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Adam Smith’s Theory of Economic Development: Our Problems and His

Intellectual historians -- of the type to which I belong, at least -- often remark on the fact that most of their matches seem to be away games. In itself, this poses no special problems. The trouble arises when you cannot be sure about the shape of the ball, or whether the rules for scoring goals or declaring foul play are the same as those used for home matches. For this reason I shall begin by mentioning a few of the contexts or debates within which my subject might be situated. At one level this will allow me to mention some secondary literature that reflects our concerns when faced with what Smith may be able to tell us about the problem of explaining economic development. At another, bearing in mind that I shall not attempt a frontal assault on the theme announced by my title, it will enable me to deal with ways of unravelling what is, or is not, genuinely problematic about Smith’s approach to the problem of explaining secular change.

There is, however, one simple assumption that must be registered at the outset to make sure that the ball is, indeed, round. Smith, in almost all the relevant guises in which he appears, is a central figure, judged by what he wrote, when he did so, and how that work has come to be seen. We do not have to endorse every aspect of his founding father image, but we do have to accept that what he wrote, especially in the Wealth of Nations (WN hereafter, using the reference system of the Glasgow edition), has achieved a standing that justifies treating him as a touchstone, or validating agent, for a large number of things that social and political theorists of different persuasions have wanted to say about the nature and origins of modern society. As a student of Smith, and of Smith’s fortuna -- there is a difference between these, according to my way of seeing things -- I believe that many of the approaches we expect him to validate are at variance with what he could have conceived of doing himself. Nevertheless, his protean qualities, whether as social and economic theorist or ideological emblem, make it impossible to feign indifference to later usages, however distorted some of them may seem when viewed, perhaps rather puritanically, from the standpoint of an intellectual historian.
Perhaps, too, even those cultural historians who do not think that authors have any special standing in relation to their own work may have an interest in seeing how puritans deal with their professional scruples.

I shall begin by characterising four long-standing, yet still current, scholarly debates centring on long-term economic development within which Smith continues to figure prominently. For ease of identification I will associate them with academic tribes, while recognising that the tribal divisions are permeable: first, the economic theorists’ Smith; secondly, the economic historians’ Smith; thirdly, the Smith that sometimes features in the work of Marxian theorists of the transition from feudalism to capitalism; and fourthly, the use made of Smith by a more amorphous assortment of historians of ideas, social theorists, and historical sociologists.

I

Economic theorists are generally concerned with Smith as a figure who, to continue to be worthy of their attention, has to be recycled by means of rational reconstructions based on present theoretical concerns and modern techniques for expressing them. Such reconstructions are, of course, a legitimate way of articulating current preoccupations, and the criteria most frequently applied to Smith’s performance are those derived from post-Walrasian general equilibrium theory. This paradigm appraises Smith in terms of his ability to anticipate the analysis of the equilibrating properties that make a pure system of competitive markets the most efficient mechanism for allocating scarce resources at a moment in time and over time. Ever since Joseph Schumpeter treated Smith condescendingly from this perspective there have always been those who think it appropriate to regard Smith as a flawed neoclassical equilibrium theorist, groping towards modern understanding of those theoretical conditions under which individual markets achieve equilibrium and an optimal allocation within the economy at large can be said to exist.¹

From an historian’s point of view these reconstructions often suffer from (enjoy, might be more descriptive of the economic theorists’ attitude) a combination of teleology and anachronism. They are also myopic because they rarely get beyond selected chapters in the first book of *WN*, with Chapter 7 on the relationship between natural and market price being the most promising one from a neoclassical perspective. Book I begins, however, with the famous chapters on the interactive improvements in physical productivity made possible by the sub-division of labour and the application of machinery in response to expanding markets. In an article written in 1928, Allyn Young took these chapters as the text for a classic sermon on self-sustaining growth which showed how the phenomenon of increasing returns could have disturbing implications for market equilibrium models.\(^2\) Book II on capital accumulation also contains concepts that are difficult for dedicated neoclassical theorists to swallow without considerable modification, based as it is on Smith’s troublesome distinction between productive and unproductive labour and his view that there is a ‘natural’ temporal order according to which some forms of investment are more productive than others. Such notions are incompatible with national income categories based on a final market evaluation of what activities are productive.

Hence the long-standing rift that has arisen between those economic theorists who want to argue that Smith is an intuitive, yet often rather defective equilibrium theorist, and those who think he was either mistaken in making this move or doubtful if he was trying seriously to be that kind of theorist. Nicholas Kaldor, following in the footsteps of Young, one of his mentors, mounted an attack on ‘equilibrium economics’ based on the view that things started to go wrong with economics (Smith’s as well as everybody else’s) the moment Smith ‘got bogged down in the question of how values and prices for products and factors are determined’.\(^3\) With less polemical intent, George Richardson also followed Young in maintaining that Smith was more interested in showing why the forces of equilibrium

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2 ‘No analysis of the forces making for economic equilibrium... will serve to illumine this field, for movements away from equilibrium, departures from previous trends, are characteristic of it.’; see A. Young, ‘Increasing Returns and Economic Progress’, *Economic Journal*, 38, 1928, p. 528.

were consistently being overwhelmed by the forces of economic evolution connected with increasing returns. Competition and the search for potential markets could best be seen not as equilibrating moves but as integral to any theory of irreversible change. Anticipating Kaldor and Richardson by a couple of decades or more, however, was an important book on *Theories of Welfare Economics* by the Burmese development economist, Hla Myint, published in 1948. Myint later published articles on the role of international trade in economic development that adopted a similar point of view by distinguishing Smith’s ‘vent for surplus’ and productivity approaches to the gains from trade from the comparative costs approach favoured by his classical successors, notably Ricardo.

