5

Opulence and Policy

the progress of ***opulence***
the system of natural ***liberty***
policy *and* ***theory***

> You have formed into a regular and consistent system one of the most intricate and important parts of political science, and if the English be capable of extending their ideas beyond the narrow and illiberal arrangements introduced by the mercantile supporters of Revolution principles, and countenanced by Locke and some of their favourite writers, I should think your Book will occasion a total change in several important articles both in police and finance.
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> *William Robertson*, 1776 (*Corr*: 192)

In the introduction to his collected *Papers Relating to Adam Smith*, Andrew Skinner has elegantly summarized the relation between the various major parts of Smith's intellectual project as a whole, taking his bearings from an important 1790 statement of Smith himself – in a prefatory note to the sixth edition of *TMS*, which appeared shortly before his death. Smith writes:

> In the last paragraph of the first Edition of the present work, I said, that I should in another discourse endeavour to give an account of the general principles of law and government, and of the different revolutions which they had undergone in the different ages and periods of society; not only in what concerns justice, but in what concerns police, revenue, and arms, and whatever else is the object of law. In the *Enquiry concerning the Nature and Causes of the Wealth of Nations*, I have partly executed this promise; at least so far as concerns police, revenue, and arms. What remains, the theory of jurisprudence, which I have long projected, I have hitherto been hindered from executing, by the same occupations which had till now prevented me from revising the present work.[1] Though my very advanced age leaves me, I acknowledge, very little expectation of ever being able to execute this great work to my own satisfaction; yet, as I have not altogether abandoned the design, and as I wish still to continue under the obligation of doing what I can, I have allowed the paragraph to remain as it was

> published more than thirty years ago, when I entertained no doubt of being able to execute every thing which it announced. (*TMS*: 3)

Skinner (1996: 2–3) comments:

> … the ethics, jurisprudence, and economics were … seen by Smith as the parts, separate but interconnected, of an even wider system of social science … . In fact, the theory of jurisprudence was never completed, although generous traces of the historical perspective to which Smith referred appear in books III and V of the *Wealth of Nations*, and in the two sets of lectures on jurisprudence which have so far been discovered.
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> The links between the parts of this great plan are many and various. The *TMS*, for example, may be regarded as an exercise in social philosophy, which was designed in part to show the way in which so self-regarding a creature as man erects (by natural as distinct from artificial means) barriers against his own passions, thus explaining the observed fact that he is always found in 'troops and companies'. The argument places a good deal of emphasis on the importance of general rules of behaviour which are related to experience and which may thus vary in respect of content.
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> The historical analysis, with its four socio-economic stages, complements this argument by formally considering the origin of government and by explaining to some extent the forces that cause variations in accepted standards of behaviour over time. Both are related in turn to Smith's treatment of political economy. The historical argument explains the origins and nature of the particular type of socio-economic structure with which the economic analysis of the *Wealth of Nations* is concerned, while *The Theory of Moral Sentiments* provides an account of the psychological assumptions upon which both analyses depend.

Skinner is importantly right to speak of '*separate* but interconnected' – though the latter term's suggestiveness of mutual dependence is perhaps not so felicitous. Smith does not so much propose a unified and comprehensive social science made up of inseparable parts, as we have sought to stress at a number of points in the preceding argument. At least with regard to political economy, the dependence is largely unidirectional (as the last sentence of Skinner quoted above indeed indicates), though not quite completely so: the morals and manners which are congenial to commercial society to some extent may be inculcated by commercial society and material development (*vide* n. **17** below). When Smith speaks of political economy as '*a branch* of the science of a statesman', one should take the word 'branch' seriously; though one should also take seriously that at the same time, he speaks of '*the*' science (*WN*: 428; emphasis added; quoted more fully at the opening of sec. 2.1 above; *cf.* 678–9, quoted also at the opening of sec. 2.1). To that extent, there is implied both a separable science of political economy (but not thereby autonomous), and a wider, singular or unified policy science. This raises two intriguing questions. What are the other branches of this policy science? What is the relation of history and of historiography to political economy in Smith's understanding? (By 'history' we mean the set of actual, concrete and particular, past events; by 'historiography', the study, writing and interpretation or theorizing of history.) Perhaps the most important and substantial connection between history and economic analysis in *WN* is in relation to 'opulence', which is considered in historical terms in book III, though there are as well many other historical commentaries and illustrations in the book. Opulence also provides the normative purpose of political economy. As the ultimate purpose of this policy science, opulence is examined in the first section below. Smith's

conception of ‘policy’ and ‘police’ is taken up in the following section. The benchmark or ideal type for evaluating policy, policy regimes, and the economic significance of political arrangements in general, is his notion of the ‘system of liberty’, which is also considered in the second section. The penultimate section contemplates the relation between the ideal and policy further, and thereby also the question of the relation between theory and policy – and connected with this, the question of the significance of history and historiography for Smith’s political economy. The concluding section contemplates the self-conscious limits of Smith’s political economy as a theoretical science – and the limitations of his political economy in its normative aspect.

5.1 the progress of opulence

In fact, no formal definition of ‘opulence’ is really provided in *WN*, notwithstanding that the term appears in the title of book III and that of book III, chapter I (*WN*: 5, 376). Rather, various aspects or dimensions of it are described. The closest to a statement of the defining characteristic occurs at *WN*: 209–10, where ‘real opulence’ is illustrated by the ‘very rich’ societies of Holland and Genoa, ‘opulence and prosperity’ being coupled together, and contrasted with ‘poverty and distress’. It is division of labour which brings about the rising output per worker which, at least in ‘well-governed’ societies, effects a ‘*universal* opulence which extends itself to the lowest ranks of the people’, so that ‘a general plenty diffuses itself through all the different ranks of the society’ (*WN*: 22; emphasis added; also 25, which speaks of ‘general opulence’, 35). The causal connection between opulence and division of labour is also explicit in *edWN* (564–6, 570, 572, 577), and extensively treated in *LJ* (*LJA*: 342–3, 349–50, 355–6, 390–92; *LJB*: 489–92, 494). In short, opulence is high consumption – and universal or general opulence is the extension of high consumption to all of society in general. Hence, consumption per worker is ‘more liberal in a society advancing to opulence than in one that is standing still’ (*WN*: 53; *cf.* 88). The title of chapter 2 of *edWN* strikingly parallels the title of *WN*: ‘Of the nature and causes of *public* opulence’ (562; emphasis added); wealth understood as consumable output, and opulence, are (almost) one and the same thing. It is in *edWN* that perhaps the most vigorous enunciation of general opulence as the standard for judging economic development is to be found:

> in an opulent and commercial society labour becomes dear and work cheap … . The high price of labour is to be considered not meerly as a proof of the general opulence of society which can afford to pay well all those whom it employs; it is to be regarded as what constitutes *the very essence* of public opulence, or as *the very thing in which public opulence properly consists*. That state is properly opulent in which opulence is easily come at, or in which a little labour, properly and judiciously employed, is capable of procuring any man a great abundance of all the necessaries and conveniencies of life. Nothing else, it is evident, can render it general, or diffuse it universally through all the members of the society. National opulence is the opulence of the whole people, which nothing but the great reward of labour, and consequently the great facility of acquiring, can give occasion to. (*edWN*: 567; emphasis added; also 575)[2]

While productivity growth from division of labour *enables* public or universal opulence, it is all the conditions for high output and labour productivity growth – and for

its realization in generalized high consumption – which are necessary to ensure it. The 'uniform, constant, and uninterrupted effort of every man to better his condition' is 'the principle from which publick and national, as well as private opulence is originally derived' – because from that principle comes the accumulation of capital (*WN*: 343). The 'natural progress … towards wealth and improvement' results from 'capital … accumulated by the private frugality and good conduct of individuals, by their universal, continual, and uninterrupted effort to better their own condition. It is this effort … which has maintained the progress … towards opulence …' (*WN*: 345; also 334, 346, 349).[3] Recalling the causal connection between division of labour and extent of the market (sec. 4.1 above), it is not surprising that Smith also comments: 'In opulent countries the market is generally so extensive, that any one trade is sufficient to employ the whole labour and stock of those who occupy it' (*WN*: 134). And just as the scope for productivity gains from division of labour are greater in manufacture than agriculture (again, sec. 4.1 above), so also '[t]he most opulent nations … generally excel all their neighbours in agriculture as well as in manufactures; but they are commonly more distinguished by their superiority in the latter than in the former' (*WN*: 16; also 17; *LJA*: 342–3; *LJB*: 490–91; *edWN*: 566). There are also two notable political aspects of opulence commented upon in *WN*. Smith observes that there is less direct subordination of people to the rich in 'opulent and civilized' societies, compared with earlier stages of society (excepting the very earliest), though 'authority of fortune' remains 'very great': '[t]hat it is much greater than that, either of age, or of personal qualities, has been the constant complaint of every period of society which admitted of any considerable inequality of fortune' (*WN*: 712). Second, in any conflict between the requirements of national defence and the pursuit of opulence, the former should prevail: legislation protecting the naval capacity of Great Britain is 'the wisest of all the commercial regulations of England', even though 'not favourable to … the growth of … opulence' (*WN*: 463–5; *cf.* 518). The scope Smith perceives for such conflict should not however be exaggerated: elsewhere he argues for the superior military capacity of opulent nations over poor and barbarous ones (*WN*: 706–08; *cf. LJA*: 238–40; *LJB*: 412–15).

The requirements for high output and productivity growth (to be realized in high consumption), which is synonymous with opulence, are not only the direct economic factors, examined in chapter 4 above (esp. sec. 4.3). They include also, in particular, secure property rights – security in the broadest sense, from within and without the polity. In the context of linking opulence to capital accumulation, Smith emphasizes that even under less than good government, net capital accumulation goes on, 'in all tolerably quiet and peaceable times' (*WN*: 343). The quotation from *WN*: 345, in the previous paragraph above, pursues the same line of argument; more fully: '[i]t is this effort, *protected by law and allowed by liberty*, … which has maintained … progress' (emphasis added). While secure property rights are largely taken for granted in *WN* – another aspect of the given (but not necessarily irreducible) parameters within which Smith's separable political economy proceeds – the largest part of *LJ* is devoted to analysis of those rights, and the history of those rights in particular. The first of the four purposes of government contemplated under jurisprudence is:

> to maintain justice; to prevent the members of a society from incroaching on one anothers property, or siezing [*sic*] what is not their own. The design here is to give each one the secure and peacable [*sic*] possession of his own property. (*LJA*: 5)

Second to this priority of 'internall peace', is 'promoting the opulence of the state' – and third and fourth, government revenue-raising and external security: even if internal security is in place, 'if there be no security from injuries from without the property of individualls can not be secure' (*LJA*: 5–6; also *LJB*: 398) In the only reference to opulence in *EPS* (51), Smith connects the emergence of philosophy in ancient Greece to the presence of '[l]aw and order', 'security and leisure', external security and opulence. In the only references to the term in *LRB* (137–8), he makes opulence a prerequisite to the historical development of the fine arts, explicitly associating the concept with 'ease and Security'. Stewart (1811: 322) quotes from a 1755 manuscript by Smith, then in Stewart's possession:

> Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things.[4]

Smith regards the history of human economic or material development as susceptible of systematic theoretical interpretation, in terms of the 'progress' of opulence (*WN*, book III).[5] In fact, what is emphasized is the *slow* progress of opulence in human history. Since opulence is one and the same thing as growth of output and of labour productivity, realized in high consumption, the impediments to opulence are as one with the impediments to such growth and its consumption realization. Putting aside the problem of original accumulation, first and foremost this is about the historic insecurity or inappropriate structure of property rights, which, along with other political factors, undermines accumulation (*LJB*: 522–5, 528). With regard to other political impediments, in *WN* it is about national policies which have inverted the natural order of material progress, with the economic advancement of cities and towns leading the development process – rather than agricultural development leading, which would be the natural course.[6] Indeed, Smith regards the two systems of political economy he systematically criticizes in *WN*, book IV – understood here especially as two systems of *policy* (or as policy regimes) – as expressions of particular historical experiences of economic development ('[t]he different progress of opulence in different ages and nations' – *WN*: 428). But even if natural and political conditions favour accumulation and division of labour, what is to guarantee that high growth and high or rising output per worker is realized in generalized high(er) consumption?

No policy is offered to ensure that result; it is rather conceived of as the natural outcome of a competitive economy exhibiting rapid accumulation and growth, and hence also exhibiting strong growth of labour demand and therefore liberal wages (*vide* secs. 3.4 and 4.3 above, and the quotation from *WN*: 99 in n. **5** above). Or, one may perhaps better say that commercial society – with the rule of law enforcing property rights, free competition and so on – *is* the policy for bringing about general opulence; though nothing in this formula guarantees high accumulation, other than human nature (*vide* sec. 4.3 above, concerning saving behaviour and the desire for material betterment). To the extent that high accumulation does occur, in a framework of competition – and so, on the basis of Smith's understanding, therefore also greater division of labour, high real wages and low profit rates – then general opulence is a kind of unintended consequence of the propensity to accumulate (and for producers to innovate), arising out of individuals'

desire for material self-betterment, an 'invisible-hand'-like mechanism (see n. **12** below). Hence 'bad police' is policy which impedes free competition – in particular, by restricting market prices from convergence toward natural prices (whether by taxes, bounties, monopolies or other regulation) – militating against opulence and contributing to its slow development (*LJA*: 362–6; *LJB*: 497–9, 521–30; *edWN*: 575–81). Smith's major critical target on this account is of course mercantilism and the erroneous identification of opulence with accumulation of a national stock of money (*LJA*: 378, 381, 384–5, 388, 390–92; *LJB*: 430, 503–13, 515, 519; *edWN*: 576–8).[7] From this standpoint, good economic policy – in particular, with regard to forms and levels of taxation and public expenditure – concerns the least detrimental ways of financing essential or otherwise desirable activities, which are beyond the capability of private production. With regard to the pursuit of general opulence, economic policy is about providing the best framework within which human nature – acting through accumulation, division of labour and competition – can procure generalized high consumption for all.

BY WAY OF his notion of general or universal opulence, Smith makes the purpose political economy, and the material purpose of government and of the social economy, the advancing of the material welfare of the working class – because they are the most numerous class in society. Hence follows this striking passage in the *WN* chapter on wages, which, though it does not refer to general or public opulence, connects closely with that normative standard:

> The common complaint that luxury extends itself even to the lowest ranks of the people, and that the labouring poor will not now be contented with the same food, cloathing and lodging which satisfied them in former times, may convince us that it is not the money price of labour only, but its real recompence, which has augumented [*sic*].
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> Is this improvement in the circumstances of the lower ranks of the people to be regarded as an advantage or as an inconveniency to the society? The answer seems at first sight abundantly plain. Servants, labourers and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged. (*WN*: 96)

By this standard, if the richest person in a society were made better off, with no improvement in the position of anyone else, Smith would not regard this as a social or 'welfare' improvement. It is the material welfare of the great majority which is the concern of his political economy; and since the working class makes up the bulk of the population, the general opulence at which it aims, requires high or higher consumption for at least the bulk of the workers. Recall our proposition at the end of section 3.1 above, that Smith is in favour of capitalism not capitalists (*vide* n. **21**). Does this make Smith's politics in some sense 'left-of-centre'? Perhaps it does. But on the other hand, Eltis (2004: 154, and more expansively, 151–7) has strongly made the case that the proffered means to this general material improvement or prosperity is really a variant of 'trickle-

down'. One resists applying such a vulgar conception to Smith, except that, actually – the application seems valid.

