with America', in *Corr.*, pp. 377-85, q. at pp. 382-3).

All of this illustrates that, for Smith, the enemy of freedom and prosperity was not government *per se*, but what we now label *rent-seeking* government (Tullock 1967; Krueger 1974). A rent-seeking society is one in which economic agents seek government policies that yield economic rents (i.e., monopoly incomes) to themselves. A rent-seeking government is a government that is captured by rent-seeking interests. Rent-seeking interests are inevitable, if you believe Smith and Olson. Rent-seeking government is not.

In Smith's hands, therefore, economics is a radically egalitarian discipline. Distinctions of status and power only obstruct liberty and economic growth. It was in this context, therefore, that Smith had to return to Mandeville, whose 'licentious system' he had acknowledged in *TMS* to have some elements of truth.

Mandeville had expounded what J. M. Keynes later labelled as the 'paradox of thrift'. In the first version of the *Fable*, a satirical poem called *The Grumbling Hive*, Mandeville wrote:

...Luxury
Employ'd a Million of the Poor,
And odious Pride a Million more
Envy it self, and Vanity
Were Ministers of Industry.

A society in which everyone saved thriftily would see less trade, and therefore, it seemed, less wealth, than one marked by conspicuous consumption, where the poor would have work thanks to the luxury, pride, vanity, and envy of the rich.

Mandeville clearly troubled Smith, as witness the amount of space he gets in *TMS*. The germ of the repudiation of Mandeville's economics is also in *TMS* but its full working out came only in the theory of capital formation in *WN*. In one of the three uses of his most notorious phrase, Smith writes in *TMS*:

The produce of the soil maintains at all times nearly that number of inhabitants which it is capable of maintaining. The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their own conveniency, though the sole end which they propose from the labours of all the thousands whom they employ, be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. They are led by an invisible hand to make

nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants. (*TMS* IV.i.10; pp. 184-5).

But this merely restates Mandeville's paradox; it does not solve it. When the invisible hand appears for the third time in Smith's writings, we are closer to a solution. In a section discussing the (actually ill-advised, according to Smith's economics) wish of a merchant who wants to support domestic rather than overseas industry, Smith writes that such a person

necessarily labours to render the annual revenue of the society as great as he can.... By preferring the support of domestick to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. (*WN* IV:ii.9; p. 456).

As Rothschild (2001, pp. 116-22) points out, all three of Smith's uses of the phrase are sarcastic. They poke fun respectively at religious superstition, the idle rich, and mercantilists. She further argues, and I agree with her, that the phrase is not the centrepiece of Smith's thought that many modern commentators have made it out to be. However, this third use of it, in *WN*, comes close to the core of Smith's microeconomic theory – which is also the complement to the ethical theory of *TMS*.

But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and shew them that it is for their own advantage to do for him what he requires of them.... 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. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. (*WN* I.ii.2; pp. 26-7).²⁰

In saying this, Smith has still not shaken off Mandeville, who also observed that “if you want or like a thing, the Owner of it, whatever Stock of Provision he may have of the same, or how greatly soever you may stand in need of it, will never part with it, but for a Consideration, which he likes better, than he does the thing you want” (Mandeville 1729/1924, vol. ii p. 349). Mandeville and Smith therefore both saw the first truth of welfare economics, viz., that voluntary exchange benefits both parties, and only takes place if both parties believe they are better off. I would rather have the butcher's meat than my money; he would rather have my money than his meat. In the transaction, we both gain.

²⁰ This belongs to an early version of the themes of *WN*. It exists in almost the same words in the ‘Early Draft’, and in both sets of the Glasgow lecture notes.

