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Adam Smith: Civil Society and State

I

For reasons that I hope will become clearer as I proceed, my title conveys something misleading about its subject. But explaining why it is misleading provides me with a convenient point of entry into that subject. Although I have not attended the earlier journées d’études in this sequence, it would be impossible not be aware of the wider circumstances that have given rise to the revival of interest in the concept of civil society in recent years. These are largely, though not exclusively based on Eastern European experience and events since the 1980s. Provoked by these events, a large and uneven body of literature has appeared, some of it attempting to reconstruct the history of the concept of civil society. Smith often figures in such histories, either in a parallel or subordinate role compared with Adam Ferguson, or as an influence on Hegel’s and Marx’s understanding of civil society. As this will indicate, the historical reconstructions that have accompanied the modern revival often do not penetrate far beyond taxonomy and genealogy, the least interesting forms of historical and philosophical inquiry.

That cannot be said of some of the serious scholarly work I have seen by French students of the Scottish Enlightenment, notably that by the trio of scholars who translated the Theory of Moral Sentiments, and some of the other French sources they cite in their individual work. Thanks to them, I have learned something about the current state of French scholarship on these matters, and while I am sure that I have missed many of its nuances, one initial generalisation seems possible. For once, French and Anglo-American scholarship are proceeding along similar lines, whatever differences there may be in their original starting points and methods of argumentation. Employing a sporting metaphor to describe

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this occasion, instead of playing an ‘away game’, jouant à l’extérieur, it now seems as though we are likely to be playing on territory that is familiar to all of us.

Let me test that supposition by recalling the set of eighteenth-century authors now thought to be of most immediate relevance to an understanding of Smith’s conception of civil society, whether as positive or negative influences. Francis Hutcheson and David Hume, of course, belong mostly on the positive. Adam Ferguson can be added as a useful contrast with Smith on some important matters, revealing interesting differences within Scottish thinking about civil society and its problems. Although Smith never mentions Ferguson in any of his published writings, his presence can often be detected when Smith takes issue with those he called ‘men of republican principles’. To these Scottish teachers and friends must be added that large cast of exponents of natural jurisprudence from Grotius and Pufendorf onward that Knud Haakonssen has done so much to bring to our attention. For Hume, Ferguson, and Smith, but especially Ferguson, Montesquieu needs to be added as the exponent of the most ambitious attempt to deal with one of the central issues of eighteenth-century debate on the connections between civil society and forms of government.

As essential, yet negative influences, Bernard Mandeville and Jean-Jacques Rousseau also form part of the intellectual context within which Smith chose to situate himself. After all, Smith was the first person to recognize that, despite the obvious ways in which Rousseau sought to invert and subvert Mandeville’s conclusions, ‘the Fable of the Bees has given occasion to the system of Rousseau’ in his Discours sur l’inégalité. Both authors, in their treatment of the origins and legitimacy of civil society, were united in rejecting an assumption that was basic to most Scottish thinkers, namely the assumption of natural sociability. As a consequence, Smith argued, Mandeville and Rousseau had given quasi-historical accounts of law and government that emphasized the crucial role played by the ‘unnatural passions of ambition and the vain desire of superiority’, and by treating the inequalities of civil existence as ‘the inventions of the cunning and the powerful’. Although human artifice, in one of the meanings of this term at least, played a large part in Hume’s account of the origins of justice, Hume and Smith are mostly to be found in opposition to Mandeville’s basic assumptions, with
Smith being equally concerned to provide an alternative account of the significance of luxury and inequality to that given by Rousseau in his second discourse. In this respect, Rousseau, like Ferguson, is another hidden interlocutor, with both of them expressing anxieties about the implications of commercial society for what we can call, for short, republican values.