For Smith, it is competitive commercial society with strong capital accumulation which delivers the best possible outcome for labourers. His contention, surely inspired (and surely, consciously) by John Locke's similar suggestion a century earlier – that

> the accommodation of an European prince does not always so much exceed that of an industrious and frugal peasant, as the accommodation of the latter exceeds that of many an African king, the absolute master of the lives and liberties of ten thousand naked savages (*WN*: 24)

– is an evocation of trickle-down.[8] The point is made even more explicitly in *LJA*. Notwithstanding the deductions from the product of the labourer in civilized states, which do not occur in savage states, the labourer is better off:

> mankind are far better provided in all the necessaries and conveniences of life in a civilized than in a savage state; … plenty and opulence is far greater. The unassisted industry of a savage can not any way procure him those things which are now become necessary to the meanest artist. We may see this … in comparing the way of life of an ordinary day-labourer in England or Holland to that of a savage prince, who has the lives and liberties of a thousand or 10000 naked savages at his disposall. It appears evident that this man, whom we falsly account to live in a simple and plain manner, is far better supplied than the monarch himself. … [P]erhaps the affluence and luxury of the richest ['European grandee'] does not so far exceed the plenty and abundance of an industrious farmer as this latter does the unprovided and unnesisted [*sic*] manner of life of the most respected savage. … The labour and time of the poor is in civilized countries sacrificed to the maintaining the rich in ease and luxury. The landlord is maintained in idleness and luxury by the labour of his tenents, who cultivate the land for him as well as for themselves. The moneyd man is supported by his exactions from the industrious merchant and the needy who are obliged to support him in ease by a return for the use of his money. But every savage has the full enjoyment of the fruits of his own labours; there are there no landlords, no usurers, no tax gatherers. We should expect therefore that the savage should be much better provided than the dependent poor man who labours both for himself and for others. But the case is far otherwise. … The division of labour amongst different hands can alone account for this. (*LJA*: 340–41; also 338–9)

Similarly, one reads in *LJB*:

> A common day labourer in Brittain has more luxury in his way of living than an Indian sovereign. … An European prince … does not so far exceed a commoner as the latter does the chief of a savage nation. … In a savage nation every one enjoys the whole fruit of his own labour, yet their indigence is greater than any where.
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> It is the division of labour which encreases the opulence of a country. In a civilized society, tho' there is indeed a division of labour there is no equal division, for there are a good many who work none at all. The division of opulence is not according to the work. The opulence of the merchant is greater that that of all his clerks, tho' he works less; and they again have six times more than an equal number of artizans, who are more employed. The artizan who works at his ease within doors has far more than the poor labourer who trudges up and down without intermission. Thus he who, as it were, bears the burthen of society has the fewest advantages. (*LJB*: 489–90)[9]

Yet again, the same line of argument appears in the opening pages of *edWN* (562–4, 566), but with a decidedly more negative moral tone concerning ‘so much oppressive inequality’:

> In a civilized society the poor provide both for themselves and for the enormous luxury of their superiors. The rent which goes to support the vanity of the slothful landlord is all earned by the industry of the peasant. The monied man indulges himself in every sort of ignoble and sordid sensuality, at the expence of the merchant and the trades man … . All the indolent and frivolous retainers upon a court are … fed, cloathed, and lodged by the labour of those who pay the taxes which support them. … [W]ith regard to the produce of the labour of a great society there is never any such thing as a fair and equal division. In a society of an hundred thousand families, there will perhaps be one hundred who don’t labour at all, and who yet, either by violence or by the more orderly oppression of law, employ a greater part of the labour of the society than any other ten thousand in it. The division of what remains, too, after this enormous defalcation, is by no means made in proportion to the labour of each individual. On the contrary those who labour most get least. … [T]he poor labourer … bears, as it were, upon his shoulders the whole fabric of human society, seems himself to be pressed down below ground by the weight, and to be buried out of sight in the lowest foundations of the building. (*edWN*: 563–4)

To be clear, ‘trickle-down’ does not and cannot merely convey the proposition that the employers as a whole provide the wage-paying employment of the workers as a whole. This is just to describe an evident fact of capitalism, or of Smithian commercial society. (Nevertheless, the question of what *causes* or determines the level of employment is a different and more difficult matter, than the question of the provision of the employment – *vide* sec. 4.4 above.) Trickle-down must be about workers, in some ascertainable sense, being better off as wage workers in commercial society, than they otherwise would be – and further, that this provides ethical justification for their lower-class position and the associated inequality. To the extent that Smith is subscribing to a position close to this (though I think, with more than a hint of ethical ambivalence), when the above texts illustrative of trickle-down acknowledge that (unequal) distribution is expropriation or deduction from the product of the workers, this should be read as a frank admission of what is simply *an evident fact*, rather than as some kind of leftism (*cf.* the apologetic tone at *edWN*: 566). In this regard, one must get one’s head around the fact that Smith at least comes close to a position which will appear strangely unreasonable to many modern readers: the distribution of material resources is, in significant measure, arbitrary – but nevertheless ethically defensible. The element of arbitrariness pertains not only to *personal* distribution (e.g., whether a person is a worker or a proprietor), but also to *functional* distribution, insofar as the latter is an expression of bargaining power, in Smith’s understanding (sec. 3.4 above). As was seen in section 4.4 above, Smith’s theory of tax incidence also exposes the element of arbitrariness in functional distribution. (Meek and Skinner 1973: 1108n comment on the omission from *WN* of the rather stronger adverse views on inequality Smith expresses in the other manuscripts quoted here.) With regard to the language of ‘class’ demarcations, it may be added that Smith commonly uses the term ‘class’, to refer to socio-economic divisions and groups (e.g., *WN*: 90–91, 266, 295, 664–76 in relation to Physiocratic analysis; *LJA*: 232–3, 375; *LJB*: 410) – as well as ‘ranks’ and ‘orders’ – though in many instances, ‘class’ conveys just the sense of a particular group of people (e.g., a particular category of artisans). In any case,

the use of that language does not do violence to his socio-economic conception. The fundamental, functional class demarcation in Smith's political economy is tripartite: between proprietors of land, stock or capital; entrepreneurs or 'undertakers'; and labourers or workers [***this contradicts the usual characterization: landlords, capitalists, workers—make explicit?***]. He nowhere uses the terms 'worker(s)' – with one exception – or 'working class', but frequently uses 'workmen' and 'workman'. The one exception is at *LJA*: 369, but the term is there employed to refer to a particular labour skill.

START PREHISTORY of 'opulence' here.

5.2 policy & the system of liberty

It is by way of variations on the phrase *system of liberty* that Smith enunciates the ideal or standard by way of which the variety of socio-political arrangements are to be judged, though that phrase as a whole does not appear frequently. The fullest statement of the notion occurs at the end of book IV, in the context of rebutting Physiocratic-inspired policy which gives preference to agricultural industry over manufacture and foreign trade, and as a bridge to the systematic and detailed consideration of policy in book V (partly quoted already, at the end of section 3.1 above, in relation to 'competition'):[10]

> every system which endeavours, either, by extraordinary encouragements, to draw towards a particular species of industry a greater share of the capital of the society than what would naturally go to it; or, by extraordinary restraints, to force from a particular species of industry some share of the capital which would otherwise be employed in it; is in reality subversive of the great purpose which it means to promote. It retards, instead of accelerating, the progress of the society towards real wealth and greatness; and diminishes, instead of increasing, the real value of the annual produce of its land and labour.
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> All systems either of preference or of restraint … being … completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society. According to the system of natural liberty, the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understandings: first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain publick works and certain publick institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expence to any individual or small number of individuals, though it may frequently do much more than repay it to a great society. (*WN*: 687–8)

These (together with *WN*: 606) are the only instances where Smith speaks of it explicitly as a system of natural liberty or natural system of liberty. Elsewhere, he writes of 'the liberal system', with particular regard to unrestricted international trade (*WN*: 538–9). The 'mercantile system [i.e., mercantilism], in its nature and essence a system of restraint and regulation' is contrasted with 'allowing every man to pursue his own interest his own way, upon the liberal plan of equality, liberty and justice' (*WN*: 663–4). The Physiocratic system on the other hand, whatever other faults it may have, is a 'liberal and generous system': it recognizes that 'the most perfect freedom of trade' raises output and hence the potential stock of capital; that 'a state of the most perfect liberty' generates 'the highest prosperity' (*WN*: 671–3).[11] Smith endorses this Physiocratic view; though he goes on here to chide at least Quesnay, for supposing that only implementation of the ideal system, only such a perfection of political arrangements, will enable economic prosperity (*WN*: 673–4) – an argument which also goes to the issue of the relation between theory and policy and so is discussed in the following section. As to Smith's endorsement, he goes on to make this more explicit in relation to maximization of national product via unrestricted commerce:

> in representing the wealth of nations as consisting, not in the unconsumable riches of money, but in the consumable goods annually reproduced by the labour of the society; and in representing perfect liberty as the only effectual expedient for rendering this annual reproduction the greatest possible, its doctrine seems to be in every respect as just as it is generous and liberal. (*WN*: 678; *cf.* 11)

Earlier in his critique of mercantilism, Smith acknowledges that import restrictions can increase the quantity of stock and labour employed in the thus protected domestic industries, but makes his crucial criticism by raising the question of whether such policies will 'either … increase the *general* industry of the society, or … give it the most advantageous direction' (emphasis added):

> The general industry of the society never can exceed what the capital of the society can employ. … [T]he number of workmen … that can be continually employed by all the members of a great society, must bear a certain proportion to the whole capital of that society, and never can exceed that proportion. No regulation of commerce can increase the quantity of industry in any society beyond what its capital can maintain. It can only divert a part of it into a direction into which it might not otherwise have gone; and it is by no means certain that this artificial direction is likely to be more advantageous to the society than that into which it would have gone of its own accord. (*WN*: 453)

To be sure, Smith here may sound somewhat tentative in denying that the direction of capital allocation under discriminatory policy will be more socially advantageous (and he is similarly tentative prior to this, same page). But Smith very commonly expresses tentatively, views that he holds emphatically (*vide* Henderson **0000**). The tentativeness of expression raises no doubt as to his stance.[12] Neither does the infrequent use of the system-of-liberty phrase tell against the importance of the notion, for Smith. Further expressions of the same conception as the system of natural liberty are provided by his frequent reference to 'natural balance' (or more dynamically expressed, 'natural course', and as well 'natural distribution'), which in particular, convey a sense of the normal outcome of free competition – commonly, to express a focus upon the output and/or

production input quantities dimensions of situations in which natural or normal prices prevail.[13] The same sense is conveyed also by reference to just 'perfect liberty': normal price as the lowest at which a commodity will be sold 'where there is perfect liberty, or where … [the supplier] may change his trade as often as he pleases' (*WN*: 73, and similarly at 79); equalization of the net remunerations for inputs of labour or stock, 'where things were left to follow their natural course, where there was perfect liberty' (*WN*: 116; and similarly, 135; also 669, 673–4, 678, where the phrase is frequently deployed in relation to Physiocracy). 'Natural liberty', without explicit reference to 'system' also appears: 'artificial' legal restriction of labour mobility as 'an evident violation of natural liberty and justice' (*WN*: 157; also 470). Similarly, legal restrictions on the deployment of stock, as well as labour, are described in near identical terms: 'evident violations of natural liberty, and therefore unjust'; 'the law ought always to trust people with the care of their own interest' (*WN*: 530–31). Nevertheless, Smith explicitly overrules this 'natural' liberty in one instance (or two, if one includes also the party-walls themselves). Restriction on the forms of paper money or credit,

> it may be said … is a manifest violation of that natural liberty which it is the proper business of law, not to infringe, but to support. Such regulations may, no doubt, be considered as in some respect a violation of natural liberty. But those exertions of the natural liberty of a few individuals, which might endanger the security of the whole society, are, and ought to be, restrained by the laws of all governments; of the most free, as well as of the most despotical. The obligation of building party walls, in order to prevent the communication of fire, is a violation of natural liberty, exactly of the same kind with the regulations of the banking trade which are here proposed. (*WN*: 324)

More widely, liberty is frequently coupled by Smith with 'security': 'commerce and manufactures gradually introduced order and good government, and with them, the liberty and security of individuals' (*WN*: 412; and 405, almost verbatim); 'upon the impartial administration of justice depends the liberty of every individual, the sense which he has of his own security' (*WN*: 722–3; also *TMS*: 81; *WN*: 395, 541, 944; *LJA*: 313, 315, 338; *LJB*: 421–2, 480). It is also commonly coupled with 'justice': to restrict a man's employment choices is 'a manifest encroachment upon the just liberty both of the workman, and of those who might be disposed to employ him' (*WN*: 138); Jean-Baptiste Colbert, 'instead of allowing every man to pursue his own interest his own way, upon the liberal plan of equality, liberty and justice', gave 'extraordinary privileges' to some industry and placed 'extraordinary restraints' upon others (*WN*: 664; also *TMS*: 81, 238; *WN*: 674). This coupling also occurs in connection with what is perhaps his most well-known 'anti-capitalist' comment – '[p]eople of the same trade seldom meet together … but the conversation ends in a conspiracy …' – Smith continuing, interestingly:

> It is impossible … to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But … the law … ought to do nothing to facilitate such assemblies … . (*WN*: 145)

Liberty is also connected with 'independency' (*TMS*: 230, 290; *WN*: 399; *cf.* 567, 572 and *LJA*: 188, 313); and it often appears together with 'property': 'liberty and property, the means and instruments of pleasure and happiness' (*TMS*: 297); the separation of

judicial and executive powers 'is the great advantage which modern times have over antient, and the foundation of that greater Security which we now enjoy both with regard to Liberty, property and Life' (*LRB*: 176; also *WN*: 857, 944; *LJA*: 179, 313, 325; *LJB*: 422, 425, 434, 451). Other notable instances of his use of liberty are: liberty as an antonym of 'confinement' (*TMS*: 151); 'liberty of trade' (*LJA*: 255, 257); 'liberty of exchange' (*LJB*: 514, 529; *edWN*: 577); 'the common liberty' versus 'oppressive monopolies' (*WN*: 140); monopoly or corporations as a kind of 'sole liberty' (*LJA*: 84); liberty as being 'free to chuse' (*WN*: 763; also 116). Nowhere is there anything resembling a formal definition of liberty in general.[14]

SMITH'S uses of 'policy' – and 'police', a term he also uses (up to a point, a synonym for the former) – are also worthy of systematic consideration. Nowhere in *WN* does he provide definitions of these terms; but both *LJA* and *LJB* open with an outline of the elements of 'jurisprudence', within which police is located. (This was discussed also in the opening paragraph of section 4.2 above.) Jurisprudence is 'the theory of the rules by which civil governments *ought* to be directed' (emphasis added). It is therefore a normative science; but Smith immediately adds: 'It attempts to shew the foundation of the different systems of government in different countries and to shew how far they are founded in reason'. The normative theory is used to scrutinize actual governments – hence the strongly historical character of *LJ*. The direction or aims of government – 'the design of *every* government' (emphasis added) – divides into four elements.[15] The first is 'justice' or 'internall peace', in particular, 'to give each … the secure and peacable possession of his own property'. The second is 'opulence': 'This produces what we call police'; '[w]hatever regulations are made with respect to the trade, commerce, agriculture, manufactures of the country are considered as belonging to the police' (*LJA*: 5). Police in turn divides into three components, the first two of which are too trivial to require the intellectual inquiry of jurisprudence (except for a sub-component concerned with the prevention or punishment of personal injuries, which, properly belongs in the treatment of justice rather than police). Hence the analysis of police focuses on the third part:

> bon marché or the cheapness of provisions, and the having the market well supplied with all sorts of commodities. This must include not only the promoting a free communication betwixt the town and the country, the internall commerce as we may call it, but also on the plenty or opulence of the neighbouring country. (*LJA*: 6)[16]

Just as for jurisprudence in general, so for police in particular, the theory is applied to historical scrutiny of actual systems of commercial regulation: 'we shall consider the different regulations that have subsisted in different countries and how far they have answered the intentions of the governments that constituted them; and this we shall <?> to ancient as well as modern times' (*LJA*: 6). After justice and police, the remaining two elements are public finance ('revenue') and external defence and international relations (*LJA*: 6–7).[17]

This is to make police and political economy, as Smith would later define the latter, effectively *almost* synonymous, confirming political economy's *raison d'être* as a policy science devoted to the theory of, and policy for, opulence (*cf.* also sec. 2.1 above) – except that revenue obviously, and defence and external relations at least partially, have a

place in political economy as well (see the opening paragraph of sec. 4.2 above). Even the rather incomplete and vague implied definition of opulence here, in terms of 'cheapness' and 'well supplied' markets, resonates in the mature treatment of the subject, in a passing definition of the purpose of political economy at *WN*: 748 (quoted in ch. 4, n. **14** above). The question was raised in the introduction to the present chapter, what are the remaining elements or 'branch[es]', over and above political economy, making up the legislative or policy science? The outlines of the contents of jurisprudence at the beginnings of *LJ* provide a quite clear and compelling answer. The legislative science as a whole is synonymous with 'jurisprudence', which can be regarded as the all-encompassing *political science*, in Smith's conception. He does not himself use that term, 'political science'; but it perhaps conveys better to the modern mind the intent behind this comprehensive policy science, than does jurisprudence or legislative science.[18] It embraces 'legislation' in the deepest and widest sense – to the extent of the constituting, along ideal or otherwise desirable lines, of the polity itself. (The desirability or otherwise of implementing 'the' ideal constitution goes to the question of the relation between theory and practice, discussed in the following section.) However, in conceiving of Smith's jurisprudence as an all-encompassing political science, care must be taken in one respect: jurisprudence concerns also relations between individuals at what may advisedly be called a 'sub-political' level (see, for example, *LJA*: 7–8, 13, 141 – family relations are an instance). But these relations as much are, or become, creatures of legislation and of government as do the rights of citizens qua citizens, the powers of government, and the economic relations involving property and contract. (That which is 'private' – beyond the intrusion of the State – is defined by the State as well.) This comprehensive science is the *political* science because its architectonic purpose is the policy of States, actual as well as ideal or desirable – their constitutions, laws and regulations – with a view to the betterment of the human condition.