At the nub of these different interpretations of Smith, therefore, lies the question of increasing returns and the circumstances under which they come to be exploited. An economics in which this is more than an occasional feature has some fundamentally non-neoclassical characteristics, though Alfred Marshall in attempting to bridge classical and neoclassical concerns made an effort to encompass them. General equilibrium theorists are the first to admit that a world in which increasing returns are systemic poses difficulty for their models. This could help to explain why they have been so persistent in denying the differences between Smith and his followers by endowing him with Ricardian versions of diminishing returns as well as the Malthusian population mechanisms that make wages an endogenous variable. Paul Samuelson was one of the first to recognize the disruptive import of Myint’s interpretation of Smith in separating him from the neoclassical mainstream. He later deployed the resources of modern theory to show how it was possible to assimilate Smith within a ‘canonical model’ that combines Smith’s growth economics with neoclassical procedures to generate a stable state of long-run equilibrium. Significantly, however, the feat is only possible if those increasing return features of Smith stressed by Young are

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6 In a review of *Theories of Welfare Economics* which appeared in *Economica*,16, 1949, p. 373.
treated as ‘transient’, inferior in strength, over the long run, to those forces making for
diminishing returns. This indeed is the core of Samuelson’s most important substantive
criticism of his ‘classical’ aggregation: ‘The classicists earned for our subject Carlyle’s title
of the dismal science precisely because their expositions erred in overplaying the law of
diminishing returns and underplaying the counterforces of technical change. They lived
during the industrial revolution, but scarcely looked out from their libraries to notice the
remaking of the world’.

A further advantage of the Samuelson model, from the theorist’s point of view at least,
is that it enables him to dismiss as ‘semantic snarls’ all the evidence that shows where Smith
was at odds with his successors, notably Ricardo and Malthus. In other words, it reinforces
the idea of a ‘classical’ aggregation while giving it the neoclassical colouration that makes
most sense to modern economists. As we shall see, even those who are not committed to
Samuelson’s programme are prone to believe that Smith must have assumed, implicitly at
least, that the forces associated with diminishing returns would eventually overcome those
connected with the dynamic principle of increasing returns. How else can one explain his
references to a stationary state at which a nation reaches its ‘full complement of riches’?

It will no doubt be clear that my sympathies lie with those who stress the non-neoclassical
features of WN. Those economic interpretations that take Allyn Young as their point of
departure do yield important insights into Smith’s peculiarities as a growth theorist, where
Myint’s work still strikes me as particularly fruitful. Myint’s perspective could serve a similar

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8 Ibid., p. 1428.
9 Thus even Richardson was concerned with the potential conflict between the ‘theory of unending development’ and
the ‘pessimistic prognostications’ suggested by Smith’s definition of the stationary state;’ see Essays on Adam Smith, p.
350n. An essay on ‘Adam Smith’s Theory of Growth’ by Walter Eltis in the same volume recognises the role of increasing
returns, but also maintains that ‘a model that predicted an indefinite continuation of growth would not be Smith’s’; ibid.,
p. 428. As a further illustration one could take the initial reply to Samuelson by the historian Samuel Hollander, ‘On
This article challenges the assimilation of Smith to the model on the simple ground that the passing allusion in Smith
to land scarcity in ‘new colonies’ was not noticed by his successors. It also concedes that ‘by extension’ the Ricardian
conclusions can be attributed to Smith. Hollander does not base his case on Young’s argument, and in his work before
and after the exchange with Samuelson, as summarized in Classical Economics, Oxford, 1980, he has maintained that all
classical economists can be treated as general equilibrium theorists. This may explain the ease with which Samuelson dealt
with Hollander’s original criticism; see ‘Noise and Signal in Debates Among Classical Economists: A Reply’, Journal
of Economic Literature, 18, 1980, 575-78. A recent critic makes the point in a more fundamental way and has won from
Samuelson the concession that ‘Smith does let glints of cheerfulness creep into the scenario of diminishing returns’. See C.
purpose in explaining why Smith was not inclined to be generous to mercantile predecessors and Scottish contemporaries who were, in their different ways, equally concerned with economic growth in a world of competing, even warring, nation states, at different stages of development. Not only do the Young-based interpretations avoid the anachronistic assumption that Smith commanded, however shakily, the entire apparatus of constrained maxima and marginal adjustments, they grant more scope for considering the theme that is central to the first two books of *WN*, read as Smith invited us to read them in his introduction, namely as a pair. It brings us closer to what the full title of the work announced as its purpose: a comparative macroeconomic inquiry into the causes of growth or retardation in real incomes and output through time. Smith’s assumption of increasing returns in manufacturing and of unexploited opportunities for increasing the agricultural surplus, coupled with the dynamic properties of expanding markets, provided him with a more ‘open-ended’ vision of growth, one that was less dominated by diminishing returns than his orthodox successors.