A further test of possible sources of agreement among recent students of the Scottish Enlightenment takes a negative form. We now reject or place in question several long-favoured modes of situating Smith. Thus we no longer feel obliged to see him as an important staging post on a variety of teleological journeys that arrive at a destination for which the French have found a useful compendium term, *autonomisation*. Let me mention a few of these intellectual itineraries. When considered teleologically by orthodox economists, Smith is that familiar figure, the founding father of an autonomous, proto-positivistic science of political economy that is on the way to becoming neoclassical economic theory. In this capacity Smith invites judgement as an early, perhaps rather crude, exponent of general equilibrium theory in the Walrasian manner. In the versions of such stories told by political theorists, however, the *Wealth of Nations* marks an important turning point in which this self-regulating economic realm is pre-empting the space previously occupied by an older tradition of moral and political speculation. An economy based on the harmonious outcome of actions by rational self-interested individuals is displacing any significant idea of polity. The versions of this story differ according to the narrator’s taste. For some prominent American political theorists and their disciples Smith offers a thoroughly depoliticised vision, one that lacks the essential ancient ingredient known as *paideia*. It is a conception of politics that deflects or even dis-empowers political action, whether by élites or citizens. At best he belongs to a tradition, alongside Montesquieu, that is more concerned with constitutional machinery than with those truly political qualities associated with virtue or public spirit.

In a version that is perhaps more familiar to French students, that erected by Louis Dumont in his *Homo aequalis* on foundations laid by nineteenth-century sociologists, notably Tonnies and Durkheim, Smith represents a decisive moment in the transition from traditional hierarchical society towards egalitarian and atomistic modern society, the moment when a
powerful economic ideology was emancipating itself from politics and morality. Dumont expresses this as follows: ‘Adam Smith has differentiated economic action within human action in general as the particular type that escapes morality without being contrary to morals in a wider sense.’ Although this is a more refined way of expressing the position, it announces the appearance of *homo oeconomicus*, that powerful yet impoverished figure later posited as hypothesis by some nineteenth-century economists. To such misunderstandings of Smith one can only respond dogmatically: the rational maximizing economic agent that one finds in Ricardo, Mill, neoclassical economics, and in Weber’s study of the ethos of capitalism plays no part in Smith’s way of analysing the behaviour of individuals, even in the non-benevolent world of more or less anonymous markets where prudential self-interest chiefly operates.

In Marxian versions of the story, where morals and politics are of lesser concern, Smith either has the role of muddled precursor to Ricardo and Marx on the labour theory of value, or, more interestingly from the point of view of this journée, as an exponent of the science that was designed to deal with the relationship between men and things -- the characteristic relationship to be found in bourgeois society. By reducing civil society to economy Smith had shown why it can only be anatomized by means of the science he founded and which Marx, with the assistance of Ricardo, was about to complete.

I have mentioned Marx in this connection because, alongside Hegel, he continues to exercise a gravitational pull on our understanding of the relationship between civil society and state. Famously, Marx stood Hegel’s understanding of this relationship on its head. In doing so he emptied out some of those educational or participatory themes in Hegel’s writings which merit being called civic humanist. Instead of the state being an ethical agency necessary for, and capable of, reconciling the contradictions and tensions that arise from our participation in civil society in the course of meeting our needs, Marx maintained that since the state was parasitic upon civil society some other, more profound method of reconciliation would have to be found. It would be the outcome of a materialist historical process and class struggle. The political economy that Marx later formulated as the means of discovering the iron laws of motion which drove this materialistic process actually succeeded in doing what
others have accused Smith of doing, namely reducing politics to economics by consigning it to part of the ideological superstructure. A potential source of linguistic confusion created by the use of *bürger* and *bürgerliche* to describe both *citoyen* and the *bourgeoisie* became, in cruder Marxian parlance, a conviction that the civil liberties associated with capitalism, his replacement for civil society, were merely bourgeois liberties.

In one or other of these Hegel-Marx forms, then, the dichotomy between civil society and state has had a powerful influence on our way of approaching Smith. The reliance of both Hegel and Marx on earlier Scottish sources for their understanding of civil society -- Smith on the division of labour and Adam Ferguson’s *Essay on the History of Civil Society* in particular -- also lends an air of historical legitimacy to the dichotomy between civil society and state when approaching the work of their mentors. It also has to be said that the dichotomy acquired force in post-French revolutionary analyses of the events that began in 1789, if only because one could describe the Jacobin phase as a remarkable attempt to impose a popular or general will, the will of a newly-recreated national state, on a form of civil society inherited from the *ancien regime*. In shorthand terms, we have arrived at a situation capable of provoking the anxious retrospective analyses of Benjamin Constant or Alexis de Tocqueville, where another version of the dichotomy between state and civil society comes into play.