Consider, further, how Smith's classification of the human sciences [***define n. 19?***] compares with the later, modern demarcation of the social sciences. His 'jurisprudence', as a kind of comprehensive science of State policy, encompasses jurisprudence in the modern sense [***define n. 19***], political philosophy and political science [***define n. 19***] and political economy. But in modern terms, Smith's economic science contains some sociology [***define n. 19***], as do the parts of his jurisprudence concerned with justice and political constitutions: the sociability of the self-regarding human animal is decisive for the feasibility and desirability of political and economic arrangements, insofar as those arrangements depend upon what are feasible and ethically defensible social relations. But more properly, for Smith the theory and analysis of the sociability and social relations which inform the politics and economics belong in the moral philosophy or moral science embodied in *TMS*. (Recall from section 2.1, Smith's tendency to treat 'science' and 'philosophy' as synonyms, including a definite characterization of moral philosophy as a science.) This is even more true of psychology [***define n. 19***]: both the psychology and the sociology of the self-regarding but sociable human animal are essentially separable from and logically prior to Smith's jurisprudence. The elements of the latter depend upon the moral science, but the moral science does not depend upon them. In particular, it has been seen at a number of points in chapters 3 and 4, how Smith's political economy proceeds on the basis of certain psychological parameters, but parameters which are not thereby irreducible – and indeed, are capable of further investigation by other branches of the

human sciences. The domain of his economic science also includes some of what would now be called political science, to the extent that at least the policy dimension of the political economy does not merely *presuppose* political and legal powers and rights as parameters, but seeks to determine some appropriate rights and powers, of particular economic pertinence [***coherence of this sentence depends upon defn of modern polsci; and isn't this statement true of modern economics anyway?***]. This interpretation of the relation between Smith's classification of the human sciences and the fundamental modern classification in particular leaves out anthropology [***define n. 19***] – and not coincidentally, history and historiography. The latter are considered in the following section, in the context of the relation of historiography to political economy – the second of the two 'intriguing' questions raised in the introductory paragraphs of this chapter. His historical writing indeed includes a significant dimension of what would now be described as a kind of anthropology.[19]

The location of descriptive sciences like psychology and sociology in moral philosophy might seem at first glance strange; but in this regard, the essential character of Smith's particular form of 'moral philosophy' must be kept in mind. It is not so much inquiry into rationally derivable principles or rules of right conduct or of good behaviour; it is rather, inquiry into how and why most humans *actually do* most of the time act more or less sociably and decently. In this sense, Smith's moral philosophy is a kind of naturalistic ethics: it seeks to explain why, on the basis of their natural and actual constitution, humans actually do behave in certain (socially desirable) manners. To that extent, in the way we now use these terms, it is at least as much social science (***in particular, psychology and social psychology***) as it is philosophy. In this context, it is pertinent to recall the opening sentence of *TMS* (quoted also in ch. 3, n. **20** above, in relation to competition, self-interest and self-restraint):

> How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it. (*TMS*: 9)

That this is the very first sentence of the book renders it additionally surprising that '*das Adam Smith problem*' has had such longevity in the evaluation of Smith's thought – the notion that there is some tension between Adam Smith, philosopher of ethics (in *TMS*) and Adam Smith, (supposed) philosopher of selfishness (in *WN*) (*vide* Raphael and Macfie 1976b: 20–25 ***further citation(s)—Montes article***). At very least, this opening sentence shows that the problem of reconciling individual self-regard and human sociability was at the centre of his thinking, at least as early as the writing of that book, some two decades prior to publication of *WN*. (The fact that Smith was revising and reissuing *TMS*, from 1759 all the way forward to his death in 1790, is a further piece of prima facie but compelling evidence against inconsistency between the two books.) In truth, Smith's simultaneous authorship of the moral philosophy and the political economy is just a testimony to the near-common-sense proposition that self-interest is not a self-subsisting and sufficient basis for society; that self-regard needs containment within a sensibility of moral conduct and restraint (certainly for it to be socially efficacious). This is only, perhaps less than completely obvious, due to the existence of a latter-day strand of genuine celebrators of selfishness.

Beyond the *LJ* definitions of the scope of police, 'policy' and 'police' are commonly employed to convey the sense of a comprehensive policy regime, or an overall system of regulation, of a State or States – both economic and wider regulation. The 'policy of Europe' is a common catch-phrase for Smith's critical target in this respect – a system which includes 'laws and customs', a system 'not leaving things at perfect liberty' (*WN*: 119, 135; also, e.g., 146, 151–2, 374, 396, 431, 441, 528–9, 681, 683). Policy and police, in this sense of regime or overall system, when applied to economic matters, become synonyms for 'political oeconomy' employed, albeit less frequently, in the same sense (*WN*: 679). (This use of political economy was noted in section 2.1 above.) The sense of policy and police as an overall regime of government regulation is also to be found in *LJ* (e.g., *LJA*: 300; *LJB*: 525; also *edWN*: 581). While policy and police can be synonyms, police is also employed in narrower, more particular senses – to refer to the actual enforcement or execution of laws or of order, that is to say, essentially how the term continues to be used in English to the present (*WN*: 512, 541, 698); or the actual laws and regulations themselves (e.g., *TMS*: 90, 102; *LJA*: 332; *LJB*: 486); or the actual services of policing, where this includes public safety in relation also to hygiene and fire (*WN*: 815; *LJA*: 5, 331; *LJB*: 398, 486). The more than singular meaning of the term is strikingly evidenced at *LJB*: 541–2, where 'Police' and 'Arms' are first distinguished, Smith then turning to consider the police of 'defence' (i.e., arms). In two places he speaks of 'publick police', referring to public provision of transport infrastructure as a 'branch' or 'department' (*WN*: 729–30) – and in *edWN* (575), asserting the tendency of market prices toward normal price, 'unless there is some great error in the public police' (also, *TMS*: 90, 187 refer to 'civil police' and 'civil policy'). Of course also in *WN*, government 'regulations of police' impede the realization of natural or normal prices (*WN*: 77; also 79); and the variety of 'laws and policy' may influence wage and profit differentials – 'rules of police … as foolish as can well be imagined' (*WN*: 80, 137; also 116). The 'best police' is to leave 'every thing' to its 'naturall course' (*LJA*: 366; *LJB*: 499). Rather in the same spirit, the fundamental source of opulence, division of labour, 'is not … the effect of any human policy' (*LJA*: 347). In one instance, policy in the sense of national expediency is contrasted with 'humanity' (*LJB*: 549, 551); and in another, police in the sense of artifice or convention is distinguished from 'nature' (*LJB*: 447). Policies are ascribed also to individuals (*WN*: 856; *LJA*: 265).[20]

WHAT THEN are the ultimate grounds of Smith's stance towards economic liberty and discriminatory regulation? At the level of substantive economic analysis, his stance proceeds from the supposition that discriminatory policy – either favourable or adverse to particular economic activities – cannot increase the stock of capital or the pace of capital accumulation in a society. Such discrimination at best can only redirect capital in ways which diminish its efficacy as a whole in producing consumable-or-investible output, and/or diminish the rate of growth of output – aggregate output and its growth in turn constituting the stocks potentially available for future use as capital.[21] Hence the very clear and substantive statement at *WN*: 453 (quoted more fully above, p. **<u>000</u>**; emphasis added ***2nd para, 5.2***): 'The general industry of … society never can exceed what the capital of the society can employ. … No regulation of commerce can increase the quantity of industry in any society *beyond what its capital can maintain*.' Regulation will only redirect capital to less socially advantageous avenues than those to which natural liberty

would have allocated it. Is this position robust? There are two distinct postulates lying behind Smith's stance, the first of which is rather less overt: a denial that the total quantity of capital can be increased by discriminatory policy; and a denial that such policy can lead to a better allocation of the capital stock. Smith is on quite firm ground with regard to the second of these – a *general* presumption in favour of non-discriminatory policy as between particular commodities or industries (though it is not thereby necessarily a universally applicable principle). Hence at *WN*: 456–7 – just following the one instance of the 'invisible hand' metaphor in *WN* (at 456) – he observes that no prudent family attempts to make for themselves a commodity for consumption, when they can more easily and cheaply acquire by purchase. The tailor buys his shoes; the shoemaker buys his clothes.

> What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage. (*WN*: 457)

This is to reaffirm the productivity benefits of specialization and division of labour – and to deny the State has any capacity to improve upon the outcomes, by discriminating between particular commodities.

With regard to the second and rather more unobtrusive postulate, that policy cannot favourably influence the actual *scale* of the capital stock, Smith's position is weaker [***there may be a trade-off: pol intervention might increase total capital but deteriorate its allocation***]. However unobtrusive it may be, he states it explicitly enough – indeed, for one instance, immediately following the quotation directly above. The very next sentence states: 'The general industry of the country, being always in proportion to the capital which employs it, *will not thereby be diminished*, … but only left to find out the way in which it can be employed with the greatest advantage' (emphasis added). And a few lines further on – in the context of a somewhat oblique commentary, but clearly enough directed against infant industry arguments for protection – Smith is even clearer.[22] Though such regulations may develop the production of a particular manufacture more quickly,

> it will by no means follow that the sum total, either of its industry, or of its revenue, can ever be augmented by any such regulation. The industry of the society can augment only in proportion as its capital augments, and its capital can augment only in proportion to what can be gradually saved out of its revenue. But the immediate effect of every such regulation is to diminish its revenue, and what diminishes its revenue, is certainly not very likely to augment its capital faster than it would have augmented of its own accord, had both capital and industry been left to find out their natural employments. (*WN*: 458)

This is to assert that such policy cannot increase the overall stock of capital (in some sense), this stock in turn depending upon the national revenue and the rate of saving out of this revenue. Such discriminatory policy just reallocates the stock (for the worse). Supposing rates of saving to be unaffected by such policies, this amounts to saying that those policies cannot increase national revenue, only reduce it, relative to the non-discriminatory situation. But in one passage of argument, contemplating the consequences of an end to the British monopoly of the American colony trade, Smith

virtually concedes that at least a *dramatic* policy change in favour of international trade liberalization can destroy both labour employment and capital: 'To open the colony trade all at once to all nations, might not only occasion some transitory inconveniency, but *a great permanent loss* to the greater part of those whose industry or capital is at present engaged in it' (*WN*: 606; emphasis added). To be clear, he downplays this risk, and in any case, remains committed to the pursuit of 'perfect liberty'.[23]

Here Smith opens a door, just a little. If liberalization can diminish the capital stock – due to a sudden and dramatic loss of previous demand – is it inconceivable or a priori dismissible, that regulation or policy of some kind can augment the capital stock? This point connects with the issue raised in section 4.4 above, concerning the problem of causation between aggregate demands and productive capacity in the context of Smith's growth dynamics. If, at least in principle, there are government policies that can conceivably influence the growth of aggregate demand, and changes in the growth of demand can induce changes in accumulation, then it becomes possible for policy to favourably influence growth and accumulation. In Smith's language directly above, policy thereby is capable of influencing 'revenue' and overall 'capital', even if it has no influence on *rates* of saving. (For example, U.S. government defence expenditures during the second half of the twentieth century, surely positively influenced the rate of capital accumulation and growth in the American private sector – *vide* Pivetti **0000**. ***too inflammatory?***) An a priori blanket prohibition on economic policy intervention is then not so compelling. Smith's position here rests on a tacit denial that government expenditures can generate and favourably alter demands for private sector outputs. (It therefore also tacitly denies the further links: from demands for private sector outputs to private incomes, and from private incomes to the size of the capital stock – whether the latter link is via saving from private incomes or, more plausibly, via induced demands for capital.) In this respect, for Smith, government taxes and expenditures are just a drain from private revenue, with the latter only capable of being *unfavourably* influenced by the former. A blanket opposition to policy intervention is then not so compelling, at least with regard to policies plausibly aimed at such objectives as aggregate demand and overall accumulation. Opposition to discriminatory policies merely designed to favour particular commodities or trades would remain entirely compelling – particularly if merely for the benefit of particular private producer interests (e.g., commodities or trades associated with friends of a governing political party).[24] Of course the possibility, in principle, of policies that can favourably influence activity levels and accumulation gives rise to further issues: how likely *in practice* are such policies to do more good than ill; how plausible is it to trust politicians not to misuse possible good theoretical reasons for policy intervention, to justify ill-motivated and bad policy interventions? But this is precisely part of the point being made here: the issue is more complicated than to warrant a response of mere a priori prohibition.

In fact, blanket opposition even just to discriminatory interventions with respect to particular commodities or activities is not Smith's position, once it comes to the *detail* of policy. What appears, perhaps for rhetorical effect, as frequent statement of unwavering opposition, turns out to be more really just a statement of general presumption. Consider the range of particular policy interventions he endorses. He is not averse to a little discrimination along the lines of 'vice taxes' (our term) – hence his support for sumptuary laws with respect to 'strong beer' and other luxuries of 'the poor', as indicated

in section 4.4 above (*WN*: 871–2; also 891). (There is some tension between this and the policy objective of general opulence; or at least, the advocate of perfect liberty here implies that the State to some extent may direct the content of the high working class consumption.) In commenting on the crucial role of coal costs in wage determination, and hence both indirectly and directly in manufacturing production costs in general, Smith at least halfheartedly favours a transport subsidy: 'If a bounty could in any case be reasonable, it might perhaps be so upon the transportation of coals from those parts of the country in which they abound, to those in which they are wanted' (*WN*: 874). His support in 1780 correspondence for a form of import protection on something akin to infant industry grounds has already been noted (n. **22** above), and his strong endorsement of government regulation of paper money or credit (above, this section ***3rd para 5.2***).[25] Further exceptions to perfect liberty are detailed by Skinner (1996: 183–208), in a valuable, comprehensive treatment of Smith on the role of the State in general – though not every instance Skinner offers is entirely convincing as exceptions to 'non-intervention' (his term) or non-discrimination.[26] Beyond those noted already (and one further, immediately below), these include: product quality validation; control of currency; 'temporary monopoly', but very emphatically temporary (*WN*: 754–5), for new and risky foreign trade ventures, and new inventions and books; discriminatory taxation to alter individual economic behaviours (in relation to production – *WN*: 831) that are *not* socially beneficial; and legal regulation of interest rates, though in a certain conformity with market-determined rates (Skinner 1996: 186–7). [***check and if necessary augment this list***]

There is one further, notable instance of discriminatory policy, and perhaps the most surprising: Smith's endorsement of progressive taxation. As one of four general maxims concerning taxation, he posits:

> 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. … In the observation or neglect of this maxim consists, what is called the equality or inequality of taxation. (*WN*: 825).

But further on in the same part II of book V, chapter II on taxation, he somewhat tentatively endorses a measure disproportionately taxing the rich:

> A tax upon house-rents … would in general fall heaviest upon the rich; and in this sort of inequality there would not, perhaps, be any thing very unreasonable. It is not very unreasonable that the rich should contribute to the publick expence, not only in proportion to their revenue, but something more than in that proportion. (*WN*: 842)[27]

Furthermore, at *WN*: 827 Smith cites Lord Kames's *Sketches of the History of Man* with regard to taxation, the *WN* editors quoting in an attached note the latter's six rules for taxation, including: 'To remedy the "inequality of riches" as much as possible, by relieving the poor and burdening the rich'. [***why does Kames evidently have those 3 words in inverted commas?—check original***]. Beyond all the particular exceptions, there is as well, provision of the legitimate services of government – in enforcement of justice, external defence and public works, the latter involving in particular, transport infrastructure and education (Skinner 1996: 188–200; note that compulsory education is endorsed – *WN*: 786). Indeed, the first and second of these especially, point to the truth that, first and

foremost, the limits to perfect liberty are that *the system of liberty itself, however 'natural', is not spontaneously self-creating*. It requires a political infrastructure of government and law – in particular, the establishment and enforcement of property rights and contracts – in turn necessitating ultimately compulsory taxation to shift the necessary resources to public use [***even if there are quasi-voluntary elements, such as consumption taxes and user-type taxes/charges***]. The systems of expenditure and taxation, however, should conform with notions of equity – including some directing of taxes to users of the publicly provided services (hence really user charges, where these users are an identifiable sub-group in society) – and with a design to encourage producer efficiency in provision of those services (*vide* Skinner 1996: 189–92). As has also been seen above, the imperative of external defence overrides natural liberty, when the two come into conflict.

One could contemplate the several roles of government that Smith enunciates, together with the further array of exceptions he allows to the complete implementation of perfect liberty, and conclude that he is deeply inconsistent or even hypocritical. His willingness to take employment as a Commissioner of Customs (1778–1790) also could be read as a contradiction between his theory and his personal 'practice' (*vide* Ross 1995: 305–33). But these aspects of the thought and the life can also rather be treated as evidence against the perception of Smith as strict and uncompromising economic libertarian, and in favour of viewing him as moderate and pragmatic concerning the relation between theory (or the ideal) and practice. This is the central theme of the following section. Indeed, one may allow that his political or *practical* purpose, to advance reform in the face of the actual policy regimes he confronted, itself justified a vigorous and commonly *unqualified* policy rhetoric of liberty, freedom and emancipation – a rhetoric which overstates his actual case, a kind of 'ambit claim' political rhetoric. That manner of articulation is then quite consistent with taking seriously the considerable policy qualifications to liberty and Smith's conception of the positive role of government, as well as his strong aversion to idealistic zealotry in politics. (The latter is considered in the following section.) When contemplating his many apparently unequivocal endorsements of the system of liberty, perfect liberty, and so on, it well to remember what kind of world Smith was confronting by way of State regulation of 'economic life' and economic behaviour (as well, of course, as other dimensions of life). This was emphatically regulation of *lives* – to be clear, of persons – not merely regulation of some abstract category like 'markets'. It was such as could reasonably justify an unequivocal rhetoric. Smith's underlying theory with regard to whether or to what extent capital is preserved or destroyed in the face of shifts in demand is vulnerable, not to say frail. But there is nevertheless genuine moral feeling behind his attacks on regulation of labour:

> To remove a man who has committed no misdemeanour from the parish where he chuses to reside, is an evident violation of natural liberty and justice. The common people of England … have now for more than a century together suffered themselves to be exposed to this oppression without a remedy. … There is scarce a poor man in England of forty years of age … who has not in some part of his life felt himself most cruelly oppressed by this ill-contrived law of settlements. (*WN*: 157)

> repeal … the law of settlements [***what is it? (poor laws)***], so that a poor workman, when thrown out of employment either in one trade or in one place, may seek for it in another trade or in another place, without the fear either of a prosecution or of a removal … . (*WN*: 470)[28]

START PREHISTORY of 'liberty' and 'policy' here.