II

More needs to be said in defence of this interpretation, but I would first like to consider the second of my three remaining contexts, that provided by the work of economic historians. Smith has more-than-adequate credentials for being regarded as the founder of this branch of historical scholarship as well as economics. His authority was certainly invoked by British economic historians during the nineteenth century as a counter to Ricardian deductivism, and ample evidence of his continuing prominence in their imagination can be found in the inaugural addresses they gave when appointed to the handful of professorial chairs devoted to economic history in Britain from the late nineteenth century onward. Indeed, a good case could be made for giving higher priority to Smith’s contributions to history, where this includes economic history, than to economics. As has been implied earlier, the changes that have occurred in economics since Smith’s death in 1790, whether in the hands of the

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Ricardians or later as a result of the marginal and Keynesian revolutions, have resulted in a narrower interpretation of the central problems of the discipline. It may be worth adding that unlike modern economic theorists, Smith, for all his reputation as a conjectural historian, confronts ‘real’ time over longer periods and with more conviction than his successors. Smith’s psychological assumptions too -- the propensities and passions employed for explanatory purposes in the WN -- are not confined to that later fictional character, rational economic man. This ought to commend itself to historians who do not enjoy the luxury of being able to confine themselves to such fictions when dealing with ‘real’ outcomes.

For understandable reasons, the earliest uses of Smith by economic historians linked his work with the Industrial Revolution at a time when the initial capitals were obligatory. This is manifest in the work that was once thought to have inaugurated the whole idea, Arnold Toynbee’s Lectures on the Industrial Revolution of the Eighteenth Century in England given in the early 1880s. Toynbee certainly succeeded in transmitting a particular view of that revolution to influential late-nineteenth-century sympathisers, though the villain-cum-hero of his account was Ricardo rather than Smith. Later attempts to describe Smith’s relationship with the industrial revolution came to different, usually more sceptical conclusions, with the most significant recent contribution coming from E. A. Wrigley, whose work has done much to revitalise the debate. There is also a link with the economic theorists’ Smith which can best be appreciated by contrasting Wrigley’s position with that of Samuelson. Although, in common with Samuelson, Wrigley sees Smith, Malthus, and Ricardo as a trio playing variations on the same theme, he adopts a more tolerant position towards their failure to encompass technical change. He examines why the expectations of classical economists on the subject of continuous improvement in output and living standards were so much at odds

\[ \text{12 For defence of this interpretation see ‘Adam Smith’s Problems and Ours’, Scottish Journal of Political Economy, forthcoming.} \]


with what, in retrospect, we now know to have either been taking place or just about to take place. Why did they reason as though the growth in output and living standards could only be asymptotic rather than exponential? What was the contemporary evidence for the former position as opposed to the latter one? Wrigley’s answer, roughly speaking, is that they were wedded to the assumptions of a pre-industrial world in which the chief constraints were posed by a combination of the Malthusian population principle and reliance on a technology for dealing with the subsistence problem that depended on land as the ultimate source of all forms of animate energy. He also advances some interesting arguments as to why overcoming this agrarian bottleneck was not, and perhaps could not have been, foreseen.

