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Adam Smith's Colonial Politics

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I

During the last stages in the composition of the *Wealth of Nations* a letter written by David Hume tells us that Adam Smith was "very zealous in American affairs".¹ Smith may even have delayed publication in order to complete those parts of his general treatment of colonies which contained his analysis of the underlying causes of the deteriorating American situation and his remedies for dealing with its most likely consequences.² Writing early in 1776, Hume could not have known the precise form Smith's zeal would take -- what a central role the treatment of colonial questions, political and constitutional as well as economic, was to play in the finished work. The lengthy chapter "On Colonies" was originally designed to be the climax of what Smith described as a "very violent attack" upon the mercantile system.³ Smith reinforced this attack by making the fiscal burdens associated with empire the subject of his concluding peroration, at the end of which he advised legislators in Britain "to accommodate her future views and designs to the real mediocrity of her circumstances" by abandoning the "showy equipage of the empire" and the prejudices of her merchant-influenced politicians. (WN, V.iii.92)

¹ *The Correspondence of Adam Smith*, edited by E. C. Mossner and I. S. Ross, *The Glasgow Edition of the Works and Correspondence of Adam Smith*, Oxford: Clarendon Press, 1987. p. 186. In all further references I shall employ the standard abbreviations to this edition, namely *Corr.*, *WN*, *TMS*, and *LJ*. In writing this paper I have made occasional use of earlier work, going back to *Classical Political Economy and Colonies*, London: London School of Economics, 1965. A later treatment of Smith on the American problem that is more relevant to the political themes in this paper can be found in *Adam Smith's Politics: An Essay in Historiographic Revision*, Cambridge: Cambridge University Press, 1978, especially chapter 7.

² For Smith's preoccupations during this period see R. Koebner, *Empire*, Cambridge: Cambridge University Press, 1961, pp. 229-30 and the notes to pp. 357-9.

³ In the first edition the chapter was the concluding one in the treatment given to the mercantile system in Book IV. In subsequent editions another chapter was added entitled "Conclusion of the Mercantile System". Smith's description of his attack was made in a letter to Andreas Holt written in 1780; see *Corr.* p. 251.

This emphasis on colonial affairs was no last-minute bid for journalistic fame.⁴ Smith's long-standing interest can be judged briefly from the following facts: he had advised Townshend and Shelburne on taxation of the colonies in the 1760s, when the difficulties of obtaining a colonial contribution to the civil and military costs associated with empire first manifested themselves; he continued to advise the North administration in 1777-9, after having received preferment in the form of Commissionership of Customs; and he was called upon again for semi-official advice in the 1780s by those legislators who were making the first attempts to accommodate British policy to the problems caused by the loss of the American colonies. On all these occasions Smith's position was consistent with what he had said in the *Wealth of Nations*, though it was sometimes expressed with greater bluntness and regard for *Realpolitik*.

Zeal is not a quality readily associated with an author who was usually urbane and sceptical in his treatment of the part played by rationality and conscious foresight in generating complex historical outcomes. Indeed, Smith's account of the motives of European nations in establishing colonies is an ironic set-piece that deploys the idea of unintended consequences with a skill and detachment that perhaps only Edward Gibbon, among Smith's friends and contemporaries, could match.⁵ It was precisely for such distancing qualities that another of Smith's friends, Adam Ferguson, accused him of lacking political zeal when it came to matters of patriotic moment. It was probably with Smith in mind that Ferguson made the following remark during the American dispute: "I find that People of Letters think there is a dignity in keeping aloof from present affairs and writing only for Posterity. I am of the Contrary opinion. I believe that what is done for today has more effect than books that look big upon the shelve."⁶

⁴ On Smith's motives in retaining the treatment given to the American dispute long after it had been settled, see A. S. Skinner, "Mercantilist Policy: The American Colonies" in *A System of Social Science*, Oxford: Clarendon Press. 2nd edition, 1996.

⁵ In fact, of course, Gibbon was Smith's "pupil" on some subjects; see references to Smith in J. W. Burrow, *Gibbon*, Oxford: Past Master Series, 1985. It would be difficult to tell which of the two authors penned the following ironically deflating sentences: "The dream of Sir Walter Raleigh concerning the golden city and country of Eldorado, may satisfy us, that even wise men are not always exempt from such strange delusions. More than a hundred years after the death of that great man, the Jesuit Gumila was still convinced of the reality of that wonderful country, and expressed with great warmth, and I dare to say, with great sincerity, how happy he should be to carry the light of the gospel to a people who could so well reward the pious labours of their missionary." (*WN*, vii.a.19)

⁶ Letter to Sir John Macpherson, not dated, but belonging to a sequence written in 1776-7, Edinburgh University Library.