5.3 theory, policy, history

Smith does not extensively use the term 'theory' or variants – except, of course, that it appears in the very title of his first book (*TMS*: 1). As argued in the previous section, because of the approach to ethics taken in that work, it at least as much belongs to the domain of social science as to that of moral philosophy, as we would now use those terms. To that extent the title is testament to Smith's conviction of the possibility of theory, the centrality of theorizing, for the purpose of understanding human society – in this case, human sociableness being precisely the central subject. From the fourth edition of 1774, the title – *The Theory of Moral Sentiments* – was expanded by the addition, '*or, an essay* towards *an analysis of the principles by which men naturally judge concerning the conduct and character, first of their neighbours, and afterwards of themselves* …' (Raphael and Macfie 1976b: 39–42; emphasis added). Theory is about principles. The title proper, though not in any degree the content of Smith's theory, was almost certainly inspired by Lévesque de Pouilly's *Théorie des Sentiments Agréables* … (1747), translated as *The Theory of Agreeable Sensations* (1749). Smith's title also expresses his conception of the proper subject matter of moral philosophy as a whole, rather than describing his particular contribution to it, which as well points to the significance of 'towards' in the subtitle; and further, the title captures his conviction, in contrast to Hutcheson and Hume, that human moral sentiment is multiple rather than singular.[29] In the prefatory 'Advertisement', added in the sixth edition of 1790, Smith identifies 'the general principles of law and government' with 'the theory of jurisprudence' (*TMS*:3). Since political economy is for Smith the remainder of jurisprudence, beyond the theory of justice (implied clearly enough here but confirmed elsewhere: *vide* sec. 5.2 above), this implies there is a theory of political economy as well. Likewise, the last paragraph of *TMS* (341–2) – to which the advertisement actually addresses itself – makes the same identification even more tightly: 'a system of … natural jurisprudence, or a theory of the general principles which ought to run through and be the foundation of the laws of all nations'; a 'general system', a 'philosophy of law … treated of by itself, and without regard to the particular institutions of any one nation'; 'a system of … principles'. Part VII, entitled 'Of Systems …' of moral philosophy, opens by referring to 'the different theories' that have been offered, concerning the nature and origin of moral sentiments – again identifying system, theory and 'principles' (*TMS*: 265). These three instances beyond the title itself are all those to be found in *TMS*.

The *TMS*: 341 definition of natural jurisprudence, placed side by side with the opening sentence of *LJB* (397), shows an identification of theory and science: 'Jurisprudence is that science which inquires into the general principles which ought to be the foundation of the laws of all nations'.[30] All this takes us back to where we began this study, in chapter 2 (especially sec. 2.1), with the concept of science and the identification of philosophy, science and systems – and now as well, more explicitly, those three also identified with theory and general principles. On the following page of *LJB*, Smith switches back to use of 'theory' (and in parallel text in *LJA*): 'Jurisprudence is the theory

of the general principles of law and government' (*LJB*: 398); 'Jurisprudence is the theory of the rules by which civil governments ought to be directed' (*LJA*: 5). The implication from the *TMS* advertisement, that political economy is amenable to theorizing, is confirmed in *WN*. In the 'Introduction and Plan of the Work', Smith sketches how different nations have followed different 'plans' with regard to economic development, dichotomizing these plans into those that have favoured 'the country' and those that have favoured 'towns', and pointing to the contents of book III. (Intimating the contrary view that he will end up putting in the book, Smith adds: 'Scarce any nation has dealt equally and impartially with every sort of industry.') This then leads into a statement of the purposes of the book IV critique of mercantilism and Physiocracy:

> Though those different plans were, perhaps, first introduced by the private interests and prejudices of particular orders of men, without any regard to, or foresight of, their consequences upon the general welfare of the society; yet they have given occasion to very different theories of political œconomy; of which some magnify the importance of that industry which is carried on in towns, others of that which is carried on in the country. Those theories have had a considerable influence, not only upon the opinions of men of learning, but upon the public conduct of princes and sovereign states. I have endeavoured, in the Fourth Book, to explain, as fully and distinctly as I can, those different theories, and the principal effects which they have produced in different ages and nations. (*WN*: 11)

Notice how this describes theories as arising out of practice, and then feeding back upon practice or policy. At another point, Smith refers to the 'very ingenious theory' of the Physiocrats (though not thereby correct), with particular regard to taxation of rents (*WN*: 830). These are the only two explicit references to theory in *WN*.

The (eventual) emergence of a theory or theories of political economy also receives passing mention in *LJA* (235). Discussing the Roman republic's increase of power and opulence, Smith observes how 'peace and tranquillity at home' provides the basis for 'cultivation of the arts', and adds: 'Commerce too will naturally introduce itself, tho' not, as now, particularly studied and a theory laid down'. Another lecture opens with the comment that he had begun in the previous lecture 'to give some account of those bad practicall effects which proceeded from that system or theory which placed the opulence of a nation on its coin and money' (*LJA*: 388). Later in the same lecture he introduces a further ill consequence of mercantilism – 'not … so prejudiciall … as it has affected the theory more than the practise' – connected with Mandeville's 'theory that private vices were publick benefits' (*LJA*: 393). Apart from the two *LJ* references to jurisprudence as theory, quoted directly above, these are the only three further instances of theory in those manuscripts. Beyond these references to theory, specific to political economy, the 'History of Astronomy' in *EPS*, as an exercise in the history of science, naturally refers to theory. In the context of outlining his notion of scientific systems of explanation as soothing the human imagination (discussed in chapter 2 above), Smith refers to the 'theory and history' of philosophy (*EPS*: 46). There are also references to 'the theory of the heavens' (*EPS*: 54, 87, 89), Newton's theory (*EPS*: 99) and 'the theory of gravity' (*EPS*: 100–01, 103) – uses all closely connected with systems of explanation. Hence in the one further instance in the 'Astronomy', he speaks of 'system or theory', just as he had at *LJA*: 388 (quoted immediately above):

> Philosophers, long before the days of Hipparchus, seem to have abandoned the study of nature, to employ themselves chiefly in ethical, rhetorical, and dialectical questions. Each party of them too, had by this time completed their peculiar system or theory of the universe, and no human consideration could then have induced them to give up any part of it. (*EPS*: 65)[31]

THEORY is science and/or an intellectual system or systems – systems of general principles, for understanding and explanation, in various domains. With regard to social theory in particular, Smith certainly believed that he had fashioned a political economy, self-consciously building on the earlier work of others, which captures the true causes of the wealth of nations – a 'theory' which correctly grasps the fundamental factors determining the distribution and growth of output. It might seem a small step from this conviction, to the conclusion that a more or less wholesale implementation of the ideal system in practice, is desirable in any time or place. But Smith does not, tacitly or explicitly, embrace that conclusion: policy is not, or ought not be, such a straightforward application of right theory; correct policy is not necessarily a simple embodiment of the ideal. He pursues this line of thought consciously, and in more than one place; so much so, that one may say Smith has the rudiments of a kind of meta-theory of the relation between theory and practice. Though there is not a vast number of instances of 'theory' in his texts, given the synonyms for the term, the issue could just as well be characterized as the relation between (social) science and practice/policy, or principles and practice/policy. To be clear, the science of political economy is certainly for the service of legislation or policy. This was made evident already in section 2.1 above – a branch of the science of a legislator – and confirmed in the previous sections of this chapter. Nevertheless, Smith takes the view that the authentic legislator will exercise prudence, particularly by way of taking into account the history and situation of the particular nation under policy consideration. This is discussed at some length in an important passage of argument in *TMS* (231–4).

Considering the leader of a political faction or party who gains power, Smith contemplates the possibility of that 'from the very doubtful and ambiguous character of the leader of a party, he may assume the greatest and noblest of all characters, that of the reformer and legislator of a great state'. On the other hand there is 'a certain spirit of system' which leads to 'fanaticism', to proposals to 'new-model the constitution', and to intoxication with 'the imaginary beauty of this ideal system':

> The violence of the party, refusing all palliatives, all temperaments, all reasonable accommodations, by requiring too much frequently obtains nothing; and those inconveniencies and distresses which, with a little moderation, might in a great measure have been removed and relieved, are left altogether without the hope of a remedy.

The reformer-legislator on the other hand,

> will accommodate, as well as he can, his public arrangements to the confirmed habits and prejudices of the people; and will remedy as well as he can, the inconveniencies which may flow from the want of those regulations which the people are averse to submit to. When he cannot establish the right, he will not disdain to ameliorate the wrong; … when he cannot establish the best system of laws, he will endeavour to establish the best that the people can bear.

The man of system, 'wise in his own conceit', is

> often 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. He goes on to establish it completely and in all its parts, without any regard either to the great interest, or to the strong prejudices which may oppose it. He seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board. He does not consider that the pieces upon the chess-board have no other principle of motion besides that which the hand impresses upon them; but that, in the great chess-board of human society, every single piece has a principle of motion of its own, altogether different from that which the legislature might chuse to impress upon it. …
>
> Some general, and even systematical, idea of the perfection of policy and law, may no doubt be necessary for directing the views of the statesman. But to insist upon establishing, and upon establishing all at once, and in spite of all opposition, every thing which that idea may seem to require, must often be the highest degree of arrogance. (*TMS*: 232–4)

This is a vigorous statement for moderation in the implementation of principles in politics, and by inference (confirmed below), concerning the proper relation between theory and policy. Smith firmly repudiates engineering society on the mere basis of theoretical reasoning or principles, without attention to the concrete situation – and by implication, attention to the history from which that situation has arisen. A similar sentiment – which resonates with the chessboard metaphor at *TMS*: 234, quoted above – is expressed in a quotation by Stewart (1811: 322), from a 1755 Smith manuscript:

> Man is generally considered by statesmen and projectors as the materials of a sort of political mechanics. Projectors disturb nature in the course of her operations in human affairs; and it requires no more than to let her alone, and give her fair play in the pursuit of her ends, that she may establish her own designs.

At least partly, Smith's position concerning men of system and political projectors is evidently driven by an aversion to actually existing politicians. The sense conveyed above, of the noble legislator as the exception among politicians, is confirmed by his quite common disparagement of the latter:

> When the judicial is united to the executive power, it is scarce possible that justice should not frequently be sacrificed to, what is vulgarly called, politics. The persons entrusted with the great interests of the state may, even without any corrupt views, sometimes imagine it necessary to sacrifice to those interests the rights of a private man. (*WN*: 722)

> They whom we call politicians are not the most remarkable men in the world for probity and punctuality. (*LJB*: 539)

Further to this, in a discussion of the American colonies and the attractions (i.e., temptations) to their 'leading men' of colonial representation in the British parliament being allowed, Smith comments:

> Instead of piddling for the little prizes which are to be found in what may be called the paltry raffle of colony faction; they might then hope, from the presumption which men naturally have

> in their own ability and good fortune, to draw some of the great prizes which sometimes come from the wheel of the great state lottery of British politicks. (*WN*: 622–3)[32]

But more than merely from a cynical – or clear-eyed (the reader may judge) – view of politicians, Smith's own ideal of natural liberty itself is also, and more fundamental, ground for antagonism towards much political experimentation. (Hence there are two levels to the issue: the correct theory tells against political interventions generally; but even implementation of the correct theory should take account of practice.) It follows also from this, that it would be wrong to see his position on this matter as just straightforward political conservatism – in the sense of an a priori presumption against political change and experimentation as such, and in favour of the status quo for its own sake. After all, the noble legislator of *TMS*: 231–4 is characterized as a 'reformer'. Apart from any other evidence, the dominant policy drift of *WN*, and its opposition to the prevailing policy of Europe, compellingly tells against this view (sec. 5.2 above). Furthermore, Smith elsewhere – and it is also in *TMS* (at 185–7) – speaks in very positive terms of how 'love of system' encourages individuals to 'promote the public welfare':

> The perfection of police, the extension of trade and manufactures, are noble and magnificent objects. The contemplation of them pleases us, and we are interested in whatever can tend to advance them. They make part of the great system of government, and the wheels of the political machine seem to move with more harmony and ease by means of them. We take pleasure in beholding the perfection of so beautiful and grand a system, and we are uneasy till we remove any obstruction that can in the least disturb or encumber the regularity of its motions.

But before continuing along this line, he immediately adds a caution which reminds of the man of system. The 'sole use and end' of political constitutions is 'to promote the happiness of those who live under them':

> From a certain spirit of system, however, from a certain love of art and contrivance, we sometimes seem to value the means more than the end, and to be eager to promote the happiness of our fellow-creatures, rather from a view to perfect and improve a certain beautiful and orderly system, than from any immediate sense or feeling of what they either suffer or enjoy. (*TMS*: 185; *cf.* 316).[33]

A statement in favour of the role of precedent in legal adjudication shares the same attitude, in this instance, explicitly referring to the limitations of theory alone:

> The Sentences of former Cases are greatly regarded and form what is called the common law, which is found to be much more equitable than that which is founded on Statute only, for the same reason as what is founded on practise and experience must be better adapted to particular cases than that which is derived from theory only. (*LRB*: 175)

This rather non-doctrinaire approach to the implementation of principles and theory in policy and practice no doubt was supported in Smith's thinking by his conviction that humankind, and more particularly, nations, could prosper even under imperfect and adverse political arrangements – the outcomes available are not merely, either perfection

or disaster. The point is made in the context of a discussion of the Physiocrats' advocacy of 'perfect liberty':

> Some speculative physicians seem to have imagined that the health of the human body could be preserved only by a certain precise regimen of diet and exercise, of which every, the smallest, violation necessarily occasioned some degree of disease or disorder proportioned to the degree of the violation. Experience, however, would seem to show that the human body frequently preserves, to all appearance at least, the most perfect state of health under a vast variety of different regimens; even under some which are generally believed to be very far from being perfectly wholesome. But the healthful state of the human body, it would seem, contains in itself some unknown principle of preservation, capable either of preventing or of correcting, in many respects, the bad effects even of a very faulty regimen. Mr. Quesnai, who was himself a physician, and a very speculative physician, seems to have entertained a notion of the same kind concerning the political body, and to have imagined that it would thrive and prosper only under a certain precise regimen, the exact regimen of perfect liberty and perfect justice. He seems not to have considered that in the political body, the natural effort which every man is continually making to better his own condition, is a principle of preservation capable of preventing and correcting, in many respects, the bad effects of a political œconomy, in some degree, both partial and oppressive. Such a political œconomy, though it no doubt retards more or less, is not always capable of stopping altogether the natural progress of a nation towards wealth and prosperity, and still less of making it go backwards. If a nation could not prosper without the enjoyment of perfect liberty and perfect justice, there is not in the world a nation which could ever have prospered. In the political body, however, the wisdom of nature has fortunately made ample provision for remedying many of the bad effects of the folly and injustice of man … . (*WN*: 673–4)

Smith expresses here a conviction that even under second-best (or worse) constitutions, regimes and policies, 'nature' is still in play, working away for the good. The options for human societies on earth are not just either heaven or hell.[34]

The refusal to treat (desirable) practice as simply a straightforward implementation of correct theory is evident at the level of political constitutions, but is also expressed with regard to economic policy. It was pointed out in section 5.2 above, how Smith entertains the possibility that a sudden and dramatic loss of foreign markets could diminish the national capital stock, the context being the possible loss of the British monopoly of the American colony trade. He conceives of this monopoly as having dangerously distorted the British economy into an excessive reliance on one market:

> A small stop in that great blood-vessel, which has been artificially swelled beyond its natural dimensions, and through which an unnatural proportion of the industry and commerce of the country has been forced to circulate, is very likely to bring on the most dangerous disorders upon the whole body politick. (*WN*: 604–05)

This unfortunate predicament does not persuade Smith to abandon the goal of unrestricted trade; rather, he advocates gradualism and deference to practical judgement:

> moderate and gradual relaxation of the laws … seems to be the only expedient … ; and which, by gradually diminishing one branch of her industry and gradually increasing all the rest, can by degrees restore all the different branches of it to that natural, healthful, and proper proportion which perfect liberty necessarily establishes, and which perfect liberty can alone preserve. [606]

Even the precise form of that gradual policy implementation cannot be decided a priori, by reference to principle alone:

> In what manner … the colony trade ought gradually to be opened; what are the restraints which ought first, and what are those which ought last to be taken away; or in what manner the natural system of perfect liberty and justice ought gradually to be restored, we must leave to the wisdom of future statesmen and legislators to determine. (*WN*: 606)

It is an issue for practice not theory.