My final point in this initial sketch of what I hope we have in common, therefore, has to be another blank denial. In none of the Scottish authors mentioned so far, and certainly not in Smith, is there any separation of state and civil society of the post-Jacobin or Hegel-Marx kind. Nor is there any version of the disjunction we find in radical authors like Thomas Paine, according to which society meets our wants as citizens, while government is merely a ‘necessary evil’ corresponding with our current failure to be all that we might become under better social and political arrangements. Indeed, I shall argue that it is precisely the ways in which Smith explores the reciprocal relationship between parts of a common whole that makes his work of interest.

II
Let me come closer to the substantive part of what I have to say with some modest findings based on word usage. With the aid of the indexes to Smith’s works that are being prepared by Knud Haakonssen and Andrew Skinner it is possible to confirm the impression of any reader of these works, namely that Smith rarely uses the term ‘civil society’, despite the fact that ‘civil-ization’ as an historical process is prominent in all his writings. ‘State’ in its modern form is equally rare. The new index to the Wealth of Nations records no instances -- though some could be supplied, notably a reference to the way in which restrictions on the export of corn ‘sacrifice the ordinary laws of justice to an idea of publick utility, to a sort of reasons of state’ (WN, IV.v.b.39); and how every trade regulation ‘introduces some degree of real disorder into the constitution of the state, which it will be difficult afterwards to cure without occasioning another disorder’ (IV.ii.44). The index to the Theory of Moral Sentiments is more thorough or pedantic. It records under ‘state’ descriptions of states of mind, belief, and other usages such as state of nature, the slave state, state of war, or a belief in a future state. There are also the three examples I have circulated which come closer to the modern meaning of ‘state’. The first of these is as follows: ‘The wisdom of every state or commonwealth endeavours, as well as it can, to employ the force of the society to restrain those who are subject to its authority, from hurting or disturbing the happiness of one another. The rules which it establishes for this purposes, constitute the civil and criminal law of each particular state or country.’ (VI.ii. introduction) What is noticeable about this is the way in which the wisdom of the state is expressed in terms of its ability to mobilize society in support of one of its chief functions, maintaining a system of punishment for infringements of the rule of law. It is an idea that depends on Smith’s theory of justice as a precise set of rules based on those negative sympathies, or resentments, that are aroused by hurt or injury -- an idea that Knud Haakonssen has studied in detail, bringing out the importance of what he has usefully summarized as ‘the primacy of the negative’ in Smith.

But my point about the absence of the Hegel-Marx dichotomy is proved – in so far as indexes prove anything -- when the compilers of the index close their list by directing the reader to ‘civil government’, revealing how strongly society and government are conjoined.
In this respect, if the dichotomy is held to mark the dawn of ‘modern’ understanding, Smith is still following ‘pre-modern’ usage. This adds a further complication to the genealogy of the idea of civil society because the modern view is more usually associated with rejection of the ancient contrast between the household and the public sphere in which the heads of households carry out their citizenly duties. For the seventeenth-century natural lawyers, on the other hand, the significant contrast is between civil government and a state of nature in which God has endowed his individual creations with the capacity to act as free and equal parties to a contract that marks the beginning of civil society. By abandoning the contractual idea, Hume and Smith were initiating a further move within this modern approach. They were supplying civil society or civil government with a history based on the assumption of natural human sociability – a history that was achieving a climax, though not perhaps its telos, in those European countries which could be called, interchangeably, either commercial or civil societies. In recognizing this as the place Smith occupies in the genealogy, we get closer to that special mixture of explanatory and normative concerns that constitute the main challenge to our understanding of his work.

The second, much longer of Smith’s usages of ‘state’ in the *Theory of Moral Sentiments* reveals why civil society and state could be employed interchangeably:

‘Every independent state is divided into many different orders and societies, each of which has its own particular powers, privileges, and immunities. Every individual is naturally more attached to his own particular order or society, than to any other. His own interest, his own vanity, the interest and vanity of many of his friends and companions, are commonly a good deal connected with it. He is ambitious to extend its privileges and immunities. He is zealous to defend them against the encroachments of every other order or society.

Upon the manner in which any state is divided into the different orders and societies which compose it, and upon the particular distribution which has been made of their respective powers, privileges, and immunities, depends, what is called, the constitution of that particular state.
Upon the ability of each particular order or society to maintain its own powers, privileges, and immunities, against the encroachments of every other, depends the stability of that particular constitution. That particular constitution is necessarily more or less altered, whenever any of its subordinate parts is either raised above or depressed below whatever had been its former rank and condition.