Ferguson was self-confessedly "a war-like Philosopher" who longed for a military solution to the colonial revolt, and who also held strong views on the likely destabilizing effects on the British constitution of the loss of the American colonies. Smith, on the other hand, did not believe that military victory was either feasible or likely to solve any of the long-term problems of imperial governance. Nor did he share the opinion of many of his contemporaries that the loss of Britain's empire in North America presaged political and economic ruin. Neither of the two solutions he proposed -- voluntary separation followed by a treaty of commerce *or* a consolidating union in which parliament would become "the states-general of the British empire" -- presupposed disaster if the outcome he anticipated, namely enforced separation, actually occurred. A patient whose health had been undermined by taking the wrong medicine over a long period could not expect to be cured without some loss of comfort, but popular anxieties on the subject would be ended with the return to a more normal state of health.

By contrast with Ferguson, Smith's zeal was not political in the partisan sense, but this does not license a further all-too-common conclusion about Smith, namely that his vision was a-political or depoliticized; that it left little scope for the exercise of principled forms of legislative prudence.⁷ The kind of zeal Smith brought to bear on colonial problems has not only made the *Wealth of Nations* "look big upon the shelve", it has imparted to the work more durable political significance. Indeed, the colloquium to which this paper was given originally can be cited as the latest piece of supporting evidence for this statement. Smith's legacy allowed the organizers -- employing the nuances of French usage -- to speak, quite rightly and variously, of *la politique d'Adam Smith, l'organisation politique des colonies* and of *les politiques coloniales*. Hence my partial resort to French in the title of this paper.

An additional property of Smith's legacy, however, has been its essentially contested nature. For example, one important strand in the *fortuna* of the *Wealth of Nations* in nineteenth-century Britain centres on the fact that Smith was first regarded as the quintessential cosmopolitan free-trading anti-imperialist, and later as an ardent imperialist

⁷ As the title indicates, *Adam Smith's Politics* (see note 1) was designed to counter such interpretations. For signs of their persistence see "Adam Smith's Politics Revisited", *Quaderni di Storia dell'Economia Politica*, IX, 1991, pp. 3-27.

of a distinctly patriotic type.⁸ With the disappearance of British imperial concerns, however, such uses of Smith's work have lost much of their attraction.⁹ During the last two decades of the twentieth century they have been replaced by others focussing on Smith's status as the saint of free enterprise capitalism who is about to resume his rightful place now that state socialism is in retreat in Eastern Europe and elsewhere. Although potent examples of such attempts to canonize Smith can be found in modern Britain, nowhere perhaps are they as persistent as in the United States of America. Moreover, in the United States, Smith continues to serve as a validating agent in profound historical disputes centring on the origins of American national identity and the nature of the American social and political system.

Such examples of our propensity to employ works that have acquired emblematic status for our own polemical ends are hardly unusual. But if we are historians rather than (or as well as) ideologues, the propensity cannot excuse us from the task of reconstructing the purposes Smith himself originally had in mind in 1776, and when he chose not to alter or remove the treatment given to colonial questions in all the editions that appeared before his death in 1790. Indeed, it could be argued that the more we wish to rely on the appeal to Smith's authority, the greater our obligation to ensure that our readings respect the complexity of all the texts relevant for this purpose. Bearing in mind the North American object of so much of Smith's zeal, therefore, it may be useful to consider what his earliest American readers could find in his work, before contrasting this with some modern American interpretations now deployed in defense of what has been described as one of the foundational myths of *ideologia americana*.¹⁰

II

⁸ Smith acquired the latter status in the debates on imperial preference aroused by the Tariff Reform movement in the 1890s and early years of the twentieth century. The most extended use of Smith's work for this purpose can be found in J. S. Nicholson's, *A Project of Empire*, London: Macmillan's, 1909.

⁹ Nationalistic elements in Smith's thinking continue to be stressed in the work of those who believe that "free trade imperialism" can be applied to intellectual as well as economic history; see B. Semmel, *The Rise of Free Trade Imperialism*, Cambridge: Cambridge University Press, 1970. See also the interpretation of Smith advanced in M. Panic, *National Management of the International Economy*, London: Macmillans, 1988, Chapter 7, significantly entitled "The Doctrine of Free Trade: Internationalism or Disguised Mercantilism?"

¹⁰ J. G. A. Pocock, "Republicanism and *Ideologia Americana*", *Journal of the History of Ideas*, April-June, 1989, pp.325-46.