Another substantial expression of the same kind of stance occurs in a consideration of the desirability of maintaining or restoring free importation. The first is raised in the context of whether or not a nation should 'retaliate' against restrictions on its exports by other nations. Smith thinks retaliation 'may be good policy', if it leads to repeal of the foreign nations' protection; otherwise, not. As to whether retaliation will induce repeal:

> To judge … does not, perhaps, belong so much to the science of a legislator, whose deliberations ought to be governed by general principles which are always the same, as to the skill of that insidious and crafty animal, vulgarly called a statesman or politician, whose councils are directed by the momentary fluctuations of affairs. (*WN*: 467–8)

The science of political economy, constituted by universal general principles, cannot judge the contingencies of the particular situation. The second – the desirability of restoring free importation – goes to the same issue as *WN*: 604–07. If substantial domestic industries have grown up under import protection,

> [h]umanity may in this case require that the freedom of trade should be restored only by slow gradations, and with a good deal of reserve and circumspection. Were those high duties and prohibitions taken away all at once, cheaper foreign goods of the same kind might be poured so fast into the home market, as to deprive all at once many thousands of our people of their ordinary employment and means of subsistence. (*WN*: 469)

Smith provides reasons why this problem may not be so considerable, touched on above (*WN*: 469–71; n. **23** above); but he nevertheless reiterates that substantial abolition of protection 'should never be introduced suddenly, but slowly, gradually, and after a very long warning' (*WN*: 471).

In the context of these considerations, Smith offers a comment on the chances of implementing policy perfection, which resonates with his comments on Physiocracy at *WN*: 673–4, discussed above, and provides a fitting conclusion to this issue of the relation between theory and practice:

> To expect … that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the prejudices of the publick, but what is much more unconquerable, the private interests of many individuals, irresistibly oppose it.[35] Were the officers of the army to oppose with the same zeal and unanimity any reduction in the number of forces, with which master manufacturers set themselves against every law that is likely to increase the number of their rivals in the home market; were the former to animate their soldiers, in the same manner as the latter enflame their

> workmen, to attack with violence and outrage the proposers of any such regulation; to attempt to reduce the army would be as dangerous as it has now become to attempt to diminish in any respect the monopoly which our manufacturers have obtained against us. This monopoly has so much increased the number of some particular tribes of them, that, like an overgrown standing army, they have become formidable to the government, and upon many occasions intimidate the legislature. The member of parliament who supports every proposal for strengthening this monopoly, is sure to acquire not only the reputation of understanding trade, but great popularity and influence with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest publick services can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists. (*WN*: 471)

IT IS A short step from the issue of theory and practice, to the importance of history and historiography for Smith's approach to social theory: the importance of the particular points to the importance of history for understanding. Indeed, the historical treatment of all subjects is a pervasive feature of his *oeuvre*. *TMS* extensively considers previous systems of moral philosophy (especially Part VII: *TMS*: 265; *cf.* Raphael and Macfie 1976b: 4–6). *EPS* and *LRB* are largely exercises in the history of science, literature and human sensibility. *LJA* and *LJB* are in largest part studies of the historical development of law. As to *WN*, along with the history of human economic development in book III, there are many other, often lengthy, historical commentaries on a variety of issues: a detailed treatment of the historical evolution of production methods for a wide range of commodities (bk. I, ch. XI); a lengthy examination of banking systems (bk. II, ch. II); considerable historical commentary on colonies (bk. IV, ch. VII); extensive discussions of the history of public finances in a number of places (esp. bk. V, ch. I, parts I–II); and more. In short, in Smith's texts in general, and in his political economy in particular, one sees far more history than in any modern treatise in economics, along marginalist lines. In section 5.2 above (p. **000–0** ***2nd–4th paras, subsection on AS & police/y***) consideration was given to Smith's understanding of the place of political economy within the human sciences, compared with the modern demarcation of the social sciences. But the relation between historiography (as defined in the introductory paragraphs of this chapter) and political economy – a question raised in those opening paragraphs – was not considered there. How integral is history to Smith's political economy project? Does historiography form a *part* of political economy; or is it 'merely' a very salient supplement to the political economy proper? What seems the correct answer requires a fine balance and delicate judgement. Skinner (1996: 250–52) takes the view that for Smith history is not integral to political economy, in the way it is for Hume (as well as for Steuart, Galiani and other eighteenth-century economic writers):

> In Smith's hands, the history of civil society is essential for our understanding of the exchange economy and of the social and political environment it may produce. But here, history is the *preface* to political economy rather than integral to the treatment. In the event, Smith did not use the historical method in dealing with economic questions … .

There is truth in this; and, one may add, notwithstanding all the mass of historical narrative with economic pertinence in *LJ*, Smith *chose* to exclude most of it from *WN*. As

Skinner (**<u>0000: 000</u>**) elsewhere puts it, [***point about history explaining how commercial society arises, then PE, without need of recourse to history, takes over***] (*cf.* Campbell and Skinner 1976: 4, 17). Nevertheless, Skinner (1996: 252) goes a little too far in suggesting that the perspective generated by the historical approach of Steuart *et al.* – 'a perspective … that *policy* recommendations must always be related to the circumstances that prevail' – is not shared by Smith.[36] Perhaps he has a more universalistic approach than these other writers, but Smith is nevertheless firmly of the view that the legislator must take into account prevailing circumstances. There is truth in Skinner's resolution of the relation between history and political economy, to the extent that – given the emergence or existence of a fully fledged commercial society with due process of law and so on – it is possible in Smith's terms of reference to apply the general principles of political economy to understanding the operation of the socio-economic machine. But there is in Smith's political economy another layer of meaning, one may say a deeper layer of meaning, to the role of history in economic processes (and so a role for historiography). The scope of theoretical determinateness in the economics is more limited than is the case in latter-day marginalist economics, and so a considerable domain for contingency, and hence history, is opened up *within* the economic analysis itself. (This issue is taken up further in the Epilogue, in relation to modern economics.) The dependence of the level of real wages upon the contingencies of bargaining power is the notable example, at the very heart of Smith's theory of competition and prices. The customary content of subsistence also makes subsistence, whatever the plausibility of its status as an anchor for wages, necessarily a creature of history (*vide* Garegnani **<u>0000: 000–00</u>**). This is a kind of theory which, via that domain of indeterminateness, provides 'space' for contingency and thereby for history; e.g., a role for particular norms concerning minimum socially acceptable consumption, and particular institutions such as (later) unions, to shape the bargaining outcome. Nevertheless, one does well to avoid merely semantic distinctions. What matters is not so much whether or not historiography has a place within the defined scope of Smithian political economy – whether historiography intersects with political economy. Rather, what matters is the importance or otherwise of historical understanding for the proper conduct of an economic science. Whether, in definitional terms, historiography is auxiliary or integral, then does not matter. In any case, notwithstanding the very wide, or one may say 'soft', use he makes of the term 'science' (*vide* sec. 2.1 above), Smith never calls history or historiography a science – with the exception of the particular case of 'natural history' (*EPS*: 248).

From the standpoint of economic subjects, the most striking historical dimension of Smith's thought is a four-stages conception of the history of human material development, in terms of hunting, herding, agriculture and commerce.[37] Whether or not there is such a thing as an historical science for Smith, this historiography certainly has a 'theoretical' character, though it is Dugald Stewart (1811: 292–6), not Smith himself, who aptly names this form of inquiry '*Theoretical* or *Conjectural History*'. It is history, up to a point, with a certain determinate logic, because it is the working out of nature, especially human nature, in history. (Recall also the sense in which Smith perceives nature working away, for the good, in economic outcomes, even under imperfect or worse political constitutions and policy regimes, in his comments on Physiocracy discussed above.) One may say, therefore, that a central element of Smith's historical writing is to account for the effects of the operation of the fundamental human

psychological characteristics (the desire for material self-betterment and so on) – under various institutional conditions in the widest sense – though with resulting human behaviour effecting alteration in those conditions, both intentionally and unintentionally. But that working out in history of human nature and of its universal principles of action is by no means deterministic. Indeed the central point of the *WN*, book III treatment of economic development is to show how little the *actual* development has followed 'the natural course'. (The sceptic at this point, and at others, might inquire: if the liberal system is so 'natural', why has it taken so much human history for it to emerge, even in imperfect forms?) And the materialism evident in the four-stages theory – materialism in the sense of economic forces shaping wider human and socio-political development – is also soft, rather than deterministic. The historiography is 'conjectural' in the sense that it is considerably (but by no means exclusively) based upon speculation as what *must have* been the course of history, based upon a priori knowledge of human nature, together with knowledge or conjecture about the circumstances in which humans found themselves at earlier times. There is plenty of actual history in Smith's text as well, or at least what purports to be accurate accounts of actual history. The recourse to conjecture does not at all reflect an indifference towards 'well authenticated history' (*WN*: 702). In truth, notwithstanding a degree of latter-day fascination with Smith's theoretical history, in both *LJ* and *WN* the balance between the conjectural and the actual favours the latter.

Certainly for Smith, consciously, theory informs the study of history – and whether or not it is science, the study of history is properly about cause and effect. *LRB* (104–16) includes two lectures on '*the History of Historians*', ancient and modern – second-order historiography so to speak (in terms of our definition of historiography), study of the history of history-writing. Machiavelli is singled out for particular praise, and the reason is interesting: 'Machiavel is of all Modern Historians the only one who has contented himself with that which is the chief purpose of History, to relate Events and connect them with their causes without becoming a party on either side' (*LRB*: 115; *cf. TMS*: 217). In *WN* (790), Hume is described as 'the most illustrious philosopher and historian of the present age'. John Millar wrote of Smith himself:

> I am happy to acknowledge the obligations I feel myself under to this illustrious philosopher, by having, at an early period of life, had the benefit of hearing his lectures on the History of Civil Society, and of enjoying his unreserved conversation on the same subject. The great Montesquieu pointed out the road. He was the Lord Bacon in this branch of philosophy. Dr. Smith is the Newton. (quoted in *EPS*: 275, ed. note 4; *cf. Corr*: 99, n. 1)

Whether or not historiography is an element of political economy as Smith understood the science, it is a compelling fact that he was imbued with a deep and wide-ranging historical sensibility:

> By instinct … he is a historian in the sense that he sees narrative as the very type of human thought-procedure; but his interest in it is also that suggested by Hume's description of history's records as 'so many collections of experiments by which the moral philosopher fixes the principles of his science'. (Bryce 1983: 19)

(A crude but not uninteresting measure is telling: the proportion of works in Smith's library with 'history' or variants in their titles.) However, the considerable historical

commentaries in *WN*, noted above (the *actual* rather than theoretical history) should also be seen as partly embodying an empirical concern, albeit of a commonly long-run kind – rather than solely expressing a role for history in economic inquiry. Be that as it may, overall in Smith's thought, one has a sense of his aiming for a delicate combination – on the one hand, enunciation of universal principles (of explanation, and of justice as he comprehended it), and on the other, strong appreciation of the historical specificity of the social expression of those universals, in particular times and places. Smith died with a long expressed ambition of completing a wide-ranging historico-theoretical project, or set of projects, unfulfilled. In 1785 he writes: 'I have … two other great works upon the anvil; the one is a sort of Philosophical History of all the different branches of Literature, of Philosophy, Poetry and Eloquence; the other is a sort of theory and History of Law and Government' (*Corr*: 286–7; *cf.* 168). As the editors of the correspondence point out (p. 287, n. 5), elements of all this are preserved in *EPS*, *LRB* and *LJ*. In the same letter Smith admits the unlikelihood of his plans being brought to completion (*cf. Corr*: 310–11).[38]

START PREHISTORY of 'theory' here.

5.4 the limits of theory & the limits of Smith's political economy

Stepping back from the substantive content of both the theory and the policy Smith enunciates, one may see how he draws stricter limits to the proper domain of theory in political economy, than has become customary since the twentieth century. The legitimate claims of economic theory are rendered more modest (an issue pursued further in the Epilogue). Smith's political economy in no essential way relies upon the project of theoretical history, however valuable or insightful or intriguing the latter may be. But history, actual and speculative, nevertheless plays a much bigger role in his economics than it does in modern economics. There may be substantial and good reasons for this. To come at the issue from another vantage point, Smith's political economy is in one sense bigger than modern economics – it includes considerable sociology, and at least elements of political science – and in another sense it is smaller. It is smaller insofar as the domain of determinate theoretical results is smaller. Is this just because he was working at an early stage of theoretical development of the science, and so produced a lesser number of determinate results than we are now capable of? There is truth in that; but there is more to the matter as well. The domain of theory (and determinacy) and the domain of history (and contingency) are differently drawn by him. Smith's refusal to make practice and policy a straightforward application of his (essentially universalistic) politico-economic theory is another and a different expression of the limits of theory. If Smith were to come back from the dead, would he find more congenial the intellectual temper of historically-minded economists, or the temper of the neo-Walrasian economists who rose to dominance in the second half of the twentieth century? Smith's manner of constituting the scope of political economy as one among the human sciences, is also of considerable interest. This is not so much because a literal return to his conception is to be recommended; rather, it is of interest because by getting our minds around the conception of an immensely intelligent founding figure in the history of the science, we are able to see more clearly the particularity and frailties of our own conception of the science and

its relations (or lack thereof) with other sciences, in particular, other human sciences. It is a way of gaining a measure of 'intelligent distance' from our own taken-for-granted conceptions about scope and relations with other intellectual disciplines. And after all, it surely cannot be said that the current academic demarcations of the social sciences are satisfactory or unproblematic.

As to the substantive content of Smith's theory and policy, almost enough has been said by way of appraisal in the previous chapters, as well as earlier in this chapter; but its relation to subsequent developments will be touched upon in the Epilogue as well. The only remaining and fundamental issue deserving of consideration here concerns Smith's treatment of distribution and its significance for the limitations of his *normative* purpose for political economy, which also has implications for his first-best, most preferred economic policy.[39] As was implied already in the opening paragraph of section 4.2 above, and clarified in section 5.1, opulence – or more precisely, *generalized* (i.e., 'general', 'national', 'public' or 'universal') opulence – is the ultimate normative purpose of his political economy, just as it is the primary (legitimate) economic purpose of government. As a policy science, it shares the same prescriptive purpose as good government; and the descriptive theoretical content of the science is naturally governed by that over-arching purpose: to grasp the means to prosperity; to understand and explain the causes of the distribution and growth of output and of consumption. Much has been written criticizing Smith's characterizations of what he called the mercantile system (see pp. **00–00** above ***mercantilism in 2.2***). He certainly oversimplified – one may even say, misrepresented – the corpus of mercantile literature in his portrayal and critique of it. But even if that is true, one should not lose sight of the rightness of his position *vis-à-vis* mercantilism – 'in the large', so to speak – whether or not his account of mercantilism is true to all the detail of that literature. In making general opulence the normative purpose of political economy, Smith forcefully enunciates that the (legitimate) purpose of the social economy is to advance the consumption of the working class, the bulk of the population.

> 'Tis true indeed that … gold lasts for a long time and … claret is very soon consumed, but this makes no odds. For to what purpose do all those things which a nation possesses serve? To no other but the maintaining the people? And how is <it> that this end is answered? By being consumed. It is the *consumptibility* of a thing which makes it usefull. To what purpose does industry serve but to produce the greatest quantity of these necessaries. … The business of commerce and indust<r>y is to produce the greatest quantity of the necessaries of life for the consumption of the nation … . … The production of the necessaries of life is the sole benefit of industry. … The whole benefit of wea<l>th and industry is that you either employ a greater number or give those already employed a more comfortable subsistence … . (*LJA*: 390–91; *cf. LJB*: 511–12; also *WN*: 660–62, part quoted at p. **000** above ***sec 4.3, 5th–last para AS discussion***)

How many, if any, of the mercantilist writers can be read as enunciating such a view of the economic purpose of society? In truth, that literature largely treats the labouring classes as little more than fuel for the economic machine, that machine being geared to other grand politico-economic purposes of State. The consumption of the labouring classes matters in mercantilism, in the same manner in which the food of cattle matters to a farmer. Defoe's 1713 statement – 'nothing that is consumed at home is an advantage to the national wealth' – captures the contrast with Smith's view (quoted in Coleman 1980: 781).

That is all to the good, as to the legitimate *end* of economic society; but offering the system of natural liberty as the *means* to that end, amounts to offering trickle-down as the (largely) sufficient policy for that purpose: the workers are better off, as wage workers in liberal commercial society, than they otherwise would be (*vide* sec. 5.1). To put it mildly, this is not in any straightforward sense a testable empirical proposition (what are the 'otherwise' possibilities?). Let us accept that Smith is right concerning the more limited proposition, that as between the 'savage' socio-economy and the commercial socio-economy, the median or average person in the latter is better off than the equivalent person – or even the materially *best off* person – in the former. Still, two further contestable steps are required in order to get to an ethical justification of the trickle-down conclusion, along the lines implied by the Smith texts considered in section 5.1, together with his general presumption concerning policy outlined in section 5.2. First, the superior situation of the median individual in commercial society is a result of higher labour productivity; but does this require inequality (as Smith evidently believes) – and if it does, what precise extent and forms of inequality does it require? Could not the median individual be even better off by way of redistribution of resources, in some further alternative socio-political framework or other – e.g., social democracy or some variant of socialism (going beyond the redistribution sanctioned by Smith himself) – at least if the higher labour productivity can be preserved under such alternative social arrangements? (Of course, many have offered various pro and contra answers to this kind of question, since 1790.) In allowing the permissibility of progressive taxation (pp. 000–0 above ***2nd-last para sec 5.2 AS-policy discussion***), Smith takes a step in the direction of opening up this possibility. Is he not then subject to the following, telling claim that Keynes directs at von Hayek, concerning liberalism and planning, in a letter of 28 June 1944?