In *TMS*, Smith had insisted, against Hutcheson, that self-love was not immoral. It was largely amoral, although in so far as it was consistent with prudence it was mildly praiseworthy. *Prudence* was one of Adam Smith's favourite words, as it is one of Gordon Brown's favourite words. How then can Smith extricate himself from Mandeville's trap, and show that frugality leads to faster endogenous growth than luxury? He does so in Book II, chapter III of *WN*: 'Of the Accumulation of Capital, or of productive and unproductive Labour'. Here Smith points out that not only domestic servants, but also kings, soldiers, sailors, "churchmen, lawyers, physicians, men of letters of all kinds: players, buffoons, musicians, opera-singers, opera-dancers, &c" (*WN* II.iii.2: p. 331) are unproductive in the sense that they do not produce capital or intermediate goods.²¹ However, unlike the Physiocrats, who thought that only agricultural work was truly productive, Smith highlights capital formation by artisans: "But the labour of the manufacturer fixes and realizes itself in some particular subject or vendible commodity, which lasts for some time at least after that labour is past" (*ibid.*, p. 330). D.D. Raphael, acutest of Smith commentators, has pointed to a passage in *LJ (A)* where Smith praises the self-improving artisan:

One whose thoughts all center on one piece of work will be at pains to contrive how to do this in the cleverest and easiest manner. The inventions of the mill and the plow are so old that no history gives any account of them. But if we go into the work house of any manufacturer in the new works at Sheffield, Manchester, or Birmingham, or even some towns in Scotland, and enquire concerning the machines, they will tell you that such or such a one was invented by some common workman (*LJ (A)* vi.53-4; cf Raphael 1985, p. 47).

Smith delivered that lecture only yards away from the laboratory where James Watt, mathematical instrument maker to the University of Glasgow, was working for Smith's best friend Joseph Black. Black had asked Watt to repair a model Newcomen steam engine used in chemistry and physics teaching²². Watt discovered that the problems lay not with the model but with Newcomen's design. Black provided the theory behind Watt's design modification, in the theory of latent heat. Watt made his first great advance in designing the separate condenser, which creates a vacuum on one side of the piston at the same time as the steam creates pressure on the other side. Therefore a Watt engine has something like double the efficiency of a Newcomen engine. From that, in some simple accounts at least, arose the Industrial Revolution. It is nice to think that it may have happened in the next room to Smith's lecture.

Once Smith had a theory of capital formation, or if you will of endogenous growth, in place, he had restored harmony to his social and economic thought. Private vices were no longer public benefits if they crowded out capital formation. The frugal life that he, Epictetus, and Hume both preached and practised was after all justifiable on prudential grounds.

²¹ Typically of Smith's self-deprecating sarcasm, he includes himself with the kings, queens, churchmen, and buffoons as unproductive.

²² The model engine that Watt was asked to repair still exists. It is on display at the Hunterian Museum on the Glasgow University campus.

6. Das Adam Smith-Problem ist kein Problem

I hope that the preceding argument already makes it clear why I believe that the notorious “Adam Smith Problem” is exactly what his Glasgow editors have dismissed it as being: “a pseudo-problem based on ignorance and misunderstanding” (Raphael and Macfie 1976, p. 20). Nevertheless, Gordon Brown raised it once again in his Edinburgh speech (see above), and there are scholars who believe it is still a live issue (e.g., Dickey 1986; Haakonssen 2002, p. xxiv).

The problem, stated briefly, is that *TMS* appears to recommend and endorse sympathy, whereas *WN* appears to recommend and endorse selfishness. Therefore, it is argued, the two books are inconsistent. To understand why this ever even appeared to be a problem, we need to say something about the changing reputation of Smith and *WN* as the 18th century gave way to the 19th.

Smith lived through the American Revolution and died in the first year of the French. As noted above, he approved of some acts of the American rebels (e.g., their rejection of the taxes imposed by the shopkeeper government of Great Britain for the sole benefit of a monopoly trading company). He did not comment directly on others, which nevertheless flowed logically from the political thought of the Scottish Enlightenment. The Constitution, ratified just before Smith’s death, and the Bill of Rights, ratified just after, derive unmistakably from the classrooms of Edinburgh, Glasgow, and Aberdeen, though not specifically from Smith’s own thought – with the interesting exception that James Madison’s arguments for political pluralism began life as arguments for religious pluralism, and they are unmistakably Smith’s arguments.²³ Other aspects again Smith clearly disliked. As an adviser to the British government in 1767 and again in 1778, Smith thought that the Americans were taking a free ride on the defence of their western frontier, which the British were funding to the benefit of the Americans.