One attractive byproduct of Wrigley’s approach is that it rescues discussion of ‘classical political economy’ from the rut in which it has stuck since Marx and Keynes, respectively, coined and then recoined the term to describe an aggregation that was important to their own self-understanding, but frequently has only a tangential relationship with the self-understanding of the authors concerned. Wrigley also provides a persuasive case for not making industrial forms of capitalism a necessary explanans for the nature and existence of classical political economy, whether seen as science or apologetics. The Industrial Revolution, with or without its capital letters, becomes a piece of excess baggage that is not needed on the voyage -- with Smith, of all the three ‘classical’ authors in Wrigley’s triad, standing most to gain from this realization. My only complaint, in a nutshell, is that Wrigley has accepted too many of the conclusions of the canonical model based on the dominance of diminishing returns, despite recognizing that Smith’s discussion of rent diverges from that of Ricardo and Malthus; and that the idea of declining returns at the internal and external margin in agriculture is absent. Put more bluntly, he has Malthusianized Smith. Although Smith understood and made use of the connection between living standards and population pressures, the basic relationship between improvements in subsistence and population response that is at the heart of Malthus’s population principle, Smith remained essentially a pre-Malthusian pro-populationist, deploring those impediments to agricultural development that prevented population from rising more rapidly. The urgent downward
pressures on wages attributable to rapid population increase that were to dominate the writings of Ricardo and John Stuart Mill, as well as Malthus, are not given the same prominence in *WN*. It follows too that apart from one disputed passage dealing with the likelihood that profits will fall in ‘new colonies’ when land has been fully occupied, the pessimistic conclusions centring on the law of diminishing returns in agriculture do not feature in *WN*.\(^{15}\) Hence the superiority that Malthus and Ricardo felt over their mentor when they enunciated the law and arrived at a clearer definition of the peculiarities of rent as a form of income. Smith’s observation that ‘the nature of agriculture...does not admit of so many subdivisions of labour’, and that ‘the improvements of the productive powers of labour in this art [do] not always keep pace with their improvement in manufactures’ (*WN*, I.i.4), is not an acknowledgement that the agrarian bottleneck must dominate the growth outcome. His prediction was that while the price of animal foodstuffs and products would rise over time, the production of corn and all vegetable foodstuffs was subject to falling costs and prices, more than counterbalancing the effect on ‘the circumstances of the poor through a great part of England’ (*WN*, I.xi.10). A rise in the ‘real price of rude materials’ in manufacturing, where this takes place, could usually be offset by improvements in labour productivity. That there was less scope for productivity improvement in agriculture does not mean that agriculture operates as the ultimate barrier. Smith was at his most physiocratic when maintaining that agriculture, ‘of all the ways in which a capital can be employed’, was ‘by far the most advantageous to the society’ (*WN*, II.v.12).\(^{16}\) Finally, as we shall see, Smith’s views on the subject of declining profits and the concept of a stationary state in which net capital formation ceases differ considerably from those of his Ricardian followers.

\(^{15}\) See *WN*, I.ix.11. It can be disputed because the point being made there concerns the effect of land scarcity on profits and interest rates. But the main thrust of the argument is to show that real wages continue to rise because ‘the demand for labour increases with the increase of stock whatever be its profits’, yielding Smith’s standard conclusion on the subject of ‘new colonies’, namely that ‘riches, improvement, and population have increased’.

\(^{16}\) In this respect I would endorse the conclusion reached by C. Kurdas (see note 9 above) that the comparative limitations on agricultural improvement become ‘a constraint only if the demand for agricultural products increased at the same rate or at a higher rate than the demand for manufactured items. Barring such an assumption on how the composition of demand evolves, it seems plausible that either increasing returns would win out, or the two effects roughly compensate for each other, historical constant returns being the net result. Accumulation depletes natural resources, but simultaneously leads to higher levels of productivity.’ (p.19) I would merely add that it was precisely because Malthus believed the composition of demand could take the perverse form that he queried Smith’s optimistic growth conclusions, thereby marking the transition to the later classical emphasis on land scarcity; see T. R. Malthus, *Essay on the Principle of Population*, London, 1798, Chapter XVI.
It is clear then that we have returned to the issues raised by increasing returns and Smith’s more open-ended vision of the process of development. Smith diverged from Ricardian economics (and the Marxian variations built upon Ricardian foundations, particularly with respect to falling profits) on what is arguably the most significant feature of the Ricardian system, his mono-causal explanation for profit decline and the policy conclusions to be drawn from the threat of a stationary state. Failure to accord significance to these differences is one of the reasons why Smith still suffers from being Ricardianised, Marxianised, and even Malthusianised, either for purposes of praise or blame.\textsuperscript{17} We do not like discontinuities when we have inherited categories such as ‘classical economics’ designed to contain homogenous entities. But the differences between Smith and all Ricardians on profit decline are more than a matter of minor variations on a single theme, mere semantics in the trivial sense.\textsuperscript{18} It is true that, in common with Malthus and Ricardo, Smith believed that the long-term course of profit rates was and would remain downwards in all countries experiencing growth. From an increasing returns perspective, however, it is equally significant that he added the proviso that this process, based on increasing competition between capitals fought out through higher wage offers and lower prices, could be halted by ‘the acquisition of new territory or of new branches of trade’ (\textit{WN}, I.ix.12). Unlike Malthus and Ricardo, in their different ways, Smith treated declining profit rates as a phenomenon that should be welcomed as a mark of progress rather than as a sign of impending capital flight or the progressive drying-up of investment opportunities and the main source of accumulation. In commercial societies where economic legislation was under the sway of the ‘standing army’ of merchant pressure groups, high profits were often the illegitimate benefit derived from informal combination and special privileges granted by the state. Poor countries, in which capital was scarce, suffered from high profits, and profits were ‘always highest in the countries which are going fastest to


ruin’ (WN, I.xi.p.10). What differentiated Smith most from some of his successors, however, was his confidence in the powers of capital accumulation, regardless of the level of profit.\(^{19}\) Far from being a necessary stimulus to saving, high profits were more likely ‘to destroy that parsimony which in other circumstances is natural to the character of the merchant’ (WN, I.ix.12). Suspending my preference for reading history forwards, as it was lived, the logic of Smith’s position can be conveyed by likening it to Keynes’s remarks on the euthanasia of the rentier classes: there is no inherent reason why capitalism should be played for high rates of profit rather than low ones. Landowners, those entitled to receive rent, a measure of the rising level of agrarian surplus in a country undergoing improvement, and wage-earners were the chief beneficiaries of economic progress, which is why the interests of the third economic order, profit recipients, the merchants and manufacturers, did not have ‘the same connexion with the general interest of the society as that of the other two’ (WN, I.xi.p.10).