> You admit here and there that it is a question of knowing where to draw the line. You agree that the line has to be drawn somewhere, and that the logical extreme is not possible. But you give us no guidance whatever as to where to draw it. In a sense this is shirking the practical issue. It is true that you and I would probably draw it in different places. I should guess that according to my ideas you greatly under-estimate the practicability of the middle course. But as soon as you admit that the extreme is not possible, and that a line has to be drawn, you are, on your own argument, done for, since you are trying to persuade us that so soon as one moves an inch in the planned direction you are necessarily launched on the slippery path which will lead you in due course over the precipice. (Moggridge 1980: 386–7)

Smith's trust in 'nature' makes him not so worried about economic society going over a precipice. As for deciding where the line is to be drawn, Smith could offer only the prudential judgement of the legislator – though this is not to deny that his use of the phrases, 'not very unreasonable' that the rich pay 'something more' than proportional taxation (*WN*: 842), certainly suggests that *his* practical judgement would be to favour very moderate progressivity. In any case, this does not provide a definite and defensible principle or rule for where to draw the line on redistribution.[40]

The second necessary but contestable step in arriving at an ethical justification for a general policy of trickle-down in a liberal commercial society goes to this issue: even if great or extreme inequality were a necessary element of commercial society and its high labour productivity, this would not justify the resulting particular socio-economic outcomes for each of the particular individuals or families making up that society. (The

inheritance of wealth and the associated intergenerational transmission of inequality alone point to that fact.) However necessary the functional distribution – and as a matter of fact, as has been seen, for Smith functional distribution itself is arbitrary up to a point (p. **000** above ***last para, 5.1 AS subsection***) – the ethically arbitrary character of personal distribution is a compellingly obvious fact. Beyond justice (as he understands it), defence and some quite limited public works, Smith has a general presumption in favour of a non-interventionist State – notwithstanding a good number of particular exceptions that he allows. One may say that he gives himself too easy a target, in advancing the case for perfect liberty by attacking discriminatory policies as between particular commodities and activities – especially when the sole purpose (or at least the sole benefit) is to favour particular private (producer) interests.[41] Such policies are only part of the potential picture. What of possible policy intervention to address unemployment? At least for the very long run, this is not plausible as a policy problem in Smith's system: labour supply adapts to accumulation and the associated growth of labour demand. What of possible policy to address income or wealth maldistribution, or poverty? This is not (or hardly) entertained either; but there is nothing in Smith's system to guarantee a morally defensible personal distribution of material resources, or functional distribution of income, in liberal commercial society.[42] The only hope of any rational argument in defence of such elements of arbitrariness in material inequality must be along the lines of dangers from political intervention in the distribution of property, wealth or incomes, such as to outweigh any possible benefit. This is not the place to consider socio-economic arrangements alternative to a more or less strict form of liberal capitalism along Smithian lines. But the least one may say is that it is a long bow of an argument which would draw a trajectory from, say, progressive income tax, or inheritance taxation – or even social democracy – inexorably to the Gulag. To Smith's suggestion that the rich and the poor are more substantially on an equal footing than might at first appear (*vide* n. **9** above), there is a rather obvious response: if this is so, the rich should have no reason to be troubled by any prospect of exchanging places with the poor.

REFERENCES [Chapter 5]

References 10 point, hanging .08 references 10 point, hanging .08 references 10 point, hanging .08 references 10 point, hanging .08

Notes [Chapter 5]

1. Smith's apparent separation of political economy from jurisprudence here might seem to tell against the conclusion in section 2.1 above, that political economy is a branch of jurisprudence. But in response to the same apparent separation in the final paragraph of *TMS* – to which Smith here refers (and indeed, partly repeats virtually verbatim) – the editors note: 'he is evidently distinguishing between general principles of justice and detailed laws and institutions for giving effect to those principles' (*TMS*: 341–2, n. 8). That is to say, Smith is distinguishing 'police, revenue, and arms' from the (fundamental) *theory* of jurisprudence, not from jurisprudence as such. The *TMS* editors also draw attention to pertinent passages in *LJ* (*LJA*: 5–6, 331; *LJB*: 486).

2. Note, however, two qualifications which immediately follow. First, as labour productivity rises, 'it produces … a much greater quantity of work than in proportion to the superiority of its reward': real wages rise less than proportionally to the rise in output per worker. Second, Smith observes that therefore rich countries generally will not lose markets to poor countries – unless due to the former pursuing inappropriate policy, one effect of which could be to increase 'the price of labour to an unnatural height, far beyond what the opulence of the society could of its own accord have raised it to' (similarly, at *LJA*: 343–4). Opulence is identified with 'plenty' also at *LJA*: 6, 340, 356; opulence, plenty and 'abundance' are coupled together and identified with 'cheapness of goods of all sorts' at *LJA*: 333 (also 343; *LJB*: 487, 491, 503–04); and opulence is identified with high real wages in particular:

> The opulence of a state depends on the proportion betwixt the moneyd price of labour and that of the commodities to be purchased by it. If it can purchase a great quantity then it is opulent; if a small then it is poor. (*LJA*: 350)

3. Recall also that division of labour itself presupposes accumulation of stock; and from the historical standpoint, accumulation as a condition of opulence includes original accumulation (*vide* chapter 4, n. **56**). The role of accumulation or saving in relation to opulence is also explicit in *LJA*: 393–4; *LJB*: 513–14; *edWN*: 578.
4. The role of 'peace' is further illustrated in a Smith historical commentary on ancient Rome:

> When the armies are fighting abroad the conquering state enjoys great peace and tranquillity at home. This length of peace and quite gives great room for the cultivation of the arts, and opulence which follows on it. Commerce too will naturally introduce itself … (*LJA*: 235).

At first glance the comment that opulence follows from development of the arts might seem to contradict the *LRB* statement that opulence is a prerequisite; but the latter concerns *fine* arts. Notice also that the administration of justice need only be 'tolerable', not perfect. This resonates with Smith's non- or anti-utopian attitude, discussed in section 5.3 below. As to security of property rights in general, he elsewhere argues that the historical impetus for the rise of government is the protection of material property, rather than the protection of life (*WN*: 709–10, 715; *LJA*: 16, 202–09, 228; *LJB*: 404–07). The point is stated most bluntly at *LJB*: 404 – '[t]ill there be property there can be no government, the very end of which is to secure wealth, and to defend the rich from the poor'. (Concerning the legitimacy of this, see *LJA*: 338; *LJB*: 489.) The following is a rather full statement of the significance of secure property rights for economic development, from *WN* (910), in the context of a discussion of the rise of public debt:

> Commerce and manufactures can seldom flourish long in any state which does not enjoy a regular administration of justice, in which people do not feel themselves secure in the possession of their property, in which the faith of contracts is not supported by law, and in which the authority of the state is not supposed to be regularly employed in enforcing the payment of debts from all those who are able to pay. Commerce and manufactures, in short, can seldom flourish in any state in which there is not a certain degree of confidence in the justice of government.

5. 'Progress' is sometimes, but by no means universally, used by Smith as an intrinsically normative term, to refer to a desirable course of events. Unless the term was being employed in a normatively neutral manner, his frequent references to 'the progress of improvement' would be nonsensical (*WN*: 4, 165, 193–4, 234–5, 237–8, 241–2, 244, 246–7, 253, 259–60, 334, 697, 707–08, 786; *EPS*: 187). (Most of these are from the *WN*, book I, chapter XI discussion of agricultural development.) The same applies with regard to the phrases 'progress of … decay' (*EPS*: 128) and 'progress of despotism' (*WN*: 729). In these kinds of

contexts the term conveys just a normatively neutral notion of temporal development. Elsewhere, a sense of desirable development is clearly intended (e.g., *WN*: 933; *LRB*: 181; *LJA*: 231; *edWN*: 576; *Corr*: 310). Smith once uses 'progressive state' as a synonym for the growth economy, in a manner highly pertinent to general opulence:

> it is in the progressive state, while the society is advancing to the further acquisition … [of] its full complement of riches, that the condition of the labouring poor, of the great body of the people, seems to be the happiest and the most comfortable. It is hard in the stationary, and miserable in the declining state. The progressive state is in reality the chearful and the hearty state to all the different orders of the society. The stationary is dull; the declining, melancholy. (*WN*: 99)

6. And in general, beyond the property rights issue, government restrictions upon and regulation of economic life, including undesirable tax systems, are the political culprit in retarding growth and opulence. In *WN*, these matters are systematically discussed in the short book III, a mere fifty pages (also 145). As noted earlier (chapter 4, n. **56**), the subject of the slow progress of opulence is absent from the *LJA* manuscript, but almost certainly because it was discussed in that part of the text no longer extant. In some respects, the treatment of the subject in *LJB* (521–38) is richer than that in *WN*.
7. All further references to opulence and variants thereof, incidental to our fundamental purposes here, occur at *WN*: 111, 190, 205, 347, 366, 376–7, 379, 381, 406, 711, 810, 813–4, 902; *LJA*: 182, 185, 341, 353, 382; *LJB*: 419, 443, 452–3, 467, 475; *edWN*: 564, 574; *Corr*: 241 (the only instance in Smith's correspondence). The most intriguing of these concern the suggestion that slaves are worse treated in opulent than in poor countries (*LJA*: 182, 185; *LJB*: 452–3; *cf. WN*: 587). A good number of the rest do not concern nations or peoples in general, and in particular, refer rather to opulent individuals. Neither the term nor any variants of it are to be found in *TMS*.
8. Notice that Locke also connects the contrast to differential labour productivity:

> There cannot be a clearer demonstration of any thing, than several Nations of the *Americans* are of this, who are rich in Land, and poor in all the Comforts of Life; whom Nature having furnished as liberally as any other people, with the materials of Plenty, *i.e.* a fruitful Soil, apt to produce in abundance, what might serve for food, rayment, and delight; yet for want of improving it by labour, have not one hundredth part of the Conveniencies we enjoy: And a King of a large fruitful Territory there feeds, lodges, and is clad worse than a day Labourer in *England*. (Locke 1698: 338–9).

Smith owned the 1728 fifth edition of Locke's book (Mizuta 2000: 151). Smith's idea, more closely following the Lockiean formula, is expressed already at the very beginning of *WN*, in the fourth paragraph of the 'Introduction and Plan of the Work':

> Among civilized and thriving nations, … though a great number of people do not labour at all, many of whom consume the produce of ten times, frequently of a hundred times more labour than the greater part of those who work; yet the produce of the whole labour of the society is so great, that all are often abundantly supplied, and a workman, even of the lowest and poorest order, if he is frugal and industrious, may enjoy a greater share of the necessaries and conveniences of life than it is possible for *any* savage to acquire. (*WN*: 10; emphasis added)

See also *WN*: 22, quoted at the opening of this section, above, and more fully in section 4.1 above. Hont and Ignatieff (1983: 42) draw attention to the Lockiean formulation appearing also in Martyn (1701 ***check citation***).

9. The argument at *LJB*: 453–4 (paralleled at *LJA*: 194–6), concerning the rich man who feeds 1,000 via his luxury consumption but 'eats or wears no more than the rest', also has close kinship with the intent behind trickle-down. The conclusion drawn at *LJA*: 195 is notable: 'a

people who are all on an equality will necessarily be very poor'. A similar but more famous passage of argument appears in *TMS* (184–5; more famous, because involving the one instance of the invisible hand metaphor in that work, a metaphor that has attracted widespread fascination in later times):

> It is to no purpose, that the proud and unfeeling landlord views his extensive fields, and without a thought for the wants of his brethren, in imagination consumes himself the whole harvest that grows upon them. … The capacity of his stomach bears no proportion to the immensity of his desires, and will receive no more than that of the meanest peasant. … The rich … 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, and thus without intending it, without knowing it, advance the interest of the society … . In ease of body and peace of mind, all the different ranks of life are nearly upon a level, and the beggar, who suns himself by the side of the highway, possesses that security which kings are fighting for.

Notice the subtle difference between the quoted *LJA*: 195 contention and the drift of the parallel *LJA*, *LJB*, *TMS* stomach arguments: the former justifies inequality; the latter propose that beneath the appearance of inequality, there is in fact a substantial equality. At *LJA*: 196–8 (also slightly mentioned at *LJB*: 453–4) Smith argues that something akin to trickle-down was obstructed in ancient societies, due to the institution of slavery.

10. Actually, a very substantial statement also occurs at *WN*: 606 – referring to 'the natural system of perfect liberty and justice' – in the context of discussing the British monopoly of its colonies' trade. Because of its significance for Smith's views on the relation between theory and policy, discussion of this is better left to section 5.3.
11. There are some references to a 'system of liberty' in *LJ*, but related more to political constitution than economic system (*LJA*: 264, 269–71; *LJB*: 421). Nothing resembling the system-of-liberty phrase appears in *TMS*, *EPS*, *LRB* or *Corr*.
12. This passage of argument leads into the one *WN* instance of the 'invisible hand' metaphor, which appears three pages later (see all of *WN*: 454–6). To those familiar with the secondary literature on Smith, it may seem strange that our lengthy study has proceeded with hardly any reference to that metaphor, which has loomed so large in latter-day interpretation, at least in recent times. But as Rothschild (**0000: 000–00**) has convincingly argued, the invisible hand metaphor is of little significance for Smith's political economy. Apart from the *WN* instance, and the one instance in *TMS* (quoted in n. **9** above), he also has recourse to 'the invisible hand of Jupiter' in the 'History of Astronomy' (*EPS*: 49) – which may or may not bear a significant connection with the other two instances (*vide* Macfie 1971). Two qualifications may be made to this downplaying of the notion. First, while two (perhaps three) references are not suggestive of an important role for the notion in Smith's self-understanding, the concept of unintended (and commonly but not always beneficial) social consequences flowing from self-regarding human actions – which is at the heart of its meaning – appears more frequently, as Fleischacker (**0000: 000–00**) has argued recently. (See the passage of historical argument culminating at *WN*: 422, concerning political power ceded away as a result of economic forces; *WN*: 800–806, on the decline in the temporal power of the clergy, due to economic development; *WN*: 630, concerning the natural distribution of stock as that which is most advantageous to society; and *WN*: 707–08, on the profound consequences for history and civilization of 'a mere accident', the invention of gunpowder **…** .) Second, Smith more than once appeals to 'invisible chains' of causal explanation in the 'History of Astronomy' (esp. *EPS*: 45–6, 48).

The application of the metaphor in *WN* is indeed of rather trivial import: it amounts to saying merely that each individual producer pursues maximum individual output, and so (implicitly, by simple aggregation), society's output is maximized. Well, to be sure, no one is aiming at maximization of the social product; but on these terms, there is nothing really very mysterious, let alone providential, about the outcome. (This is not a criticism of Smith: he is doing no more than providing a dash of rhetorical flourish. But that flourish adds nothing beyond the more straightforward statement of Ferguson 1773: 240 – '[t]he object in commerce is to make the individual rich; the more he gains for himself, the more he augments the wealth of his country.') Similarly, the suggestion elsewhere, that opulence is an unintended consequence of individuals' pursuing division of labour with the aim of increased individual productivity (p. 000 above ***1st para sec 4.1***, and n. **4**), is not a very remarkable proposition. Again, certainly no individual is intending general opulence, but it is hardly a deep insight that general opulence *might* result. (The causal connection here is rather more tenuous than mere simple summation – which would only get one to higher social product and higher product per capita, not necessarily generalized higher consumption per capita, which is the meaning of 'general opulence'. On this particular point see p. **000** above [***5th para, sec 5.1***].) As a matter of fact, better than these two instances, the convergence of market prices toward natural price provides greater substance for a notion of unintended beneficial consequences (as mentioned in the introduction to chapter 3), though Smith does not in that analysis use such language (but comes close to doing so at *WN*: 630, mentioned above).

The invisible hand is also not a species of 'teleological' argument; that is to say, it is not, in any of its forms (including the unintended consequences arguments with no explicit reference to 'invisible hand') an attempt to causally 'explain' phenomena by reference to their consequences understood as purposes. When Smith speaks of nature having constituted man such that his passions effect nature's purpose of preserving the species (*vide* sec. 2.3 above), this sounds like teleology: the constitution of humans is explained by nature's purpose. But *given* the constitution of human nature, as Smith understands it, the causal explanations for the unintended-consequences phenomena are all of the normal, scientifically acceptable form, with no reliance upon 'final causes'. The 'unintended' aspects of the causations really concern system outcomes of widespread or near-universal ('natural') individual behaviours. That which is 'invisible' to the individual participants qua individuals, but grasped and revealed by the theorist, is precisely the systemic consequences of individual behaviour – and the feedbacks of systemic forces upon individual behaviours.

With regard to feedbacks, Kurz (**0000**: **00–00** ***not in print yet***) rightly draws attention to the endogeneity of technical innovation with respect to competition in classical economics. This is certainly to be found in Smith: competition is the system consequence of individual self-regard and individuals' desire for material self-betterment, from which arises also innovation to improve productivity (chapter 3, n. **20** above); but competition in turns *drives* innovation (see *WN*: 748, quoted at p. **000** above ***4th para, sec 3.4***). (The manner in which competition disciplines individual producer behaviour is also exemplified by *WN*: 163–4, quoted in section 3.1 above [***3rd last para***], and in Smith's discussion of 'jostling' which immediately follows [***2nd last para***].) Morals and manners are also to some degree endogenous to commercial society (n. **17** below). But Smith certainly does *not* regard orderly commercial society as a system spontaneously generated out of human nature [of 'spontaneous order' ***cf. Hayek?***], producing also its own requisite moral behaviours. The *slow* progress of opulence in history alone indicates that (sec. 5.1 above) – however 'natural' the human traits which provide the impetus to opulence are supposed to be. In the absence of self-regard *combined with law-abidingness and self-restraint* (pp. **00–00** above ***last 2 paras, 3.1***), the unintended system consequences might be far less happy.