Depending on which parts of Smith's argument most attracted their attention, Smith's first American readers could either be comforted by his highly optimistic diagnosis of their economic prospects, or, like Alexander Hamilton in his *Report on Manufactures* (1791), regard the implications of cosmopolitan free trade in proto-Listian terms as a threat to America's potential development as an independent, and hence as a manufacturing, power. To his republican opponents at home, Hamilton appeared to be recommending the application of discredited English or European expedients to American conditions. In Smithian terms, Hamilton was bidding to invert the "natural progress of opulence" which gave primacy to agriculture in the hierarchy of productive employments for capital by copying the "policy of Europe" in favouring commerce and manufacturing over agriculture. It is one of the peculiarities of Smith's history and analysis of economic growth that only in the North American colonies had the *actual* course of development followed the *natural* course -- a state of affairs that would continue if wise counsels prevailed:

"It has been the principal cause of the rapid progress of our American colonies towards wealth and greatness, that almost their whole capitals have hitherto been employed in agriculture... Were the Americans, either by combination or by any other sort of violence, to stop the importation of European manufactures, and, by thus giving a monopoly to such of their own countrymen as could manufacture the like goods, divert any considerable part of their capital into this employment, they would retard instead of accelerating the further increase in the value of their annual produce, and would obstruct instead of promoting the progress of their country towards real wealth and greatness." (*WN*, II.v.21)¹¹

By following the optimal course so far, North America, though not yet as wealthy as Britain, was already "much more thriving, and advancing with much greater rapidity to the further acquisition of riches." (*WN*, I.viii.23) Witness the unprecedented rate of increase

¹¹ See also: "In our North American colonies, where uncultivated land is still to be had upon easy terms, no manufactures for distant sale have ever yet been established in any of their towns. When an artificer has acquired a little more stock than is necessary for carrying on his own business in supplying the neighbouring country, he does not, in North America, attempt to establish with it a manufacture for more distant sale, but employs it in the purchase and improvement of uncultivated land. From artificer he becomes planter, and neither the large wages nor the easy subsistence which that country affords to artificers, can bribe him rather to work for other people than for himself." (*WN*, III.i.5)

in population (doubling in twenty-five years) and the fact that American wages, being dependent on the rate of capital accumulation rather than "actual greatness of national wealth", were higher than those in Britain. Risking a rare long-term prediction, Smith foresaw that in "little more than a century" national wealth and tax revenues in America would exceed those of Britain. (*WN*, IV.vii.c.79)

Neither relative growth rates nor aggregate measures of annual produce or income, however, were sufficient to satisfy Smith's criteria for how "flourishing" or "happy" a nation was likely to be. An additional condition had to be met, namely that those who performed most of the labour of society received a share in any improvement -- one that represented an absolute if not a relative increase.¹² Here too America, enjoying access to abundant land and less hampered by such feudal relics as the laws of primogeniture and entail, was unique:

"In other countries, rent and profit eat up wages, and the two superior orders of people oppress the inferior one. But in new colonies, the interest of the two superior orders obliges them to treat the inferior one with more generosity and humanity: at least, where that inferior one is not in a state of slavery." (*WN*, IV.vii.b.2-3)

Smith denied, of course, that American success could be imputed to legislative wisdom. The chief contribution made by Europe to "the present grandeur" of the colonies was that it "bred and formed" those who laid "the foundation of so great an empire". In all other respects, the policy of Europe towards colonies had been a prime example of the folly and injustice of the mercantile system. Only by comparison with the colonial policies of other European nations, and then largely because it coincided with the interests of mercantile orders in Britain, was Smith willing to concede that the English version of the mercantile system had operated with greater "liberality". In the case of North America, moreover, given the natural advantages of concentrating on agriculture and the export of raw materials, the prohibitions imposed on the commercial and manufacturing activities of the colonies had done more harm to British consumers and taxpayers than to the colonies. In a "more advanced

¹² "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*, I.vii.36)

state [of improvement]", however, the prohibitions would become "really oppressive and insupportable" to them. (*WN*, IV.vii.b.44)

III

The American founding fathers took pride in drawing upon the most enlightened versions of the "science of politics" when constructing the American constitution in the 1780s. That branch of the science of the legislator concerned with political economy which Smith codified in the *Wealth of Nations* came to enjoy equal status with the political and constitutional writings of Montesquieu and Hume and their classical predecessors.¹³ Instead of reconsidering the evidence on the responses to Smith of Jefferson, Madison, Hamilton and other more "respectable" founders, however, the case of Thomas Paine, a radical supporter of the American revolution, may be equally instructive when viewed from a political and ideological perspective.