Smith favours an approach to technology which makes it seem unlikely that he would have seen this as an exogenous source of investment opportunities, but even endogenously-induced opportunities could expand with the discovery of new markets and the deepening of old ones. In other words, I do not see the same evidence in Smith for ever-increasing competition between capitalists occurring within a field of static or disappearing investment opportunities that one finds among Ricardians -- before, that is, John Stuart Mill staged a strategic retreat on the urgency of capital scarcity in Britain.\(^{20}\) Myint’s arguments showing that Ricardo, and neo-classical trade theorists building on Ricardo, paid a high price for accepting comparative advantage as the basis for their view of the gains from foreign trade are also relevant here.\(^{21}\) Smith’s successors saddled themselves with a comparative static reallocation model based on full employment that was inferior to Smith’s cruder emphasis on ‘vent for

\(^{19}\) ‘As riches, improvement, and population have increased, interest has declined. The wages of labour do not sink with the profits of stock. The demand for labour increases with the increase of stock whatever be its profits; and after these are diminished, stock may not only continue to increase, but to increase much faster than before. It is with industrious nations who are advancing in the acquisition of riches, as with industrious individuals. A great stock, though with small profits, generally increases faster than a small stock with great profits’; WN, I.ix.11.


\(^{21}\) This view has received recent support from economic historians interested in the role played by exports in explaining economic growth during the industrial revolution in Britain; see P. K. O’Brien and S. L. Engerman, ‘Exports and the Growth of the British Economy from the Glorious Revolution to the Peace of Amiens’ in B. Solow and S. Engerman (eds), Slavery and the Rise of the Atlantic System, Cambridge, 1991, pp. 177-209.
surplus’ and productivity gains from expanding world markets. Smith’s approach integrated foreign and domestic markets in order to link them with increasing returns. It might be too much to hope for the discovery of new Americas, but on Smith’s reading of the evidence, even China could escape its stationary state if it participated more fully in international trade. For Smith, the limits to growth were political and legal, rather than inherently economic -- a point to which I will return below.

As one might expect, the economic historians’ perspective is more generously proportioned than that of the economists. It encompasses elements in Smith’s story that go well beyond conventional economic argumentation to include an understanding of the way in which Smith combines the economic, political, and legal dimensions of his account of the ‘progress of opulence’. These are no longer the kinds of things economic theorists know or care much about. Since Alfred Marshall’s last attempt to incorporate them within a late nineteenth-century Social Darwinist (Lamarckian?) framework, they have either been left to economic historians or to those who form my third and fourth categories, the Marxians, Weberians, and the historical sociologists who have followed in their train.

III

For the purposes of examining Smith’s account of the transition from feudalism to what he referred to as commercial society and we have generally chosen to call capitalism, agrarian and/or industrial, Book III of WN must be brought into play. This has traditionally, but not exclusively, been territory cultivated by those with an interest in the Smithian foundations of Marx’s theory (or theories) of social change. The Smith scholar who was most persistent in

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22 Comparative cost doctrines assume that the gains from trade are those of increased efficiency in the use of the resources of a fully-employed economy. Smith’s productivity gains are those derived from expanding markets and increasing returns. ‘Vent for surplus’ was J. S. Mill’s negative characterization of another argument that Smith linked with rising productivity, namely that foreign trade provides an outlet for production in excess of domestic demand, a demand-side case that infringed orthodox Ricardian supply-side assumptions based on Say’s Law, full employment, and the impossibility of excess accumulation or capacity. See Mill, Principles of Political Economy, pp. 579-80.

23 ‘China seems to have been long stationary, and had probably long ago acquired that full complement of riches which is consistent with the nature of its laws and institutions. But this complement may be much inferior to what, with other laws and institutions, the nature of its soil, climate, and situation might admit of. A country which neglects or despises foreign commerce .. cannot transact the same quantity of business which it might do with different laws and institutions”; WN, I.ix.15.

24 On this see E. A. Wrigley’s chapter on ‘The Process of Modernization and the Industrial Revolution in England’ in People, Cities and Wealth, Chapter 4.