For commentary on the extensive secondary literature on the significance of the invisible hand metaphor, see … ***add key citations*** … . Rothschild (**0000**: 158 ***check***) makes the acute point

that the latter-day magnification of the metaphor has involved perceiving it as 'not so much a description as a prescription'.

13. With regard to natural balance, see *WN*: 499, 504, 523, 604; *LJA*: 365–6; *LJB*: 498; *edWN*: 575, 578. Beyond these, naturalness is also applied to the balance of foreign trade and to saving (the balance of consumption and production). For natural course see *WN*: 116, 239, 247–8, 372, 378, 380, 401, 422, 457, 803; *LJA*: 265, 351, 365–6; *LJB*: 499. Smith also uses a natural 'channel' metaphor (*WN*: 506, 897–8). 'Natural course' is used in non-economic contexts as well (*TMS*: 168; *EPS*: 44, 50; *LRB*: 66; *Corr*: 383). For natural distribution see *TMS*: 167–8; *WN*: 3, 11, 13, 499, 504, 630–32, 673 [***none in LJ, edWN but really implied a bit***]. That particular phrase is not primarily used in relation to functional income distribution (rather, for example, distribution of stock); but of course, insofar as natural balance is associated with market prices approximating natural prices, natural income distribution is implied. Smith's notion of history as expressing the working out of nature (in particular, human nature) – though not necessarily with compelling or overwhelming force – also connects with these formulations of a natural norm for economic society: 'though the profusion of government must, undoubtedly, have retarded the natural progress of England towards wealth and improvement, it has not been able to stop it' (*WN*: 345; also, e.g., 802; *LRB*: 203; *LJB*: 407). In other words, the norm is also, to some extent at least, the actual tendency of history. This is discussed a little further in the following section.
14. All further references to liberty or variants thereof (but not including 'liberal' and variants), incidental to our fundamental purposes here, for just *WN*, are at: 9, 20, 24, 50, 90, 200, 327, 345, 388, 434, 534, 537, 542, 584, 577–8, 586, 606, 610, 614, 660, 700, 706–07, 735, 747, 787, 794, 796, 799, 803, 826, 912, 936. It should be added that there is a very considerable amount of material in *LJ* concerning individual liberties and the political and legal means to secure them, considered historically.
15. The assertion that these are the aims of 'every' government points to the manner in which Smith's theory and analysis are at one and the same time normative and thoroughly empirical: in one way or another all governments pursue these objectives; how well (and how well, even in terms of their own purposes) can be judged on the basis of a Smithian social science constituted by sound descriptive or causal theory and correct or rational normative standards.
16. Notice the inclusion of the opulence of *other* countries in the aims of police. This points to Smith's repudiation of mercantilism – in particular, his repudiation of the notion of international commerce as a zero-sum game.
17. This introductory statement is expanded upon with regard to police at *LJA*: 331–3 (and the parallel texts for *LJB* are at: 397–401, 485–7). One notable element there is an argument for how commercial society leads to more and more independent workers, and by thus reducing dependency, also reduces criminality and the need for 'police' – in a narrower sense, of laws, crime prevention and law enforcement, with respect to personal injury in particular (*LJA*: 332–3; *LJB*: 486–7): 'The establishment of commerce and manufactures, which brings about … independencey, is the best police for preventing crimes' (*LJB*: 486–7). This points to the fact that the relationship between morals or manners and commerce for Smith is not *just* one-way – not just that commercial society presupposes a certain standard of moral behaviour. Commerce can feed back upon morals or manners as well, and for the better. (Incidentally, the dependent workers who are here so much led to criminality, are typified by 'menial servants' or 'retainers', the species of labour which dominates Smith's perception of unproductive activities: *vide* sec. 4.3 above.) *LJB*: 538–9 provides another instance of commerce shaping manners: self-interest in the framework of commercial society leads to 'probity and punctuality', with a view to building good reputation in contracting and exchange [***no parallel text of this in LJA (vide n. 6 above)***]. With regard to external defense, it may be noted that Smith sees a kind of historical near-inevitability to the growth of public debt in

commercial societies (though it is not thereby rendered desirable) – in particular, for extraordinary expenditures associated with war (*WN*: 907–11).

18. While Smith nowhere refers to 'political science', at least three of Smith's contemporaries categorized his political economy project in terms of political science. William Robertson writes to Smith in 1776, following a first reading of *WN*: 'You have formed into a regular and consistent system one of the most intricate and important *parts* of political science' (*Corr*: 192; emphasis added; more fully quoted in the epigraph to this chapter). A few years later James Dunbar (1780: 297, as quoted in Mizuta 2000: 84) refers to *WN* as 'a work which will, probably, in future times, be referred to in political science as the first just and systematical account that has appeared in any language, of the principles of public [e]conomy, and the phœnomena of commercial states'. The same year, William Eden (1780: 101–02, as quoted in Mizuta 2000: 85) writes of 'Adam Smith, whom political science may reckon a great benafactor [*sic*]. Somewhat later still, Stewart (1811: 310–11) writes:

> in physics, where our progress depends on an immense collection of facts, and on a combination of the accidental lights daily struck out in the innumerable walks of observation and experiment; and in politics, where the materials of our theories are equally scattered, and are collected and arranged with still greater difficulty, the means of communication afforded by the [printing] press have, in the course of two centuries, accelerated the progress of the human mind, far beyond what the most sanguine hopes of our predecessors could have imagined. … It is evident … that the most important branch of political science is that which has for its object to ascertain the philosophical principles of jurisprudence; or (as Mr Smith expresses it) to ascertain 'the general principles which ought to run through and be the foundation of the laws of all nations*.' ... To direct the policy of nations with respect to one most important class of its laws, those which form its system of political economy, is the great aim of Mr Smith's *Inquiry*. And he has unquestionably had the merit of presenting to the world, the most comprehensive and perfect work that has yet appeared, on the general principles of any branch of legislation.

In note *, Stewart cites the concluding paragraph of *TMS*. See also the reactions to *WN* of Hugh Blair and Thomas Pownall (*Corr*: 188–9, 337), and the title of Ferguson (1792). Phillipson (1987: 497) asserts that 'Stewart was the first academic to detach the study of political economy from that of the theory of government and to treat each as a distinct branch of political science'; but Smith himself articulates political economy as a distinct 'branch' of a larger political science (*WN*: 428, 678–9; both quoted at the opening of sec. 2.1 above).

19. SHORT PRECISE MODERN DEFINITIONS OF: With regard to the fundamental modern classification of the social sciences, the following general definitions may be offered. 'The human sciences' … . 'Jurisprudence' … . 'Political philosophy' and 'political science' … . 'Psychology' … . 'Anthropology' … . Historiography was defined in the introductory paragraphs to this chapter: the study, writing and interpretation or theorizing of history. Ian Hacking (2006: 23) makes a sound observation pertinent to the demarcation of the social sciences:

> Sometimes, our sciences create kinds of people that in a certain sense did not exist before. I call this 'making up people'.
>
> What sciences? The ones I shall call the human sciences, which, thus understood, include many social sciences, psychology, psychiatry and, speaking loosely, a good deal of clinical medicine. I am only pointing, for not only is my definition vague, but specific sciences should never be defined except for administrative and educational purposes. Living sciences are always crossing borders and borrowing from each other.
>
> The engines used in these sciences are engines of discovery but also engines for making up people.

This points to the fact that the various modern social sciences do not really demarcate mutually exclusive (whether or not in some sense also collectively exhaustive) domains of

inquiry – hardly surprising, since the dimensions of human society and human life ultimately are not so separated either. Rather, their subject matters inevitably intersect; they can even turn out to be, in many instances if not altogether, different approaches to the same phenomena. In Hacking's analogy – close to Smith's own notion of modes of understanding as 'machines' (*EPS*: 66) – they are different engines for pulling the same load; they are different discoveries, or attempted discoveries, in relation to the same material. In a sense, this fact is nowhere more strikingly evident from within the social sciences, than from the vantage point of twentieth-century economics. More than any of the other human sciences, economics has made claims for having in its possession an 'engine' – constrained, optimizing, individual rational choice – which can pull all loads, a universal social-scientific method (*vide* Harcourt ***'soc sci imperialists'***; sec 2.1 note).From this perspective, while the notion of a difference of *scope/object* between Smith's political economy and modern economics is by no means an entirely redundant proposition (n. **39** below), the most important truth is that there is a difference of theoretical approach to, broadly, the same material. The engines are different but not thereby incommensurable. (These differences of theory and method have been sufficiently indicated above and do not require restatement here, though some further aspects are considered below – notably, in relation to the role of 'history'.) There are also commonalities of method; for example, the central role of profit maximization in the operation of markets.

20. All other references to 'policy' and 'police', or variants thereof (but not including 'politics' and variants), often referring to specific policies, are at *TMS*: 63, 185–6; *WN*: 3, 11, 171, 199, 216, 256, 264–5, 514, 547, 549, 573, 575–6, 580, 584, 586, 588–91, 636–7, 657, 670, 672, 727, 820, 832, 843, 891; *LJA*: 54, 139, 150, 167, 192, 215, 238, 240, 362, 375; *LJB*: 442, 497, 506, 512, 514, 528–30, 544, 550; *edWN*: 567; *Corr*: 139 (referring to the title of a French book), 243, 384. One further commentary on policy at *WN*: 538–43, which concerns 'second-best' policy (our term), is discussed in note **35** below, in the context of the relation between theory and policy. There is also an important discussion of policy at *TMS*: 234, pertinent to the same issue, considered there as well. Apart from this and the passing reference to 'civil policy' noted above, the only other significant reference to policy or police in *TMS* is an apparent separation of 'police' from 'justice' at *TMS*: 341–2, the very end of that work. This, together with the related statement at *TMS*: 3, has been discussed in the introduction to this chapter (especially n. **1**). Neither term is anywhere to be found in *EPS* or *LRB*.
21. To be clear, the implications of liberty versus discrimination for the scale and allocation of society's capital stock is the substance of his narrowly *economic* argument against discrimination. But the regulation he opposes is not just about commodities and capital allocation. In wider terms than the substantive economics of accumulation and growth, economic liberty, for example, is also about the freedom to seek work where and of a kind one wishes. And of course, liberty has an even larger human and political dimension as well.
22. Infant industry arguments support more or less temporary protection to enable the establishment and development of particular domestic industries, in the face of competition from already well established foreign industries producing the same or similar commodities. Such arguments were put by James Steuart and David Hume [***citations; Skinner and/or Corr refer to this, or WN ed notes?***]. Whether or not Smith was sufficiently familiar with the detail of Steuart's work to have seen his arguments, he could not have missed those of Hume. (Rae **0000**: 61 [***reported in Corr: 164; quote the original***] reports that Smith said he understood Steuart better from his talk than his writings, a judgement unlikely to surprise anyone who has wrestled with Steuart's written terminology.) In effect, infant industry arguments are about policy influencing the relative costs of domestic versus foreign industry. Just as Smith denies the possibility of policy favourably influencing the private capital stock, so he is, in *WN*, averse to the use of policy to induce internationally competitive industries. Nevertheless, the only two references to competition in *Corr* (noted without comment in sec. 3.1 above) are

interesting in this context. The first indicates that Ireland has kind of infant industry impediments to successfully competing in manufacture with English product in England, even if allowed to; but there is no suggestion there of favouring protection to develop Irish industry (*Corr*: 243; late 1779). On the other hand, the second argues for using a duty on Dutch herring – though this is offered *in place of* import prohibition – as partial protection, and with a view to encouraging British herring production to rise to the quality of the Dutch product (*Corr*: 245; early 1780).

23. See the entire context at *WN*: 604–07; and compare the treatment of industrial dislocation from trade liberalization at *WN*: 468–72. (The policy gradualism evinced in both these cases is discussed in section 5.3 below, in the context of the relation between theory and policy.) There, Smith rather forcefully puts the view that dislocated workers and capital will fairly easily transfer to other activities:

> The stock … will still remain in the country to employ an equal number of people in some other way. *The capital of the country remaining the same*, the demand for labour will likewise be the same, or very nearly the same, though it may be exerted in different places and for different occupations.' (*WN*: 470; emphasis added)

But he nevertheless concludes that a sudden and substantial removal of protection can render the capital of an 'undertaker of a great manufacture' redundant:

> That part of his capital which had usually been employed in purchasing materials and in paying his workmen, might, without much difficulty, perhaps, find another employment. But that part of it which was fixed in workhouses, and in the instruments of trade, could scarce be disposed of without considerable loss. (*WN*: 471)

In relation to the issue of causation between demand and supply (and between investment and saving in particular), raised in section 4.4 and discussed again immediately below, this is to assert a kind of supply-side answer, in this particular context. Destruction of capital stock is also allowed for by Smith in relation to failed industrial projects and bad loans (*WN*: 340–41, 357).

24. Smith has a certain Stoic disdain for the pleasures (and pains) associated with ordinary or conventional material desires:

> it is chiefly from … regard to the sentiments of mankind, that we pursue riches and avoid poverty. For to what purpose is all the toil and bustle of this world? what is the end of avarice and ambition, of the pursuit of wealth, of power, and preheminence? … From whence … arises that emulation which runs through all the different ranks of men, and what are the advantages which we propose by that great purpose of human life which we call bettering our condition? To be observed, to be attended to, to be taken notice of … . It is the vanity, not the ease, or the pleasure, which interests us. (*TMS*: 50; see also p. **00** [***2nd para sec 2.2***] and ch. 3, n. **25** above)

> With the greater part of rich people, the chief enjoyment of riches consists in the parade of riches … . (*WN*: 190)

> These four distinctions of colour, form, variety or rarity, and imitation seem to be the foundation of all the minute and, to more thoughtfull persons, frivolous distinctions and preferenc<e>s in things otherwise equall, which give in the pursuit more distress and uneasieness to mankind than all the others … [a]nd whose prosecution leads men into customs … which have no relation to convenience and are often conterary to the ends proposed to be supplied by those things, which make us dress and eat and lodge in a way not always adapted to ease, health and conveniency, and warmth. (*LJA*: 336–7; also *LJB*: 488)

Smith's advocacy of allowing individual preferences free expression in market society is therefore not to be imputed to any latter-day liberal notion of the sanctity or worthiness of those preferences. Rather, it follows from a conviction that *in general* the preferences of government as to the composition of national expenditure and output will not be superior, even if capable of successful imposition. I say 'in general' because of his willingness to allow exceptions, indicated immediately below. On individual economic choices and State policy, see also note **41** below.

25. There is also an argument for placing duties on imports to compensate for domestic taxes on the same commodities, domestically produced (*WN*: 465–67); but this is to ensure *non*-discriminatory fiscal treatment of domestic and foreign suppliers. That argument is followed by consideration of the desirability of policy retaliation in response to other countries' discriminatory policies, and the possible undesirability of suddenly re-establishing free international trade (*WN*: 467–72). This and important related texts pertaining to policy pragmatism – qualifying the appropriateness of implementing the system of perfect liberty – are discussed in the following section, in the context of the relation between theory and practice.
26. See in particular the details at Skinner (1996: 186). Hence, for example, the endorsement of a tax on exportation of wool (*WN*: 653–4) is couched in terms of the inescapability of taxation as such, together with broad equity:

> Every different order of citizens is bound to contribute to the support of the sovereign or commonwealth. … It is scarce possible to devise a tax [such as that on wool exportation] which could produce any considerable revenue to the sovereign, and at the same time occasion so little inconveniency to any body. (*WN*: 654)

The support for bounties on exportation of corn, also mentioned by Skinner (*WN*: 539–40), is an instance of policy pragmatism rather than an in principle exception to perfect liberty, discussed in section 5.3 below (along with other instances of this). Others refer to the legal infrastructure of a free commerce – legal enforcement of property rights and contracts. Interestingly, in the lectures on jurisprudence Smith argues that in earlier stages of human economic history, before commercial society, monopolies of trades were 'all most necessary', for reasons rather analogous to infant industry arguments (*LJA*: 85–6; *LJB*: 472; *cf.* n. **22** above).

27. This endorsement of progressive taxation is not noted by Skinner (1996: 183–208). He does however draw attention to *WN*: 725, where Smith, in a similar sentiment, endorses a differential transport toll on luxuries (Skinner 1996: 190):

> When the toll upon carriages of luxury, upon coaches, post-chaises, &c. is made somewhat higher in proportion to their weight, than upon carriages of necessary use, such as carts, waggons, &c. the indolence and vanity of the rich is made to contribute in a very easy manner to the relief of the poor, by rendering cheaper the transportation of heavy goods to all the different parts of the country.

Skinner (1996: 184–6) draws attention also to a further element of Smith's view of policy: even implementation of the perfect policy regime, if practicable, would not be a once-and-for-all undertaking: there is a need for ongoing consideration of practices that, though once appropriate, may have become obsolete. This brings a historical dimension to policy analysis as well.