All those different orders and societies are dependent upon the state to which they owe their security and protection. That they are all subordinate to that state, and established only in subservience to its prosperity and preservation, is a truth acknowledged by the most partial member of every one of them. It may often, however, be hard to convince him that the prosperity and preservation of the state require any diminution of the powers, privileges, and immunities of his own particular order or society. This partiality, though it may sometimes be unjust, may not, upon that account, be useless. It checks the spirit of innovation. It tends to preserve whatever is the established balance among the different orders and societies into which the state is divided; and while it sometimes appears to obstruct some alterations of government which may be fashionable and popular at the time, it contributes in reality to the stability and permanency of the whole system’ (VI.ii.2.7-10)

This prosaic statement belongs to the new parts of the work added in 1790, and the sentiments expressed have understandably been combed for evidence of Smith’s reaction to French events during the previous year. At such periods, ‘in times of public discontent, faction and disorder’, the twin psychological principles of allegiance that Hume and Smith put in place of contractualist accounts of political obligation, namely deference to established authority and an acquired regard for public utility, pull in opposite directions, creating an acute dilemma for all men of public spirit: should they uphold established authority or lend support to the ‘dangerous spirit of innovation’ in the hope of restoring public tranquillity? These remarks also serve as a prelude to the appearance of the figure that Knud Haakonssen and I have stressed in our writings, namely the ‘legislator’ capable of manifesting a superior form of ‘prudence’ than can be displayed in domestic settings. This legislator is called upon to show public spirit in respecting the established powers and privileges of the constituent orders
and societies, even when he regards them as ‘in some measure abusive’, where the contrast is with the ‘man of system’ who attempts to implement an ‘ideal plan of government’ regardless of the interests of these orders and societies, real or perceived. For shorthand purposes one could describe this as the ‘Burkean’ side of Smith, though it might be best simply to give credit to its true origins by calling it ‘Humean’.

But what interests me now in this unexceptional, even dull piece of prose is its ‘constitutionalist’ flavour and the kinetic nature of the basic imagery, with the constitution being interpreted as a particular constellation of ‘orders and societies’ based on the reciprocal interaction between law, society, and government. No simple one-way relationship, parasitic or otherwise, between society and state is envisaged. If it could be relied upon not to raise additional problems, I would even describe it as ‘corporatist’ in its emphasis on the collective associations that make up life under civil government. Reverting to the French revolution for a moment, one could also translate this into Burke’s ‘little platoons’, those associations which he believed were being dissolved by the abstractions of revolutionary thought and action. Let me content myself with saying simply that although individuals are clearly the locus of the basic sentiments being addressed, as well as of any rights that ought to be protected from injury by law, here it is the dynamic relationship between interest groupings that occupy centre stage, where one has to add that the interests involved are not purely material interests.

Any educated eighteenth-century reader of this would be conscious of its echoes of Montesquieu’s *pouvoirs intermédiaires* as the means by which civilized or moderate monarchies mobilized support for fundamental law and thereby avoided the fate of despotisms. They might be reminded too of Hume’s analysis of the grounds on which parties or factions are formed under ‘free governments’, those factions based on interest or opinion. If they had read *The Federalist Papers* too they might recall paper number 10, James Madison’s essay on the nature of, and dangers associated with, majority and minority factions, together with his constitutional remedies for this problem. The same eighteenth-century reader might notice the disjunction between this style of political analysis and
Rousseau’s antagonism, as expressed in the *Contrat social*, to those partial groupings and interests which prevent the general will from being discovered and enunciated.

This brings me, in conclusion of this part of my talk, to the third usage of ‘state’ I have circulated. It comes near the end of the *Theory of Moral Sentiments* when Smith is about to mention the need for ‘a system of what might properly be called natural jurisprudence’.