25 Since the literature falling under this heading is far too large to list, I will cite early and late contributions to the debate by one of my editors; see Robert Brenner, ‘The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism’,
his researches into the intellectual underpinnings of Smith’s role in advancing what he was
the first to call the ‘theory of the four stages’ was Ronald Meek -- though he was following
in the footsteps of an earlier Marxian scholar, Roy Pascal. Meek also proposed -- following
a Marxist style even when he became a ‘Meekist’ (his term) -- an economic interpretation
of Smith’s economic interpretation by hypothesizing that it partly reflected a response to the
Highland/Lowland or feudalism/capitalism division in eighteenth-century Scotland, and was
partly a reflection on Scotland’s relative backwardness and consequent desire to join England
in enjoying the fruits of an emerging, or hoped-for, form of capitalism. It is not unfair to
describe Meek’s interest in this problem as primarily teleological: how did Smith come to
enunciate a materialist interpretation of history that was capable of providing a foundation for
the materialist interpretation of history that reached fruition in Marx? Pursuit of this question
led Meek to do something that has now become obligatory for anyone claiming to have a
serious interest in the four stages, namely to consider the evidence we have had since 1978
concerning the aims and content of Smith’s lectures on jurisprudence. It was, of course, from
the sections in these lectures dealing with ‘police, revenue, and arms’ that the WN emerged as
a spectacular byproduct. Although, as one of the editors of these lectures, Meek was keen to
find support for his position, he was too good a scholar to allow his expectations to overwhelm
the evidence. Put slightly differently, I think he was disappointed to find how much historical
jurisprudence and how little on the four stages, defined by modes of subsistence, there was
in these lectures. More significantly, I think Meek failed to grasp the import of what, after
all, was the announced subject of both the lectures and the unfinished work of which it was
to be part. In brief, this was to illustrate the principles underlying natural justice by a theory
and history that demonstrated how law and government had been adapted, often imperfectly,
by means of human agency to suit the different forms of property to be found at different
historical stages of society. One could also translate this as different social states, classified

26 See ‘The Scottish Contribution to Marxist Sociology’ reprinted in his Economics and Ideology and Other Essays:
according to types of property (for which mode of subsistence was a surrogate), all of which, as the anthropological evidence of travelers and missionaries showed, could still be found in existence.

Although Book III of *WN* deals only with the final two stages in the sequence, it contains, alongside the account of the dialectical relationship between towns and the countryside, two further themes. The first is a critique of the way in which the ‘natural progress of opulence’ had been inverted by ‘the policy of Europe’ in favouring the industry of the towns. The second is a legal-political story derived from David Hume connecting the rise of commerce with the achievement of liberty defined as security under the rule of law, where the last of these developments depends on a political alliance between monarchs and town-dwellers designed to counter the disruptive influence of militaristic feudal landowners. The second of these themes treats feudalism as a mode of governance involving social relations based on ‘servile dependency’ rather than, as in the Marxian case, a distinctive productive system. Nevertheless, the achievement of ‘order and good government’ provided an essential foundation for the more complex forms of property relations associated with commercial society. It guaranteed the security necessary for the successful investment of savings, that increase in the ratio of productive to unproductive labour which was the subject of Book II and the necessary precondition for the subdivision of labour and extension of markets covered in Book I. Those parts of Book III that deal with such feudal remnants as primogeniture and entail as factors that continued to retard the full exploitation of agricultural potential also carry a direct political message, though it is one that has received less attention than the better-known ‘very violent attack’ Smith mounted on the mercantile and colonial system in Book IV.

Materialist interpretations of Smith’s four-stage theory have been in retreat in recent years for a variety of reasons.\(^{27}\) The legal-political themes cannot be treated merely as

epiphenomena, as the more deterministic versions of materialist history advanced by Pascal and Meek suggest. Two crucial comparative topics in any consideration of relations between the Smithian and Marxian positions are now open for reconsideration. The first concerns the origins and legitimacy of various forms of property seen in the new light shed by Smith’s lectures on jurisprudence. The second concerns the accuracy of Marx’s criticism of Smith for confining his treatment of the division of labour to the manufacturing workshop. Marx was clearly an important agent in diffusing a version of Smith’s economic and historical ideas during the nineteenth century, and it is in that light his appropriation and critique of Smith deserves to be considered -- on another occasion.

Nor was Smith writing a proto-Whig history of the rise of bourgeois liberties with inevitabilist tendencies. He was drawing attention to remaining injustices and showing why legislative prudence, guided by the new science of the legislator which he was cultivating, was essential to overcome retarding institutions, thereby adapting legal and political institutions to changing economic circumstances. This can be illustrated by another feature of Book III: the fact that a cosmopolitan story with the decline of feudalism throughout Europe as its larger historical context also serves to underline English exceptionalism. Only England, on Smith’s account, had so far managed to build on the ruins of feudalism, though for reasons that sometimes make it seem like the outcome of accidents that might not be replicated elsewhere. Only in England had the yeomanry managed to obtain longer leases, sufficient security of tenure, and a degree of respect from their superiors to overcome the shortsighted ‘avarice and injustice’ of legislation prepared by and for landed proprietors.28 Only in England had some farmers become like merchants, capable of borrowing capital to generate profit from agricultural improvement in the knowledge that it would not be absorbed by rental payments and other forms of exaction from landowners.29 Capital now moved freely, along with mercantile know-how, into agriculture, and being based on commercial principles,

1982, pp. 79-114. A more recent contribution by John Salter accepts the normative emphasis imparted by Winch and Haakonssen but argues that the demise of deterministic interpretations does not invalidate those that make material causes a necessary factor in explaining socio-political change; see ‘Adam Smith on Feudalism, Commerce and Slavery’, History of Political Thought, 13, 1992, 219-41.