As to the French Revolution, there are few clues. The only surviving letter either to or from Smith in the last two years of his life to discuss France is one from P.-S Dupont de Nemours, a friend of Turgot, Condorcet, and Jefferson. Dupont sends Smith a copy of his pamphlet on the recent Anglo-French commercial treaty. He speaks of the “storms to which you see our kingdom is prey”, but continues that they “are not as harmful as they appear.... We are progressing rapidly towards a good constitution.... You have very much hastened this useful revolution, [and] the French *Economists* have not harmed it” (*Corr.* #277, 19.06.1788; my translation). No reply from Smith has survived. Smith was

²³ An interesting pointer here is Thomas Jefferson’s library. The most learned of the American Founding Fathers sold his library to the US Congress in 1815, so that it became the nucleus of the Library of Congress. Jefferson compiled a catalogue of his library, which was lost – and some of the books were destroyed in a fire in 1851. The catalogue was rediscovered only in 1989. It shows that Jefferson owned most of the key books of the Scottish Enlightenment, including the works of Hutcheson, Ferguson, and Lord Kames. He owned a copy of *WN*, together with one of the *Fable of the Bees* and Hume’s *Essays*. But glaring omissions to a modern reader of the catalogue include *TMS* and Hume’s *Treatise and Enquiries*. Gilreath and Wilson 1989.

working very hard and by his own admission very slowly on the revisions for the 6th edition of *TMS*. Some of these revisions appear to relate to the French Revolution. One is an explicit criticism of the dissenting minister and mathematician Richard Price, who had preached a sermon “On the Love of Country” welcoming the Revolution. These new passages contain a well-known but rather strange denunciation of “the man of system ... so enamoured with the supposed beauty of his own ideal plan of government, that he cannot suffer the smallest deviation from any part of it” (*TMS* VI.ii.2.17; pp. 233-4). It is rather strange because Smith himself was nothing if not a man of system, both in his writings and in his personal habits. But he never set out an ideal plan of *government* except on matters of taxation and public expenditure, where he had been very systematic indeed. Cautious as ever, Smith refused to allow the new edition to be published in Edinburgh, but only in London – perhaps because he feared attacks by Calvinist ministers (Ross 1995, p. 395).

These slight clues lead Smith scholars to conclude that Smith was rather alarmed by the French Revolution – as well he might be, since it involved violence from the outset. Not, of course, violence on the genocidal scale of the Terror of 1793-4, but brutal violence none the less: the Terror was “merely 1789 with a higher body count”, in Simon Schama’s (1989, p. 447) caustic summary. On the other hand Smith was no friend of the *ancien regime*. All his French friends were reformers, and Smith is highly critical of French taxation policy and the forced labour of the *corvée* at several places in *WN*.

But Smith was wise to be cautious. The immediate reaction to his death was cool except among his close friends and, perhaps dangerously, in France (Ross 1995, pp. 408-9; Rothschild 2001, p. 53). By 1792, Britain was at war with Revolutionary France. By the following year, Revolutionary France seemed to be an appalling monster, where terror was the order of the day at home and military conquest abroad. If reaction in Britain seems extreme, it might be helpful to imagine the reaction in modern Britain or the USA if, say, a murderous fundamentalist regime with nuclear weapons came to power in Iran or North Korea. It was in the year of terror 1793 that Smith’s friend Dugald Stewart wrote the first biography of Smith. Stewart himself explained in later editions of this memoir that in 1793 “the doctrine of a Free Trade was itself represented as of a revolutionary tendency” (in *EPS* p. 339). This understated the case. The Scottish legal authorities prosecuted various pro-French intellectuals for sedition. The evidence against Thomas Muir of Huntershill, according to the prosecution, was that “He said, that their taxes would be less if they were more equally represented”. This earned Muir 14 years’ transportation. The Scottish judge Lord Craig attacked Stewart directly, forcing him to formally recant his views: “I shall ever regret that I dishonoured some of my pages by mentioning with respect the name of Condorcet” (both q. Rothschild 2001, p. 56).