‘Sometimes what is called the constitution of the state, that is, the interest of the government; sometimes the interest of particular orders of men who tyrannize the government, warp the positive laws of the country from what natural justice would prescribe. In some countries, the rudeness and barbarism of the people hinder the natural sentiments of justice from arriving at that accuracy and precision which, in the more civilized nations, they naturally attain to. Their laws are, like their manners, gross and rude and undistinguishing. In other countries the unfortunate constitution of their courts of judicature hinders any regular system of jurisprudence from ever establishing itself among them, though the improved manners of the people may be such as would admit of the most accurate. In no country do the decisions of positive law coincide exactly, in every case, with the rules which the natural sense of justice would dictate.’ (VII.iv.37)

Any reader of the *Wealth of Nations* who came across this final peroration to the *Theory of Moral Sentiments* would not find it difficult to make the link between these opinions and Smith’s attack on some of the policies pursued under cover of the ‘interest of government’ and at the behest of ‘particular orders of men’, the spokesmen for mercantile and manufacturing interests who ‘tyrannize the government, [and] warp the positive laws of the country from what natural justice would prescribe’. From this it is a simple step towards Smith’s reasons for advocating the ‘system of natural liberty and perfect justice’ as the best, if unlikely to be attainable, guide to public good in the *Wealth of Nations*. It certainly helps to explain his fears that once mercantile disorder had been introduced, it could only be remedied by risk of further disorder.

III
In this, my final part, I want to address the larger questions that were proposed to me by Michael Biziou on the role of government and Smith’s politics more generally. Having written on these matters more times than I care to remember over a period that now stretches back to the 1970s, I have little to add. If it did not sound far too immodest, I would merely say *vide passim*. Let me begin with a resounding platitude: how one judges Smith’s answers depends on the questions being asked and the point of comparison considered relevant when assessing the answers. For example, if the issue concerns the extent and role of government in a mercantilist or Colbertian world that has been disfigured, or made unjust by detailed intervention on behalf of certain interests and in pursuit of goals that Smith regarded as self-contradictory, the self-regulating arguments derived from the system of natural liberty based on the ‘primacy of the negative’ are still the relevant ones. Smith was not optimistic about the adoption of ambitious positive remedies, though that did not inhibit him from advancing a comprehensive reform aim and a set of detailed practical remedies that were not essentially what we would call technocratic. But the wise legislator faced with many obstacles could often do a great deal of good by ceasing to do so much harm. In a Benthamite language that is not Smith’s, minimizing pain was a viable programme even if it was not accompanied by measures designed to maximize happiness – a comparison I owe to Knud Haakonsen. Over a wide range of activities that we engage in as private agents, our own short-sighted efforts based on limited knowledge were usually, though not invariably, accompanied by beneficial unintended consequences to society at large. For the benefits to emerge, however, ‘tolerable’ security granted by the rule of law was required in order to make future-oriented decisions possible for economic agents. Though never entirely predictable, the outcomes were certainly more likely to be beneficial than those aimed at by governments purporting to act on our behalf and claiming to have greater knowledge.

When delivering such a message Smith can sound like an example of *sang froid* at its best and worst, a cool, calm, and collected voice that is infuriatingly and impartially contemplative, even irenic. He manages to achieve this stance better than Hume when faced with the problems of public debt, or than Ferguson when articulating fears about the political
and military enfeeblement that accompanies the division of labour in commercial societies. With more sensitivity to the persistent irony that Smith brings to such matters, however, the voice can sound more engaged, less world-weary, even angry.

Against the minimalist view that was caricatured during the nineteenth century as ‘anarchy plus a gendarme’, the night-watchman or laissez-faire state, it is easy to show that the duties of the sovereign covered in Book V of the *Wealth of Nations* under the headings of defence, justice, education, and public works are extensive and detailed. In the literature in English it took nearly three-quarters of a century before John Stuart Mill wrote anything as comprehensive by way of a combination of the art and science of political economy, and even Mill had to write several other books to do what Smith did in one, two at most. Naturally, if the standard of comparison is furnished, say, by the Condorcet–Paine proposals for redistribution of income and public services through social insurance, or by using the modalities of the modern welfare state, Smith’s sovereign has fewer duties on this front. The rules of justice in the *Theory of Moral Sentiments* are commutative rather than distributive, even though in the *Wealth of Nations* protection against something called ‘oppression’ becomes a major duty of the legislator. Nevertheless, some of Smith’s remedies, like those that accompany his diagnosis of the effects of occupation on ‘character’, the loss of ‘intellectual, social and martial virtues’ associated with the division of labour, are more ambitious than anything attempted by modern welfare states.