Had Smith's work been published slightly earlier, Paine would no doubt have been delighted to cite Smith's statement that mercantile prohibitions were a "manifest violation of the most sacred rights of mankind" in his *Common Sense* (1776). He might also have called upon Smith's support in urging American independence as a step towards cosmopolitan free trade and world peace. When Paine wrote the *Rights of Man* (1791) he maintained that:

"In all my publications ...I have been an advocate for commerce, because I am a friend to its effects. It is a pacific system, operating to unite mankind by rendering nations, as well as individuals, useful to each other...If commerce were permitted to act to the universal extent it is capable of, it would extirpate the system of war, and produce a revolution in the uncivilized state of governments."¹⁴

Paine defended the attempts by the French National Assembly to abolish closed corporations and monopolies from Edmund Burke's strictures by making an unflattering

¹³ There is, of course, a large body of literature on the political economy of each of the founding fathers, but the work I have found most insightful is Drew R. McCoy's *The Elusive Republic; Political Economy in Jeffersonian America*, New York: W. W. Norton and Company, 1980.

¹⁴ *Life and Major Writings of Thomas Paine*, edited by Philip S. Foner, Secaucus: Citadel Press, 1948, Volume I, p. 400.

comparison between Smith's sagacity and Burke's prejudices on this subject.¹⁵ And with one significant exception, Paine was justified in claiming Smith's support. In Paine's words, their diagnoses agreed in 1776 that "England is at this time proudly coveting what would do her no good were she to accomplish it." Or as Smith put it: "Under the present system of management... Great Britain derives nothing but loss from the dominion which she assumes over her colonies." (*WN*, IV.vii.c.65) Paine was also echoing an important feature of Smith's position on the ultimate benefits associated with "mutual communication of knowledge and of all sorts of improvements which an extensive commerce from all countries to all countries naturally, or rather necessarily, carries along with it." (*WN*, IV.vii.c.80).

But the exception -- the subject on which Paine and Smith were *not* speaking the same language -- is crucial to any attempt to grasp the significance of Smith's *politique coloniale* in particular, and his politics in general. Smith did not accept Paine's assumption that nations like Britain and France lived under "uncivilized" forms of government, or that republics were inherently superior in this respect. He also denied the corollary that monarchical governments would be undermined and improved (revolutionized) by the acceptance of multilateral free trade and the abolition of monopoly and special privileges.

Smith's use of irony, once more, provides an important clue. Whereas Paine, in common with other supporters of the American cause, including Burke, spoke of the "slavery" involved in existing methods of British governance, Smith preserved greater distance by describing trade restrictions as "impertinent *badges* of slavery". Moreover, in dealing with the other chief source of colonial discontent, namely taxation, Smith adopted the hard-line view that: "It is not contrary to justice that both Ireland and America should contribute towards the discharge of the publick debt of Great Britain." (*WN*, V.iii.88) Nor was he impressed by constitutional complaints against any system of taxation by requisition. The colonial assemblies, despite being more "republican" in spirit, were based on the English model. The representative principle guaranteed a liberty that was "in every respect equal to that of their fellow-citizens at home". (*WN*, IV.vii.b.51) Nevertheless, following Hume's idea that

¹⁵ "Had Mr. Burke possessed talents similar to the author of 'On the Wealth of Nations', he would have comprehended all the parts which enter into, and, by assemblage, form a constitution." See *ibid*, Volume I, p. 282.

the stability of government depends more on opinion than fact, Smith recognized that even badges of dependence, and more generally, the susceptibilities of the "natural aristocracy" of the American colonies, required attention. As he said when discounting the possibilities of Britain raising taxes by requisition: "The leading men of America.... feel, or imagine, that if their assemblies, which they are fond of calling parliaments, and of considering as equal in authority to the parliament of Great Britain, should be so far degraded as to become the humble ministers and executive officers of that parliament, the greater part of their own importance would be at an end." (*WN*, IV.vii.c.74) Placating the resentments, catering for the ambitions, new dignity and sense of importance felt (or imagined) by such men was central to Smith's diagnosis of the cause of the dispute between Britain and the colonies. It featured too in his proposal for a consolidating union in which American representatives would sit alongside British Members of Parliament in numbers proportioned to the American contribution to imperial tax revenues. When American population and taxable resources overtook those of the mother country, the seat of empire would shift across the Atlantic.