Therefore Stewart was at pains to stress Smith’s respectability – and drew the attention of the persecuting Lord Craig to the memoir as evidence of both his own and Smith’s innocence of sedition. He played down the radical and played up the conservative parts of Smith’s thought. Smith’s work

aimed at the improvement of society – not by delineating plans of new constitutions, but by enlightening the policy of actual legislators. Such speculations ... have no tendency to unhinge established institutions, or to inflame the passions of the multitude.

Stewart went on to quote from the additions to the 6th edition of *TMS* just mentioned – a fact that tends to strengthen the hypothesis that they were added to distance Smith from the French Revolutionary “system”. Unlike the man of system, “The man whose public spirit is prompted altogether by humanity and benevolence, will respect the established powers and privileges ... of the great orders and societies into which the state is divided”, quoted Stewart from the new passage in *TMS*. Stewart goes on to complain that Smith’s chapter on taxation in *WN* is ‘more loose and unsatisfactory’ than the rest (Stewart *Account* in *EPS*, quoted at pp. 311, 318, 323. Stewart’s quotation from *TMS* 6th ed. is from VI.ii.2.16, p. 233).

Up to a point, Professor Stewart. Emma Rothschild has pointed out (2001, p. 58) that this section of Stewart’s *Account* follows the legal form of a defence counsel’s speech in a sedition trial. Stewart’s judgment of the chapter on taxation is a matter of opinion (though it is a startling opinion); as to the rest, he tells the truth, but not the whole truth. Yes, Smith was a quietist, always worried that Hume was going too far, always willing to enlighten the policy of actual legislators, always cautious about what he said in public. But we know that he was much less cautious in private (‘Whining Christians’). And of course his advice is for anybody, not merely actual legislators but also those who wish to become legislators in their place.

At the same time, the enthusiastic support of Prime Minister Pitt the Younger for Smith bolstered his respectability. This mantle of respectability spread from Smith’s views on taxation and public expenditure (almost certainly the part of his work that Pitt honoured most highly) to all of them, and at the same time coloured them with Pitt’s opposition to revolutionary France.

Thus, it was Smith the anti-revolutionary promoter of capitalism that most 19th-century readers thought they were reading. These readers included the pioneer socialists. There is much to be said about Karl Marx’s reading of Smith (cf McLean 2006). But it was not Marx but a rival faction of socialists who first raised the ‘Adam Smith Problem’. According to Oncken (1897, p. 444), it was Bruno Hildebrand, an ethical (i.e., idealist) socialist, who first complained that the altruism of *TMS* gave way to a selfish spirit in *WN*. As the most extreme proponent of the Adam Smith Problem put it:

Smith was an Idealist, as long as he lived in England [sic] under the influence of Hutcheson and Hume. After living in France for three years and coming into close touch with the Materialism that prevailed there, he returned to England [sic] a Materialist. This is the simple explanation of the contrast between [*TMS* and *WN*] (W. Skarzynski, 1878, quoted by Oncken 1897, p. 445)

If ever a beautiful hypothesis was destroyed by an inconvenient fact, it is Skarzynski's. As early as 1897, Oncken could point out that the discovery of *LJ (B)* instantly destroyed the hypothesis that Smith changed his mind about selfishness when he visited France. *LJ (B)* shows that Smith had worked out the essential arguments of *WN* before he left Glasgow. To me the survival of the 'Adam Smith Problem' is truly a miracle – as miraculous as Hume described the belief in miracles as being. Frequent cross-references between the original *TMS*, *WN*, and the 1790 revisions to *TMS* would (should) have shown that they are part of a consistent body of thought even if the linking evidence, first in *LJ (B)* and then in *LJ (A)* had not turned up.