28. Campbell and Skinner (1976: 53–4) judge Smith to have overstated the case on this matter. See also his strong support for liberty of labour to shift to foreign countries (*WN*: 659–60). On a separate issue, but one of perhaps more general pertinence, it is interesting that at one point Smith treats misbehaviours resulting from one particular bad policy regime – that

governing the activities of the East India Company – as natural and due to the regime, rather than reflecting on the particular persons involved:

> It is the system of government, the situation in which they are placed, that I mean to censure; not the character of those who have acted in it. They acted as their situation naturally directed, and they who have clamoured the loudest against them would, probably, not have acted better themselves. (*WN*: 641; *cf.* 752)

29. Raphael and Macfie (1976b: 14–15); and see the editorial commentary at *TMS*: 397. Raphael and Macfie (1976b: 14) misprints Pouilly's title as '*Sentiments*' – also Ross (1995: 159–60), who suggests how Hume may have drawn the book to Smith's attention. In a 1756 letter published in the *Edinburgh Review* Smith refers to Pouilly's book as 'the Theory of agreeable sentiments' (*EPS*: 250). The *EPS* editors at this page (n. 19) report earlier 'pirated' editions of the book as well.
30. *Cf. TMS*: 342, ed. note 9. There is a further parallel text to the *TMS*: 341 statement in a short manuscript fragment – probably of a Smith lecture, and probably written before 1759 (*vide TMS*: 395–6) – published in an appendix of the Glasgow edition *TMS*:

> the Magistrates in all Governments that have acquired considerable Authority employs the power of the commonwealth to enforce the practice of Justice … . The magistrate promises to hear all complaints of injustice, to enquire diligently into the circumstances alledged upon both Sides, and to give that redress which to any impartial person shall appear to be just and equitable. Hence the origin of … [t]he Rules by which the magistrate[s] in [all] <each> countries *actually* regu[l]lates all his discisions of this kind … . The Rules by which it is most suitable to the *natural* principles of Justice, or to the *Analogy* of those Sentiments upon which our Sense of it is founded that such descisions *should be* regulated, const<i>tute what is called Natural Jurisprudence, or the Theory of the general principles of Law. they make a very important part of the Theory of moral Sentiments. (*TMS*: 389; emphasis added)

Notice that here Smith writes as if *natural* jurisprudence were a part of moral philosophy. (The square and angle brackets in the quotation represent revisions in the original manuscript: *vide TMS*: 388.) The context of this statement is the manner in which criminal and civil law can and should embody natural judgements of justice, which the 'impartial' spectator of Smith's moral philosophy would make, with regard to punishment and other redress for injury (hence the reference to 'analogy'). The sense is of natural jurisprudence as derivative from the moral theory, rather than being literally a branch of the latter, though one should not be overly preoccupied with merely semantic distinctions. The jurisprudence is certainly logically dependent upon the moral theory. Furthermore, the point of the reference to jurisprudence in the *TMS* advertisement, and of the associated reference in the concluding paragraph of *TMS*, was that the theory of jurisprudence was a *further* intellectual project, which Smith had yet to complete or place into print. The same (and other) unfinished business is mentioned in a 1785 letter, in terms of 'a sort of theory and History of Law and Government' (*Corr*: 287).

31. There is also one further reference to theory in *EPS*, in the essay on '… the Imitative Arts', where '[t]he theory of tune' is characterized as the great bulk of the subject matter of 'theoretical treatises' on music, and described as 'an extensive and an abstruse science' (*EPS*: 212). *Corr*: 269 refers to the theory of music as well. Further references to 'theory' which are merely references to *TMS* by title occur at *TMS*: 3; *LJA*: 100; *LJB*: 401; *Corr*: 122, 255, 281, 286, 293, 310, 319. The one reference to theory in *LRB* (175) is discussed below, in the context of the relation between theory and practice. The only other instances are a use of 'Theory of Moral Sentiments', in the generic sense, is a *TMS* section subtitle (*TMS*: 8, 265), and a reference to Berkeley's … *New Theory of Vision* (*EPS*: 148).
32. Interesting in this context is Smith's commendation of Machiavelli:

> The different courts of Italy at that time piqued themselves greatly on a refined and subtle politicks; nothing could then be a greater reproach to a man of genius than that he was of an open and undesigning character. But these politicks he [Machiavelli] seems to have altogether despised and has therefore given little attention to them or represented them as of no great moment. He is to be commended above most modern writers on one account, as he does not seem to favour any one party more than another and therefore is generally very candid … . (*LRB*: 114–15)

At *WN*: 945 he speaks of 'the great scramble of faction and ambition' at the centre of politics. See also *WN*: 468, 471 on politicians, both quoted below.

33. The *TMS*: 231–4 text is from Part VI of *TMS* (212–64), which first appeared only in the sixth edition of 1790, the last edition prior to Smith's death. Significance could be imputed to this: to the extent that it is interpreted as mere conservatism, its emergence only at the end of his life could allow the conclusion that it is an expression of the conservatism of old age. Raphael and Macfie (1976b: 18–19) discuss and dispute this kind of view, as put by Walther Eckstein in the introduction to his 1926 German edition of *TMS*. Further against this, the political moderation it expresses is amply supported by other Smith texts (see below). Ross (1995: 391–4) conjectures that the American and French revolutions may both have provided degrees of stimulus for that passage of argument (as well as the 1688–89 English Revolution) – but not in a purely negative sense, in terms of encouraging an increased conservatism in Smith. Stewart (1811: 317–19) also comments a little on Smith's views as to the relation between theory and practice [***or is Stewart imposing his own conservatism?***]. On the notion of 'spirit of system' in **earlier/French** thought, see … [***Riskin in Schabas & NDM***].
34. The same conviction, and also with a medical metaphor, is expressed in book II, chapter III, in the context of the role of parsimony and prodigality in relation to capital accumulation. Following an account of how excessive State unproductive activity may cause even the aggregate capital stock to contract (quoted at p. **000** above ***in 4.3 discussion of prod labour***), Smith adds:

> [private] frugality and good conduct, however, is upon most occasions … sufficient to compensate, not only the private prodigality and misconduct of individuals, but the publick extravagance of government. The uniform, constant, and uninterrupted effort of every man to better his condition, the principle from which publick and national, as well as private opulence is originally derived, is frequently powerful enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of government, and of the greatest errors of administration. Like the unknown principle of animal life, it frequently restores health and vigour to the constitution, in spite, not only of the disease, but of the absurd prescriptions of the doctor. (*WN*: 342–3; also 345, 540)

A rather similar sentiment and biological analogy is expressed also in Smith's critique of foreign trade restrictions, though in this instance, politico-economic bodies appear somewhat less robust. Commenting that systems of high and widely imposed import duties occur particularly in 'the richest and most industrious countries', he continues:

> No other countries could support so great a disorder. As the strongest bodies only can live and enjoy health, under an unwholesome regimen; so the nations only, that in every sort of industry have the greatest natural and acquired advantages, can subsist and prosper under such taxes. (*WN*: 466–7)

Elsewhere Smith comments on two minor Danish colonies which were placed under the control of a private trade monopoly:

> The government of an exclusive company of merchants, is, perhaps, the worst of all governments for any country whatever. It was not, however, able to stop altogether the progress of these colonies, though it rendered it more slow and languid. (*WN*: 570)

35. Three chapters further on, Smith is expounding the benefits of 'the liberal system of free exportation and free importation' as the best means of preventing dearth and famine, but nevertheless concedes particular cases in which this would not be so: 'The very bad policy of one country may … render it in some measure dangerous and imprudent to establish what would otherwise be the best policy in another.' Prejudice is the culprit here too:

> The laws concerning corn may every where be compared to the laws concerning religion. The people feel themselves so much interested in what relates either to their subsistence in this life, or to their happiness in a life to come, that government must yield to their prejudices, and, in order to preserve the publick tranquillity, establish that system which they approve of. It is upon this account, perhaps, that we so seldom find a reasonable system established with regard to either of those two capital objects. (*WN*: 538–9)

(To be sure, at *WN*: 471 Smith makes 'private interests' the greater culprit; but for the theory/practice issue, 'prejudices' point to historically specific aspects of practice. The pursuit of material interests is a natural and more or less universal phenomenon confronting legislators.) With regard to the law pertaining to corn exportation in general, Smith concludes the chapter:

> With all its imperfections … we may perhaps say of it what was said of the laws of Solon, that, though not the best in itself, it is the best which the interests, prejudices, and temper of the times would admit of. It may perhaps in due time prepare the way for a better. (*WN*: 543)

Ross (1995: 355) indicates that this last statement was added in the second edition of *WN*, to soften Smith's first edition criticism of a policy instituted by his friend, Edmund Burke. Burke himself had responded to Smith's criticism by appealing to practice versus theory! (Frequent references to Smith's 'theory', sometimes with a certain disdain *vis-à-vis* 'practice', occur in Pownall 1776: 339–41, 345, 347–8, 364, 369, 373.) Hont and Ignatieff (1983: 13–26) show how the question of the treatment of 'grain' – as the staple of subsistence consumption – was central to eighteenth-century debates around liberty versus police regulation of trade (including the contributions of the Physiocrats in France), with Smith very much at the liberty end of the spectrum. (Steuart is the most notable advocate of regulation with respect to subsistence in the English literature.) The use of the example of Solon, incidentally, also occurs at *TMS*: 233, though not in the part quoted from there, above. 'Oceana' and 'Utopia' are references to Harrington (**0000**) and More (**0000**).

36. Earlier, Skinner (1996: 179) strikes a rather different tone: 'the [nineteenth-century] classical orthodoxy made it possible to think of economics as quite separate from ethics and history, thus obscuring Smith's true purpose'.

37. Most notably, *WN*: 689–95, 709–23; *LJA*: 14–16, 200–244; *LJB*: 404–17, 459–60. (At *LJB*: 494, the analysis of 'the slow progress of opulence' is placed under the subject of the 'history of commerce'.) For background in relation to the widespread use of this kind of approach in the eighteenth century, see *WN*: 689, ed. note 2. Campbell and Skinner (1976: 50–60) provide a subsection on 'Smith's use of History' in *WN*, which also considers the relation between his use of actual history and conjectural history. There are also valuable and systematic reflections on Smith and historiography in Skinner (1996: 13–15, 18, 20–21, 26, 72–3, 76–105), and the chapter at pp. 76–105 ('Historical Theory') provides also a guide to key secondary literature. See also Winch (1983: 257–64). At one point Campbell and Skinner (1976: 15) suggest that the fourth stage, commercial society, is that in which 'all' goods and services command a price; but this is surely hardly more than a tautology. What are 'goods and services', by definition, but that which enters into exchange? The conjectural method is applied not only to economic development. A 1761 essay on '*Considerations Concerning the*

First Formation of Languages …' employs that method, as well as actual history – and his 1751 dissertation (no longer extant) for his Glasgow professorship was evidently on a related theme (*vide* Bryce 1983: 23–7; also Smith 1755, his first publication; *cf. Corr*: 87–8). The method is evident also in *EPS* (Raphael and Skinner 1980: 1–7, 11–12), as well as *LRB*.

38. The advertisement with which the sixth edition of *TMS* was prefaced, discussed above in relation to 'theory', carries a similar admission of unlikely completion, with regard to a part of this ambition. Notice how the theory and history of jurisprudence are explicitly distinguished in the quotation from *Corr*: 286–7 (*cf. TMS*: 340–42; *LJA*: 5–6) – as also in the case of philosophy elsewhere (*EPS*: 46, quoted p. **000** above ***3rd para 5.3***). Smith also uses 'philosophical history' at *EPS*: 46. He thus only uses it twice; but it perhaps may be regarded as his term for that which Stewart named theoretical history (*cf.* Ross 1995: xix–xx, 89–90).
39. His descriptive, theoretical objective for political economy – explaining distribution and growth – seems entirely sound. This is further discussed in the Epilogue which follows. As mentioned at the conclusion of the last chapter (n. **38**), putting aside the normative object of Smith's political economy – not necessarily because it is so objectionable, but because such matters are intrinsically not susceptible to compelling rational demonstration – the *descriptive* explanatory purpose of his political economy remains very attractive. It is certainly more attractive than the modern ambition (or pretence), which originates from Wicksteed and Robbins, for economics to be generic science of human choices as such (*cf.* pp. **00–00**, esp. n. **0** ***para on Steuart and the objective classical approach, with note on Robbins***). I have elsewhere suggested a modern definition of economic science along classical lines: 'economics is the study of how societies organize the production and distribution of the means of human sustenance and larger consumption' (Aspromourgos 2002). In its original classical manifestation and form, economics *is* – and it *should* still be – a science of the material reproduction of human societies.
40. Recall also the further comment of Keynes (1936: **000**): … [***the game can be played for lower stakes etc.***]. One may ask, for example, is a ninety-nine per cent income tax legitimate or is it theft; what of a fifty per cent tax; a one per cent tax; what of the same rates of taxation applied to inheritances rather than income? Nowhere in Smith is there to be found a basis for drawing the line between legitimate taxation (recall again, the support for progressive taxation) and illegitimate expropriation of individuals' property. That it is for him an issue of prudence and moderation in practice, rather than a matter of principle, is suggested by the following:

> It is in Britain alone that any consent of the people [to taxation] is required, and God knows it is but a very figurative metaphoricall consent which is given here. … No doubt the raising of a very exorbitant tax, … the half or even the fifth of the wealth of the nation, would, as well as any other gross abuse of power, justify resistance in the people. But where this power is exerted with moderation, tho perhaps it is not done with the greatest propriety as it is in no country whatever, and tho not even a figurative consent is requir'd, yet they never think they ought to resist tho they may claim the liberty of remonstrating against it.—Government was established to defend the property of the subjects, but if it come to be of a contrary tendency, yet they must agree to give up a little of their right. You must agree to repose a certain trust in them [i.e., governments], tho if they absolutely break thro it, resistance is to be made *if the consequences of it be not worse than the thing itself*. (*LJA*: 323–4; emphasis added; also *LJB*: 435; *cf.* n. **4** above)

Notice the example of intolerable tax rates: even twenty per cent, of 'wealth' (probably income is intended). In any case, whatever the justice of inheritance (or income) taxation from Smith's standpoint, there are no obvious economic ill consequences of, for example, inheritance taxation with the resulting revenues applied to transfer payments in aid of widows and orphans. The impact upon accumulation is a priori most uncertain; and such taxation causes no obstructions to market prices tending towards natural prices.

41. Few now really doubt that individual preferences with respect to consumption, backed by ability and willingness to pay, generally should be allowed free expression in the market. The reach of modern societies' willingness to 'tamper' with individual preferences – or at least individual *choices* (not the same thing) – either by regulation or persuasion, however extensive it may appear at a glance, is really only around the margins. Taxes and subsidies, income support, social security, welfare policies, and other more direct regulation to change the terms upon which individual choices are made – e.g., with a view to externalities, guaranteed minimum consumption over the life cycle, public health and workplace safety – are very little aimed at overriding individual consumer preferences or choices. (Note particularly, that policy interventions to address externalities – for example, greenhouse gas emissions – are not an over-riding of consumer choices, but rather, an attempt to confront producer and consumer choices with their genuine opportunity costs.) To be sure, there is argument around these issues, including where they concern individual consumer choice; for example, over regulation of non-medical use of drugs – recall from sec. 5.2 above, Smith's views on taxing beer. These are arguments about where 'to draw the line', in Keynes's terms above, but of very much second-order importance compared to the distributional issue. It is publicly accepted that production is for consumers not producers. (Public policy designed to influence consumer *preferences*, rather than mere choices – via education campaigns or public advertising – is probably also of marginal significance; but in any case, it *is* persuasion, not coercion. Education, as such, of course is partly about transforming people, and hence their preferences, at the deepest levels.) The greatest point of contention (and systematic Left-Right argument) is about the free expression of *producer* choices, not consumer choices – the terms upon which production occurs with a view to consumer demand. There is at least one fundamental reason for this, evident in Smith's political economy: the pursuit of profits under conditions of systematically unequal bargaining power between individual workers and individual employers makes the terms upon which the labour contract is settled in general of a different significance to the terms of all other contracts. And the special character of that which is being traded in the labour contract means that both the wage and the other conditions under which work is performed arguably warrant unique forms of regulation, asymmetric with commodities in the usual sense of the term.
42. The lengthy accounts of property rights in *LJ* are not in any respect about the legitimacy of the distribution of rights to material property as such; rather, they take as given an *initial* distribution of property, and inquire as to legitimate modes of *transfer* of that property (most notably, *LJA*: 13–92; *LJB*: 459–75). Hont and Ignatieff (1983; esp. 24–6, 42–3) show how Smith seeks to reconcile commercial society (and the associated inequality) with justice, but with the latter understood in a very limited sense with respect to material distribution: meeting the 'needs' of the labouring classes. (The implications for any such notion of distributive justice, of those needs being creatures of history, as Smith freely acknowledges, are not considered by them.) Young (2005: esp. 98n, 116–17) seeks to show that Smith's economics incorporates a concern for 'distributive equity', this being left undefined, but evidently intended also in a very slight sense. As to unemployment, while Smith supposes a mechanism or tendency for (working class) population change and the associated growth of labour supply to be endogenous to capital accumulation and the associated growth of employment, unemployment of considerable persistence is acknowledged in the mechanism of natural wage determination (see chapter 4, n. **00** above ***note on Stirati sec 4.4***).