Offering the "leading men" of America the chance of winning "some of the great prizes which sometimes come from the wheel of the great state lottery of British politicks" (*WN*, IV.vii.c.75) could be taken as ironic comment on the corrupt nature of the British political "lottery". But the irony was based on a realistic assessment of motives for which Smith's friend, David Hume, had given the pithiest defense when he said that in politics "every man must be supposed a knave". It also confirms another Humean feature of Smith's argument, namely that since "management" (otherwise known more frankly as "influence" or "corruption") was an essential feature of the British system whereby executive and legislative functions were divided -- an increase in the number of representatives to be managed would be accompanied by increased sources of public revenue for that very purpose. (*WN*, IV.vii.c.78).¹⁶

¹⁶ The similarities between Smith and Hume on political subjects are stressed in *Adam Smith's Politics*, but were first dissected by Duncan Forbes in "Sceptical Whiggism, Commerce and Liberty" in A. S. Skinner and T. Wilson (eds), *Essays on Adam Smith*, Oxford: Clarendon Press, 1976.

If the memorandum Smith wrote in February, 1778, at the behest of Lord North's Solicitor-General, Alexander Wedderburn, had been available for public scrutiny, there would have been no doubt as to how little Smith cared for the constitutional claims of the colonists. The "ulcerated minds of the Americans", he said, might see more sense if Canada and the two Floridas, "those splendid, but unprofitable acquisitions of the late war", were returned to France and Spain as a sharp reminder of where the colonists' real friends were to be found. Smith's concluding comparison between the likely outcome of the American revolt and the civil war in Britain would have left no room for doubt about his lack of sympathy.¹⁷

"The Americans, it has been said, when they compare the mildness of their old government with the violence of that which they have established in its stead, cannot fail both to remember the one with regret and to view the other with detestation. That these will be their sentiments when the war is over and when their new government, if ever that should happen, is firmly established among them, I have no doubt.....It was not till some time after the conclusion of the civil war that the people of England began to regret the loss of that regal Government which they had rashly overturned, and which was happily restored to them by such a concurrence of accidental circumstances as may not, upon any similar occasion, ever happen again."¹⁸

Smith's confidence in the strengths and flexibility of the British form of "regal Government", coupled with his belief that the colonies would come to regret the revolution Paine welcomed, provides the underlying rationale of Smith's constitutional proposals. Through an incorporating union the colonies would avoid "those rancorous and virulent factions which are inseparable from small democracies". (*WN*, V.iii.90) Scotland had gained respite from factionalism through the union with England, and Ireland and the American

¹⁷ Arthur Lee perceived Smith's antagonism when writing to Charles Dumas from London in 1776; he said that "in his late laboured and long-expected book on the Wealth of Nations", Smith revealed himself to be "an enemy to American rights". See F. Wharton (ed), *The Revolutionary Diplomatic Correspondence of the United States*, 1889, II, pp. 110-111. A close reading of the text might have also shown that Smith criticized the colonists for their over-eagerness "to become excessively rich". This was said as part of the case for fiscal union and in answer to the objection that remittance of imperial dues would drain the colonies of precious metals -- a more expensive method of oiling the wheels of commerce than paper money. Not only did Smith believe that the colonies were sufficiently prosperous to purchase the required amounts of precious metal, but he felt that an additional advantage of using a more costly method of meeting imperial expenses would be its effect in dampening "the vivacity and ardour of their excessive enterprize in the improvement of land." (*WN*, V.iii.87)

¹⁸ *Corr.* Appendix B, p. 384.

colonies would also benefit from this method of overcoming the destructive "spirit of party". Far from being contrary to the spirit of the British constitution, Smith regarded his proposals, confessedly utopian though they were, as the means by which the constitution could be perfected. (*WN*, IV.vii.c.77)

Smith's views on such matters cannot be attributed to temporary pique or stubborn conservatism. None of Smith's students -- those who attended his lectures on jurisprudence in the 1760s -- would need to be reminded of their professor's confidence in the robustness of the British constitution and legal system as a means of protecting liberties. They would also have been aware of the grounds of his antipathy to those Lockean-inspired "first principles" of government which were later to be revived by Paine and other dissenting supporters of the American right to self-government, notably Joseph Priestley and Richard Price.¹⁹ In common with Hume, Smith rejected contractarian thinking and even the emphasis on "rights of resistance" to be found in his teacher's, Francis Hutcheson's, writings -- writings which, it has been argued, influenced pre-revolutionary thinking in America.²⁰ The "sacred rights" about which Smith spoke were derived from his reinterpretation of the tradition of natural jurisprudence rather than from radical revivals of the idea of pre-political rights that could be deduced, like morals generally, by a process of rational intuition.²¹ It is unfortunate, from the historian's perspective, that Smith made no further comment on the constitutional experiment upon which the Americans embarked after 1787. Nevertheless, the decision to retain his utopian speculations in later editions of the *Wealth of Nations* confirms the view that they were his final statement of the only constitutional conditions which could make empire acceptable to all parties.