The basic mistake made by those who believe that there is an Adam Smith problem is to assume that both books are directly normative: that *TMS* 'recommends' sympathy, and that *WN* 'recommends' selfishness. This is nonsense. Both books are analytic, albeit with normative implications. As a piece of analytical sociology, *TMS* asks 'What is a moral sentiment?' – what is it that makes us recognise something as a *moral* rather than any other kind of sentiment? Smith implies, or states, that better education, more frugality, and (in *WN*, not *TMS*) religious pluralism, would make people more moral. But it is not the task of the philosopher to make people moral, or mutually sympathetic, either in the ordinary use of that word or in Smith's use of it as a technical term.

WN is likewise an analytic inquiry. As its full title states, it asks what *causes* the wealth of nations. Smith answers: allowing the division of labour to generate endogenous growth, assisted by good institutions. The good institutions should include a good legal framework, efficient national defence, public works and the provision of public goods – or *Justice, Revenue, and Arms* in Smith's own more elegant headings. Again, and in absolute harmony with *TMS*, Smith shows his taste for frugal egalitarianism. Frugality promotes capital growth, and therefore increases the wealth of nations (*contra* Mandeville). The 'prudent man' of *WN* is indeed the 'frugal man' of *TMS*. However, frugal egalitarianism is Adam Smith's *taste*, not his policy recommendation, nor indeed his moral recommendation. Frugality is a virtue, but it is a subsidiary virtue to sympathy and benevolence. Smith's policy recommendations attack institutions that destroy wealth, or liberty, or both, and promote institutions which do the opposite. Among the institutions that destroy wealth or liberty are rent-seeking bodies such as trade associations, chartered companies, and magistrates and governments in so far as they are captured by those rent-seeking interests. And he wishes to see, in that tired old image, a level playing field among Rent, Wages, and Profit: as we would say, among the three main factors of production, namely land, labour, and capital. He thinks that Rent is taxed too lightly, while Wages are taxed, and regulated, too heavily. And for him, the explanation is straightforward. Those who live by Rent and Profit are in a position to make laws; those who live by Wages are not. You won't read that in Dugald Stewart, but you can read it very easily in many passages of *WN*. "Whenever the legislature attempts to regulate the differences between masters and their workmen, its counsellors are always the masters" (*WN* I.x.c.61; p. 157). That remained true of the British House of Commons until 1906 – or perhaps until 1945. Therefore, the answers to Gordon Brown's four questions are:

Is Smith, the author of the invisible hand, also the Smith of the helping hand? YES.

Would the Adam Smith who has been the inspiration behind the right of centre Adam Smith Institute more likely to feel at home with the left of centre John Smith Institute? YES.

Or is the Smith of “The Theory of Moral Sentiments” the Jekyll to “The Wealth of Nations” Hyde? NO.

Is it possible two centuries and more on from his famous work “The Wealth of Nations” to find a way of reconciling his apparently contrasting views: that social behaviour is influenced by sympathy and that economic behaviour is motivated by self interest ?. YES. THEY ARE NOT “CONTRASTING VIEWS” BUT TRUE STATEMENTS BOTH.

7. Gordon Brown and Adam Smith

Gordon Brown’s four questions were rhetorical. It is not hard to guess what answers he wished to hear. In my view, the only one where even a respectable argument can be made against the answer Brown expected to hear, which are the answers I give, is Question 2: *Would Adam Smith feel more at home in the (John) Smith Institute than in the Adam Smith Institute?*