28 WN, III.ii.14-16.
29 WN, III.ii. 20.
farms had been enlarged and the surplus produce of the country increased by removing the ‘unnecessary mouths’ associated with subsistence agriculture. As is clear from what was said earlier about the position of agriculture in any hierarchy of employment for a nation’s capital, Smith believed that there was still scope for extension of cultivation and improvement in methods. Smith was also warning that continuing progress might be vulnerable to those ‘ordinary revolutions of war and government’ which had brought an end to the progress of opulence in earlier epochs. What was said above about the political limits to growth in the Chinese case applies here too.

My fourth context or debate has some affinities with the third, but the focus is on the history of social theory as a source revealing the mirror image of, or the means of legitimating, a particular type of society emerging in the eighteenth century, with England continuing to provide its foremost, perhaps its only example. The differences between my fourth and third categories can best be reinforced by citing an anthropological exponent, Louis Dumont, whose main interest, a contrast between East and West, is expressed in the French (or rather Latin) titles of his diptych: Homo Hierarchicus (1967) versus Homo Aequalis (1975), where the latter bears the significant subtitle, Genèse et épanouissement de l’idéologie économique. The English title of this book is more prosaic -- From Mandeville to Marx -- but informed readers will guess correctly, if they do not already know, that Smith is situated rather crucially at the middle point of this journey. Dumont is making a conventional move in using some central texts belonging to the history of Western social and political theory to continue a nineteenth-century sociological tradition that makes similar binary distinctions between societies based on status or contract, between gemeinschaft and gesellschaft, while giving them a foundation that is heavily dependent on economic analysis and ideology. Dumont is also contributing to another genre that is equally well known, and in which Smith is often assigned a role at the beginning or near the climax of the story. It can either be the story

30 WN, III.iv.13.
31 WN, III.iv.20 and 24.
32 For an interesting recent response to Dumont by a French student of the Scottish Enlightenment, see C. Gautier, L’invention de la société civile: lectures anglo-écossaises, Mandeville, Smith, Ferguson, Paris, 1993.
of the rise of rational forms of economic individualism or of the ‘disembeddedness’ of the
market, with Max Weber’s The Protestant Ethic and the Spirit of Capitalism (1905) being
the best illustration of the former, and Karl Polanyi’s The Great Transformation (1944) of
the latter. Smith is also accorded a significant role as the culminating point of the rather
different stories told by Albert Hirschman in The Passions and the Interests (1977), and by
Milton Meyers in his The Soul of Economic Man; Ideas of Self-Interest, Thomas Hobbes to
Adam Smith (1983). In different vein, if he had got round to dealing with Smith more fully,
C. B. Macpherson’s work on ‘possessive individualism’ might have been added to this list.33
It could also be lengthened to include other studies based on Macpherson’s perspective in
which Smith serves as the validating agent for ‘bourgeois’ liberalism and radicalism, with
English intellectual and ideological dispositions being transferred across the Atlantic to the
new American republic.34 Joyce Oldham Appleby furnishes the best example of such uses of
Smith: her earlier work on England and on Jeffersonian America revolves around a portrait
of how Smith’s ‘invisible hand’ was first anticipated by mercantile writers and then grasped
as social blue-print by the first ‘truly American’, or ‘liberal’, national-builders.35

IV

With regard to my fourth debate I want to say a little more. My basic contention turns on the
question of why something that was inherently problematic to so many later social theorists,
and remains so to ourselves, was unproblematic to Smith. For that purpose, it is also necessary
to bring into play his other main work, the Theory of Moral Sentiments (hereafter TMS)
-- a work that was at least as important to him as WN, but which has, at best, shadowy
existence in any of the debates outlined so far. The relationship between WN and TMS, of
course, constituted the Adam Smith problem to a generation of German scholars, but most

33 To my knowledge, the nearest Macpherson came to dealing with Smith was in a review of my Adam Smith’s Politics
in History of Political Economy, 11, 1979 450-54. Indirectly, of course, it underlies his interpretation of Burke (see Burke,
Oxford, 1981) treated as the disciple of Smith. My response to this combination can be found in ‘The Burke-Smith Problem
34 See, for example, I. Kramnick, Republicanism and Bourgeois Radicalism: Political Ideologies in Late Eighteenth-
economists and economic historians in the Anglo-American tradition, with one or two notable exceptions, have implicitly accepted Henry Buckle’s early brusque solution to the problem: *WN* was simply the ‘selfish’ part of a unified deductive enterprize in which the ‘sympathetic’ half can be seen in *TMS*.\(^\text{36}\) Philosophers were thereby granted permission to monopolize the ‘sympathetic’ side of Smith’s enterprize, as long as economists were given unimpeded access to the ‘selfish’ side. One of the results of this division of intellectual labour can be found in the work of modern public choice theorists and the proponents of ‘constitutional economics’, in whose hands Smith can be made to seem a comprehensive exponent of their position, without ever mentioning *TMS*.\(^\text{37}\) They are not unique in this one-eyed approach to Smith: it is accepted by all those to whom Smith’s *fortuna* rests on *WN* alone, the work that served Ricardo and Marx so well, partly as inspiration, partly for target practice.