IV

The end of that phase of empire which came with the creation of the United States of America meant that Smith's *politique coloniale* had new tasks to perform for legislators on both sides

¹⁹ See, for example, *LJA*, pp. 271-4; *LJB*, pp. 421-2.

²⁰ See C. Robbins, "'When is it that Colonies may turn Independent?': An Analysis of the Environment and Politics of Francis Hutcheson, 1669-1746", *William and Mary Quarterly*, XI, 1954, pp.214-51.

²¹ The intellectual basis for Smith's doctrine of natural rights is considered in K. Haakonssen, *The Science of a Legislator*, Cambridge: Cambridge University Press, 1981, Chapter 5.

of the Atlantic. The founding fathers faced the problem of how to create political conditions that would ensure freedom of commerce between the thirteen new republics by moving from ineffective confederation to more full-blooded federalism. This was also part of the solution to the problem of factional rancor which Smith had predicted as America's fate and to which Madison devoted so much attention in *The Federalist Papers*, Number 10. What Smith recommended as an imperial solution, an incorporating union, bears a close resemblance to Madison's domestic constitutional remedy, an extended republic. Both schemes involved machinery designed to curb and harness faction by encompassing a wide variety of interests, thereby creating an enlarged arena within which those interests could compete and hence counterbalance one another. What stance the new republic should adopt in international economic affairs, and whether, as Hamilton argued, it should aim to become a manufacturing power, also required taking a stand on issues where the *Wealth of Nations* was now the chief authority. The equivalent problem for British legislators was one of deciding whether and on what terms the ex-colonies should be readmitted to the old colonial trading pattern -- a subject upon which Smith was called directly to give advice of a practical nature.

Smith could hardly be accused of excessive optimism on the subject of free trade. In the *Wealth of Nations* he depicted it as a utopian ideal for his own country.²² The advice he tendered to politicians in the 1780s recognized the constraints within which they had to operate, while confirming his faith in the ultimate goal.²³ It was entirely in conformity with the principles which he believed should guide the conduct of legislators that he advised a gradual and tactical movement towards the multilateral ideal. Smith's appreciation of the importance of the Navigation Acts to Britain's defense has ensured that his statement to the effect that opulence must give way to defense features, often in exaggerated form, in all interpretations that stress his patriotic credentials. Smith also addressed himself to the important second-best questions connected with life in an imperfect world in which nations were in conflict and

²² "To expect, indeed, 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." (*WN*, IV.ii.43)

²³ See letters to Henry Dundas, Lord Carlisle, William Eden, and Sir John Sinclair in *Corr.* pp. 239-40, 242-4, 244-6, 262, 271-2. For a fuller treatment of this episode see my *Riches and Poverty: An Intellectual History of Political Economy in Britain, 1750-1834*, Cambridge: Cambridge University Press, 1996, pp. 156-65.

possessed different weights in international trade. For example, it would not be prudent, he felt, for small nations to make unilateral moves towards free trade: "The very bad policy of one country may thus render it in some measure dangerous and imprudent to establish what would otherwise be the best policy in another." (*WN*, IV.v.b.39) He was fully aware of the possibilities of using tariffs as a retaliatory device to force reductions by other countries; and he also dealt with the case of countervailing duties on imported goods to offset the effects of domestic taxes on import-competing goods.²⁴

The fact that Smith was not legislating for an idealized world sheds light on Hamilton's *Report on Manufactures*. Hamilton paid Smith the supreme compliment of plagiarizing him on all matters where his support could be mobilized: for example, in opposing physiocratic notions of the superiority of agriculture, and when urging the benefits of the division of labour and machinery in manufacturing. The flattery was no less evident in Hamilton's acceptance that Smith's statement of general cosmopolitan principles provided the appropriate background against which his own case for practical exceptions that fitted American circumstances should be argued.²⁵ Hamilton's performance was in these respects a thoroughly Smithian one, even though his conclusions clashed with Smith's diagnosis of America's immediate natural advantages. On the subject of manufactures, Jefferson and Madison were initially closer in spirit to Smith's diagnosis, though both of them were forced to move in Hamilton's direction by the international power realities brought to the fore by war between Britain and post-revolutionary France.