My first more nuanced answer is *Yes – because once a Presbyterian, always a Presbyterian, even if you reject the doctrines of the Church of Scotland.* I said at the end of the last section that Smith’s tastes for frugality and egalitarianism are just that – tastes. They are not moral imperatives. But it is uncanny how similar are Gordon Brown’s tastes. Both of the eminent sons of Kirkcaldy are puritanical about ostentation in clothes or tastes. ‘Prudence’ is the favourite word of both. Smith tells a story about the obstinate Protestant general and finance minister to King Henri IV of France, the duc de Sully, being hastily summoned to meet the new king Louis XIII. ‘He observed the favourites and courtiers whispering to one another, and smiling at his unfashionable appearance. “Whenever your majesty’s father,” said the old warrior and statesman, “did me the honour to consult me, he ordered the buffoons of the court to retire into the antechamber” (TMS I.iii.3.6; p. 64). I doubt whether Gordon Brown would go so far as to talk about ‘buffoons of the court’; but his appearance every year at the Lord Mayor’s Dinner, blue business suit and red tie surrounded by the dress suits, white ties and tails of the City’s finest, does remind me of Adam Smith’s anecdote. As does another of Robert Burns’ poems:

What though on hamely fare we dine,
Wear hoddin grey, an' a that;
Gie fools their silks, and knaves their wine;
A Man's a Man for a' that:
For a' that, and a' that,
Their tinsel show, an' a' that;

The honest man, tho' e'er sae poor,
Is king o' men for a' that.

Ye see yon birkie, ca'd a lord,
Wha struts, an' stares, an' a' that;
Tho' hundreds worship at his word,
He's but a coof for a' that:
For a' that, an' a' that,
His ribband, star, an' a' that:
The man o' independent mind
He looks an' laughs at a' that.

(Robert Burns, *A Man's A Man For A' That*, 1795)

John Smith (1938-94), the leader of the Labour Party after whom the Smith Institute is named, was more of a *bon viveur* than Adam Smith. Adam's favourite luxury was sugar lumps stolen from the dining table; John's was whisky. But where John Smith faithfully echoed his namesake was in his attitude to the Scottish village school. In Ardrishaig, Argyll, where he grew up, 'there was no class-consciousness or divisions and there was a sense of unity about the place', he told Sue Lawley in 1991, as recalled in a memorial book coedited by Gordon Brown. John Smith called Dunoon Grammar School, where he boarded for three years, 'a useful reminder that many state schools in Scotland have a prouder history than some more pretentious establishments in the so-called private sector' – an unmistakable dig at Fettes College, Edinburgh, the alma mater of his Shadow Cabinet colleague Tony Blair. 'I want to turn the whole of education in the world into the type of education I got' (Brown and Naughtie 1994, at pp. 151, 121, 65 in that order). Smith's view of Scottish education was highly romanticised but emotionally powerful – for him as for many Scots.

Adam Smith probably loved the Church of Scotland less than either John Smith (who was an elder of Cluny Church, Edinburgh) or Gordon Brown (whose father was minister of Kirkcaldy parish church). But I think all three shared a delight in its institutional effects on Scottish life.

My second more nuanced answer is that Adam Smith displays sympathy for working men and no particular sympathy for their employers. As noted above, he praises the machines of the Industrial Revolution "invented by some common workman". He regards the merriment and diversion of local merchants with the same beady eye as the monopolistic conspiracies of the East India Company; and regards the influence of each on government as pernicious. Many people are vaguely familiar with the "nation of shopkeepers" passage I quoted above; but it really does repay reading three or four times so as to see just how venomous it is, especially in its original version.

When the Commons held a debate on a proposal to set a statutory minimum wage in 1795, both sides quoted Adam Smith in their support. Samuel Whitbread pointed out that Smith had written in favour of regulation tilted towards the workman, and more generally on behalf of high wages. Against him, Prime Minister Pitt called Smith in aid of his

argument for removing restrictions on the free movement of the unemployed. They were both admirers, but Rothschild (2001, p. 63) concludes that ‘Whitbread’s Smith is in many respects closer to the “real” Smith, or the Smith of the real *Wealth of Nations*’. Samuel Whitbread did not get his statutory minimum wage in 1795; it arrived only with the Labour government of Tony Blair and Gordon Brown in the National Minimum Wage Act 1998.