Marx, for example, thinking that Smith was confining his remedies to elementary education of the masses for the purposes of making them better industrial fodder, dismissed these remedies as ‘homeopathic doses’. For him, nothing short of a total transformation of bourgeois society was effective as the cure for alienation and exploitation. By contrast, Smith’s solutions certainly presuppose the continuation of existing economic processes and do not look for solutions, so to speak, on the workshop floor. That may be where the ‘mental mutilation’ occurs, but it is beyond that, in all the other spheres of life, private and public, that Smith looks for amelioration. One of these spheres deserves to be called ‘civic’ in its stress on the importance to ‘free countries’ of ‘an instructed and intelligent people’ capable
of judging public affairs and avoiding the problems associated with enthusiasm, superstition, faction, and sedition. The cure will never be complete, but the inability to do everything does not excuse the legislator from doing what is within the realm of possibility.

Some modern libertarians, glimpsing the scope of Smith’s policy proposals have expressed concern, seeing in them attempts at an active moulding of the human character that go well beyond any negative conception of liberty. But compensating for malformation does not justify such anxieties, especially when the remedies involve central legislation but no new state agencies for carrying out the tasks. While parish schools financed by local and parental contributions seem tame by modern standards, the full programme is surely ambitious enough. In addition to the parish schools it consisted of local governmental support for the performing arts, a system of compulsory military training, and a requirement that all those who sought to practice the liberal professions or be ‘received as a candidate for any honourable office of trust or profit’ should achieve a certified command of ‘science and philosophy’. Until the meritocratic reforms of the 1870s, there would not have been many civil servants in Britain, let alone lawyers and doctors, who would have welcomed the last of these requirements.

Even when Smith was disappointing the hopes of Scottish friends like Ferguson by upholding the necessity under modern conditions of a standing army, it is possible to give a different reading that makes Smith as much of a ‘man of republican principles’ as they were. Thus if martial spirit could be encouraged by means of militia training, not only could any standing army be smaller, but the spirit itself would provide further insurance against any constitutional threat posed by a standing army. In arguing for the necessity for governments to create professional armies, Smith was drawing attention to an important case where purely self-interested behaviour in commercial societies prevented citizens from appreciating the dangers of neglecting their public duties. Add to this list Smith’s proposal, semi-ironic though it may have been, for complete disestablishment of the official church in the interests of allowing a thousand dissenting sects to blossom, and you can hardly describe the programme as ‘homeopathic doses’.
Those warnings against the ‘prodigality’ of governments in Book II, where all government expenditure is consigned to the ‘unproductive’ category, return in the chapter in Book V on public debt, with its final warning against the costly delusions of mercantile empire. But here too Smith also recognizes that in all civilized nations the need for, and the capacity of governments to supply, some essential public goods not only will increase, but ought to increase as a proportion of the annual or national income of all such societies. Legislative wisdom might be a scarce commodity in a world dominated by politicians acting under pressures from a ‘standing army’ of powerful interests, but it was still very much needed if commercial societies were to capture some of the benefits made possible by economic growth in ‘progressive’ states, chiefly those that improved the living standards of the mass of society in a way that was historically unprecedented. Since Smith did not believe, as some supporters of the early phases of the French revolution did, that human nature was evolving or could be moulded into a more cooperative pattern, he did not think that the negative functions of government in the field of justice would become less essential. Commercial society offered new opportunities for injustice and oppression, making the impartial administration of law an increasing obligation. Legislative prudence of an ongoing nature too was required to escape the fate of earlier nations whose career of prosperity had been ended by the phenomenon that Smith describes – and here one has to bear in mind his capacity for *sang froid* and ironic distance -- as ‘the ordinary revolutions of war and government’.