Smith would certainly have had less difficulty in understanding the dilemmas faced by these early American admirers than he would in comprehending the concerns of those late twentieth-century American economists and historians who wish to claim his support for economic interpretations of the essentially "liberal" or "neo-liberal" character of American society and the American constitution. Direct appeals to Smith's authority are often made

²⁴ For a fuller exposition of Smith's views on legislative prudence see "Science and the Legislator: Adam Smith and After", *Economic Journal*, 93, 1983, pp. 501-20.

²⁵ See Hamilton's *Report*, together with editorial selections of those parts of the *Wealth of Nations* which were being paraphrased, in *The Papers of Alexander Hamilton*, edited by Harold C. Syrett et al, New York: Columbia University Press, 1966, volume 10, pp. 230-362.

by such leading figures in the "constitutional economics" or public choice school of thought as J. M. Buchanan and others.²⁶ Speaking for those Chicago-style economists who regard the coordinating properties of competitive markets as the template for solving all legal and constitutional questions, both Milton Friedman and George Stigler have treated Smith as their most significant, if flawed, ancestor.²⁷ What unites these positions is the idea that Smith was advancing, to use Buchanan's term, an essentially "depoliticized" view of economics -- one that can be employed to interpret the beneficent laissez-faire intentions of the American founding fathers.²⁸

Smith plays an equally important validating role in other American debates on national identity, this time conducted by historians, who, it might be argued, have a greater obligation than economists and lawyers to observe hermeneutic proprieties. In a nutshell, Smith provides what is thought to be a trump card in the lively debate between revisionists who stress the "classical republican" aspects of American political thinking during the period of early nationhood, and counter-revisionists who are committed to the view that America's uniqueness rests on its enthusiastic acceptance of "liberalism" of a highly individualistic and acquisitive character, often with "bourgeois" credentials that can be traced back to Locke. As Joyce Oldham Appleby, one of the spokespersons for the latter position, has aptly put it, after 1801 the victorious Jeffersonian republicans warmly embraced Smith's invisible hand, seeing in the *Wealth of Nations* "the blueprint for a society of economically progressive, socially equal, and politically competent citizens."²⁹

²⁶ See Buchanan's article on "Constitutional Economics" in *The New Palgrave Dictionary of Politics* and the references to other work by Buchanan and E. G. West in "Adam Smith's Politics Revisited", pp.17-21, note 7 above.

²⁷ See Friedman's *Capitalism and Freedom*, Chicago: Chicago University Press, 1962; and G. J. Stigler, "Adam Smith's Travels on the Ship of State" in A. S. Skinner and T. Wilson (eds), *Essays on Adam Smith*, pp. 237-46.

²⁸ For example: "Smith's work provided the view of human nature that was the guiding vision for the Framers. His ideas exposed the possibilities for structuring a government that allowed the rational self-interest of the citizenry to act like an 'invisible hand', through which individual economic actors facilitate the common good by pursuing their own goals"; see Jonathan R. Macey, "Competing Economic Views of the Constitution", *George Washington Law Review*, 56, 1987, pp. 54-5. The whole issue of this journal is devoted to economic interpretations of the American constitution from Charles Beard to Richard Posner. For criticism of these interpretations see Shannon Stimson, "Reflections on the Economic Interpretation" in *Writing a National Identity*, forthcoming. Stimson, however, regards Hamilton as a mercantilistic counter-example to laissez-faire approaches to the founding fathers. She also endorses the view that Smith's politics allows no active role in human affairs. On the latter point, see her "Republicanism and the Recovery of the Political in Adam Smith" in M. Milgate and C. Welch (eds), *Critical Issues in Social Thought*, London: Academic Press, 1989.

²⁹ Joyce Oldham Appleby, *Capitalism and a New Social Order*, New York: New York University Press, 1984, p. 60. Appleby has made prominent use of Smith in her work: for a critical assessment see my "Economic Liberalism as Ideology: The Appleby Version", *Economic History Review*, 38, 1985, pp. 287-97.