In his Edinburgh and Kirkcaldy speeches, therefore, Brown expressed his frustration at the ‘capture’ of Adam Smith by the right. Many politicians, scholars and lobbyists of the political right have claimed Adam Smith: for instance, in the UK, Margaret Thatcher²⁴ and the Adam Smith Institute; in central Europe, Vaclav Klaus, the Prime Minister, and later President, of the Czech Republic whose enthusiasm for an Adam Smith filtered through the lenses of Friedrich Hayek and the Mont Pelerin Society is well known.²⁵ In the USA, the most eminent historian of economic thought misrepresented Smith. Schumpeter (1954, pp. 182-94) revived an ancient controversy (cf, e.g., Kennedy 2005, pp. 241-8) when he attacked Smith as unoriginal. The strongest evidence for the capture of Adam Smith by the American right is the lavish support he gets from the Liberty Fund of Indianapolis – to which all scholars are in debt. As in earlier generations the official Soviet media and their overseas publishers subsidised remarkably cheap editions of Marx and Engels to spread the word, so does the Liberty Fund subsidise the magnificent Glasgow edition of the works of Adam Smith. The Liberty Fund, as its own statements and the other publications it sponsors make clear, is a staunchly conservative-libertarian think tank.

Gordon Brown’s Adam Smith is a very different thinker to Margaret Thatcher’s or Vaclav Klaus’s. In 2003 Brown published a closely-argued article about the roles of the state and the market. Originally given as a speech to the Social Market Foundation, it was later published in an academic journal (Brown 2003). It is not the most quoted of Brown’s speeches since becoming UK Chancellor, but it ought to be. It repays close reading because it may not be until the second or third read-through that the reader will understand that Brown’s views are a pure distillation from Adam Smith’s views on ‘police’ and ‘revenue’.

According to Brown,

in almost every area of current controversy ... the question is, at root, what are the best relationships between individuals, markets and government to advance the public interest.... Take industrial policy. The essential question is whether ... the state should replace market forces where they fail (the old Labour policy); whether the state should refuse to intervene at all even in the face of market failure (the old Tory

²⁴ ‘The Scots invented Thatcherism, long before I was thought of’ – Margaret Thatcher, 1988, quoted by Young 1990, p. 528. Young thinks she may have been referring to Hume as well as to Smith, but I find this wildly implausible. I cannot think of any other Scot than Smith that she may have had in mind – except perhaps Samuel Smiles (1812-1904), the apostle of Self Help from Haddington.

²⁵ For Hayek’s Adam Smith see Gamble 1996, pp. 25-32. For the Mont Pelerin Society see Hartwell 1995.

laissez-faire); whether we should second-guess the market through a corporatist policy of supporting national champions (a policy I also reject); or whether, as I would propose, the best industrial policy for success in a global economy is to help markets work better..... [E]ven when there is public sector provision, there can be contestability..... [T]o have faith in markets cannot justify our sidestepping fundamental moral questions. (Brown 2003, pp. 266-7).

Brown went on to discuss ‘Enhancing markets in the public interest’ [i.e., the parts of *LJ* that were never published]; ‘the pursuit of equity’; and ‘the limits of markets’ [i.e., *TMS*] before moving away from these Smithian themes. Of course, I can be accused of selective quotation, but I hope I have shown that Brown’s ideas are suffused with Adam Smith’s. The opening section of Brown’s lecture is a précis of the ‘Revenue’ section of Book V of *WN*. True, Smith does not use the word ‘contestability’²⁶, but he certainly uses the concept, especially in his discussions of universities, canals, and highways.

What are the main arguments associated with Adam Smith’s Gordon Brown (equivalently, with Gordon Brown’s Adam Smith)? I would argue that six main arguments are common to the two Kirkcaldy economists:

- *An attack on rent-seeking*: in Smith, the merriment and diversion of people of the same trade meeting together; in Brown, mistaking producer interests for the public interest.
- *An attack on (not a defence of) selfishness as the sole motive of life*: in Smith, once the Adam Smith Problem is dismissed as a red herring, it is clear that selfishness is in not way the sole motive of life – not even in the discussions in *WN*; in Brown, discussions of the moral limits of markets.
- *Understanding market failure*: Smith was no doubt influenced by Hume who first defined what we now call ‘public goods’ and ‘market failure’ in 1738; but Smith elaborates Hume’s ideas in Book V of *WN*. Brown places understanding market failure at the heart of his discussion.
- *The state has a role to correct market failure...* in Smith, by providing Defence, Publick works, and Publick institutions such as education. The same list appears in all modern discussion of public goods, including Brown’s.
- *...but not necessarily to provide public goods itself*. This is the most distinctive common theme. Smith, one of the first people to understand what a public good is, nevertheless held back from saying that the state should always provide them. He had the example of Louis XIV’s France to hand to tell him why that was a bad thing. Likewise, Brown has the example of the earlier history of the Labour Party to hand.

²⁶ A market is *contestable* if an entrant has access to all production techniques available to the incumbents, is not prohibited from wooing the incumbent’s customers, and entry decisions can be reversed without cost. This definition comes from W.J. Baumol, who first defined the concept. *Contestability* has not yet (July 2005) entered the *Oxford English Dictionary*, but has entered a briefing note from one of the UK’s examination boards for advanced school students of economics. See <http://www.edexcel.org.uk/VirtualContent/70279.pdf>.

- *The principles of optimal taxation.* Smith's canons of taxation are the starting-point of all modern discussion. Brown announced that he had them at his side while preparing the 2002 Budget. Even the most sympathetic observer must doubt whether all of the UK taxes over which Brown presides satisfy all of Smith's canons. Notably, TV licensing; National Insurance contributions; and council tax violate canon I. Section 106 planning agreements are an example of a disguised tax which violates canon II. Council Tax again violates canon II; and any tax with high enforcement costs, such as (again) TV licenses, violate canon IV. (I pursue these arguments in McLean 2005). But being aware of the canons is at least a good start to tax reform.

In conclusion, then, it would be going too far to claim that Gordon Brown's Adam Smith is 'the only' Adam Smith. For sure, there are some parts of Smith's arguments, especially in *WN*, to which the modern Right can legitimately lay claim. But, taking Smith's work as a whole, I think he can only be classed as an egalitarian and left-wing philosopher.

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Appendix

To a Louse: on seeing one on a lady's bonnet at church by Robert Burns (1786)

Ha! whaur ye gaun, ye crowlin ferlie?
Your impudence protects you sairly;
I canna say but ye strunt rarely,
Owre gauze and lace;
Tho', faith! I fear ye dine but sparely
On sic a place.

Ye ugly, creepin, blastit wonner,
Detested, shunn'd by saunt an' sinner,
How daur ye set your fit upon her-
Sae fine a lady?
Gae somewhere else and seek your dinner
On some poor body.

Swith! in some beggar's haffet squattle;
There ye may creep, and sprawl, and sprattle,
Wi' ither kindred, jumping cattle,
In shoals and nations;
Whaur horn nor bane ne'er daur unsettle
Your thick plantations.

Now haud you there, ye're out o' sight,
Below the fatt'rels, snug and tight;
Na, faith ye yet! ye'll no be right,
Till ye've got on it-
The verra tapmost, tow'rin height
O' Miss' bonnet.

My sooth! right bauld ye set your nose out,
As plump an' grey as ony groset:
O for some rank, mercurial rozet,
Or fell, red smeddum,
I'd gie you sic a hearty dose o't,
Wad dress your droddum.

I wad na been surpris'd to spy
You on an auld wife's flainen toy;
Or aiblins some bit dubbie boy,
On's wyliecoat;
But Miss' fine Lunardi! fye!
How daur ye do't?

O Jeany, dinna toss your head,
An' set your beauties a' abroad!
Ye little ken what cursed speed

The blastie's makin:
Thae winks an' finger-ends, I dread,
Are notice takin.

O wad some Power the giftie gie us
To see oursels as ithers see us!
It wad frae mony a blunder free us,
An' foolish notion:
What airs in dress an' gait wad lea'e us,
An' ev'n devotion!