Precisely because the fate of civil society and state are mixed, civil government was perpetually at risk from pathological states of opinion. The most prominent of these were those that Hume had warned against; they arose from the deadly combination of religion and politics that had brought civil war in seventeenth-century England, underlay the dynastic threat posed by the Jacobites during the first half of the eighteenth-century, and were still the dominant form of oppression in Ireland. Some economic issues, notably those connected with grain supply, were capable of arousing similar uncontrollable passions, with the same unsettling effect on domestic tranquillity.
Nobody living through the periodic wars of the eighteenth century in which England and France were the main antagonists could be unaware of the need for external defence. Although Britain had, somewhat surprisingly, emerged triumphant at the end of the Seven Years War in 1763, the strain of war on her public finances entailed a significant tax burden, especially when taken in conjunction with the rising costs associated with supporting the civil and military establishments in her North American colonies. It was to this legacy that Smith addressed himself in Book V. While he managed to keep a cooler head on this subject than Hume, by pointing, for example, to the ways in which Britain was able to support a heavier tax burden than France as a result of a fairer and more efficient system for collecting taxes, Smith was equally aware of the delicate constitutional problems posed by taxation and debt finance. Indeed, they were the subject of his self-consciously Utopian proposals for an imperial consolidating union with the North American colonies as a means of giving constitutional legitimacy to a scheme in which the colonies would pay their share of imperial costs.

On this subject recent studies of what is now called the ‘fiscal-military’ state have a great deal to offer intellectual historians. An earlier view of the eighteenth-century state in Britain, especially when compared with the centralising tendencies of absolute monarchies like France, was as decentralised, corrupt, and where not corrupt, weak. Some ‘liberal’ interpretations of the separate paths of economic development taken by France and Britain made this a virtue. Whatever attempts a mercantile state may have made to shape the course of development, the British mercantile state did not possess the resources or instrumentalities that would allow it to be effective. Hence the self-regulating realm of markets and those forces attached to private agency and private frugality had a freer hand in England than they did in France. The newer view disputes this interpretation on all fronts by stressing the importance of war, military preparedness, the ruthless expansion of empire, and the ability to mobilize capital through public debt as positive engines of growth in the British economy. Such considerations certainly help to answer the following, partly polemical question: How else could a country which was one-third the size of France in land mass and population have
emerged triumphant in 1763, and despite the setback of the American revolution, do so again in 1815? Smith did not, of course, endorse the imperial and mercantile ambitions behind all this, but the knowledge he gained from his visit to France in the 1760s and from his daily experience as a customs official would have left him in no doubt as to the underlying strength of the British system of government judged by most historical standards. It was some such belief that underlay his famous remark after the defeat of Britain by the American colonists at Saratoga: ‘Be assured that there is a good deal of ruin in a nation’. Without supporting more popular forms of patriotism, which could be despairing as well as triumphalist, Smith was aware of the advantages of a strong state and the kind of civil society that helped to keep it free from internal faction and dissension.

One reason why these features of his position have been overlooked is that the philosophical or programmatic implications of his system of natural liberty and an excessive emphasis on the ‘invisible hand’, have deflected attention from the detailed applications shown in his policy proposals and his willingness to engage with everyday political and economic realities. Nor should this be regarded as an example of where philosophy ends and politics begins. Like Hume, Smith is a philosopher in his politics as well as his economics. Smith’s normal approach to proposals involving the interface between the state and its constituent orders and societies is one that I would describe as anti- or non-Utopian in its regard for necessary imperfections in the situations faced by legislators and in the human instruments through which policies have to operate. There are good reasons why bad reasons often prevail, and it is sometimes necessary to employ techniques of ‘management and persuasion’ based on the imperfections of human nature. Such tasks were not above or beneath the philosopher, despite the attractions of Stoic indifference.

Borrowing a term from modern welfare economics, I have called this a ‘second-best’ approach to policy implementation. It marks Smith off from his physiocratic contemporaries, and it brings out his remarkable ingenuity in formulating reform proposals designed to make the best of imperfect materials and harness the most common as opposed to the highest motives to serve the public interest. Many years ago Nathan Rosenberg drew attention to
the wide variety of proposals for institutional checks on anti-social behaviour to be found in the *Wealth of Nations*. In my own writings I have tried to extend this by an examination of Smith’s proposals in relation to empire, public finance, and the market for subsistence goods. Instead of going over this ground again, I will merely reiterate the view that for Smith the state had to be capable of decisive action, firm yet flexible in its attitude towards changes in civil society that arose from the dynamic properties released by commerce – properties connected with that restlessness which is such an important feature of Smith’s account of the human condition, and to which modern commercial societies had given greater freedom, for good and ill. I am not sure if this runs counter to all the various theses covered by that elastic term, *autonomisation*, but it does reveal how easily Smith found it possible to move from either side of what later became a dichotomy between civil society and state.