Although attempts have been made to show how classical republicans and liberals shifted sides and shared the same terminology, the importance of outright victory in the dispute has led to claims that the personalities and languages are "totally unassimilable", that *homo civicus* and *homo oeconomicus* are mutually exclusive assumptions about human nature. Against such a background John Pocock's references to foundational myths and the *ideologia americana* become highly apposite. Like it or not -- and many historians of early America seem attached to the liberal interpretation because of its ability to generate a familiar *Schadenfreude* -- liberalism of a deeply "possessive" variety still seems to be the only ideology that makes sense of the American past and present. Hence too the licensing role assigned to Smith's economic liberalism, and to an imputed tradition that links Smith sideways with the founding fathers and backwards with Hobbes and Locke, to form an entity upon which those on the left and right of the American political spectrum can agree (or agree sufficiently to disagree on its moral and political qualities).³⁰

But if what has been said earlier has any merit, it will be clear that one can only read Smith's politics from his economics by exercising the kind of selective oversight that Paine indulged in when citing the *Wealth of Nations* in 1791. Where would any of the Smithian neo-liberal interpretations of the American constitution be if it was acknowledged that economic liberalism, in Smith's hands, had no necessary one-to-one relationship with particular forms of government, republican or monarchical? What use could be made of Smith by those who link democracy with free enterprise capitalism if it was recognised that he predicted that the colonists would regret the loss of "the mildness of their old government"; and that he favoured an empire based on "regal Government" of the "mixed" English variety -- one that made what was at best strategic use of the representative principle to legitimate the levying of taxes for

³⁰ In addition to Appleby's work, other prominent counter-revisionists who resist any weakening of a liberal interpretation of the American past and the Lockean lineage are: I. Kramnick, *Republicanism and Bourgeois Radicalism: Political Ideology in Late Eighteenth-Century England and America*, Ithaca: Cornell University Press, 1990; John R. Nelson, *Liberty and Property: Political Economy and Policy-Making in the New Nation, 1789-1812*, Baltimore: Johns Hopkins University Press, 1987; and, from a different political perspective, Thomas Pangle, *The Spirit of Modern Republicanism: The Moral Vision of the American Founders and the Philosophy of Locke*, Chicago: Chicago University Press, 1988. It may be worth underlining the fact that the late-eighteenth-century revival of Lockean ideas is not in dispute, but that this revival provides only a *negative* insight into Smith's position.

the purposes of apportioning the fiscal burdens of empire equitably?³¹ How could Smith's name be deployed as an essential component in neo-Lockean and "bourgeois" interpretations of American liberalism if his criticisms of Locke and rationalistic models of political thought generally were taken seriously?

As Duncan Forbes has shown in the case of the use of the Tory and Whig labels to describe Hume and Smith, an exhaustive dualism, characteristic of most ideological debates, is being applied to cases in which such dualisms are systematically misleading.³² For Tory versus Whig can be substituted right/left, classical republican/liberal, *homo civicus/homo oeconomicus*, private satisfaction/public participation, individualism/communalism, etc. Forbes has also shown why such two-bucket approaches to the contents of the world do particular injustice to the kind of sceptical moderation which both Hume and Smith self-consciously attempted to sustain on political and moral subjects. The answer then to the question of why a gap exists between historical reality and many current American readings of the *Wealth of Nations* is not simply that this is the fate of all works that have come to possess special ideological weight. It is especially true of authors who employ irony and invite their readers to stand back from partisan commitments. Ferguson was wrong in thinking that this implied undue concern for posterity: moderation could be pursued zealously by those, such as Hume and Smith, who believed that public affairs were best served by it during revolutionary crises. Finally, in view of another two-bucket tendency, the desire prevalent among some new-right admirers of Smith to forge links between Smith's "liberalism" and Burkean forms of "conservatism", it may also be worth stating that in failing to endorse Paine's political diagnosis of the significance of the American revolt, Smith was not thereby accepting Burke's alternative conciliatory position. And what is true of the American revolution can also be shown to be the case with the French revolution: Smith's politics cannot readily be assimilated, without significant remainder, either to that adopted by Burke in his *Reflections on the Revolution in France*, or to that occupied by Paine and Burke's

³¹ John Robertson has advanced an interesting case for saying that representation has more significance to Smith than this implies; see his contribution to R. Bellamy (ed), *Victorian Liberalism*, London: Routledge, 1990. My reservations about Robertson's case can be found in *Utilitas*, 3, 1991, pp. 326-8.

³² See the article cited in note 16 above and *Hume's Philosophical Politics*, Cambridge: Cambridge University Press, 1975.

other radical opponents.³³ In other words, Smith's *politique coloniale*, though a prominent part of the larger picture comprising a perspective on human affairs that deserves to be called political, still needs to be supplemented by further inquiry.

³³ The incompatibility of the solutions offered by Burke and Smith to the American crisis was conclusively demonstrated by Koebner (see work cited in note 2 above); see also my article on "The Burke-Smith Problem in Late Eighteenth-Century Political Thought", *Historical Journal*, 28, 1985, pp. 231-47; and *Riches and Poverty*, pp. 125-220.