Smith has acquired a number of influential modern admirers on the New Right wing of the political spectrum who are unconcerned with, and might even be embarrassed by, the Ricardo-Marx inheritance. To them, Smith epitomizes the negative libertarian position. Mrs. Thatcher -- not perhaps the most subtle exponent of this position, though probably a faithful echo of that of her intellectual advisers, notably Keith Joseph, echoing in turn Friedrich Hayek -- put it most simply when she said that events in Eastern Europe post-1989 were decisive proof of what an arrogant generation or two of socialist planners could have learned long before from Smith -- a message about the central role of markets as the only means of reconciling the laudable impulses of self-interested behaviour with public good.\(^\text{38}\) In even cruder ideological terms, whereas Marx can belatedly yet definitively be assigned to history, Smith is a living guru. Bearing in mind the literature responding to such usages, it is tempting to add a fifth category to my list. It would be designed to contain a body of recent literature that is united in its anxiety to rescue Smith from some of his more enthusiastic late-


\(^{37}\) The groundwork for such interpretations was laid by George Stigler; see ‘Smith’s Travels on the Ship of State’ in Skinner and Wilson (eds), *Essays on Adam Smith*, pp. 237-46; and has been carried further by Gary M. Anderson; see ‘The Butcher, the Baker, and the Policy-Maker: Adam Smith on Public Choice’, *History of Political Economy*, 21, 1989, 641-60.

\(^{38}\) Explicit statements of Mrs (now Lady) Thatcher’s credo have to be sought in ephemeral places: see a letter to *The Times* on Smith, July 18, 1977, and a BBC interview with James Naughtie, ‘On the Record’, July 15, 1990.

18
twentieth-century adherents. By drawing attention to aspects of his work that do not conform with New Right expectations, these counter-blasts could serve a modest negative purpose. Personal experience suggests, however, that modifying iconographic usages of Smith is an unrewarding task. Some stereotypes seem to be necessary ones, and they gain strength by being shared by those on the left as well as right of the political spectrum. Combatting these stereotypes could serve a positive purpose in articulating alternatives to a conception of society that sees it essentially as a set of relations mediated by markets. One simple move in this game requires rehearsal of the valid points made in an earlier literature responding to the simpler laissez-faire interpretations of Smith. As in all polemics, however, there is a tendency to perpetuate caricature by standing an existing caricature on its head. From the historians' perspective, not much good can come from portraying Smith as a forerunner of the modern welfare state in place of one that sees him as the spokesman for an Austrian economics of free markets, or as the consummate public choice theorist. Instead of creating a fifth category, therefore, I think that much of this defensive literature belongs in my fourth category by virtue of its attempt to show how Smith coped with what has been described as the problem of 'moral capital'. Nathan Rosenberg, for example, has treated it in this fashion, where the assumption is that such capital may need to be constantly renewed by methods that lie outside the economic system proper. Posed in this way, it is clear that we are still dealing with a presumption that Smith was interested in legitimating something we find to be in need of legitimation.

V

39 For three representative American books with this theme, see Spencer J. Pack, Capitalism as a Moral System; Adam Smith's Critique of the Free Market Economy, London, 1991; Patricia H. Werhane, Adam Smith and His Legacy for Modern Capitalism, New York, 1991; and Jerry Z. Muller, Adam Smith in his Time and Ours; Designing the Decent Society, New York, 1993.

40 My first attempt to counter the 'liberal-capitalist' image, chiefly concerned with the prevailing 'a-political' interpretations, was in Adam Smith's Politics, Cambridge, 1978, Chapter 1. For an update of this, in the light of subsequent discussion, see 'Adam Smith and the Liberal Tradition' in K. Haakonssen (ed), Traditions of Liberalism, Sydney, 1988, pp. 83-104; and more briefly and polemically in The Guardian, July 16, 1990.

41 For what remains the classic response, see J. Viner, 'Adam Smith and Laissez-Faire' in his Long View and the Short, Glencoe, 1958.

Any answer to this presumption would have to begin by noting that, contrary to the expectations created by sociologies of the rise of modern capitalism advanced by Weber and Polanyi, Smith finds nothing inherently problematic about self-interested market behaviour and the motive for self-improvement that is expressed in private frugality successfully invested for the sake of future return. Both proclivities are brought into spontaneous combustion whenever and as soon as propitious circumstances -- opportunities for extensive exchange and specialisation, and conditions guaranteeing a ‘tolerable degree of security’ with regard to property -- become available. As Smith said, with deceptive simplicity: ‘Our ancestors were idle for want of a sufficient encouragement to industry’ (WN, II.iii.12).

Making use of the assumption of uniformity in the basic budget of human passions or motives allowed Smith, again in company with Hume, to consider the differences between the ancient and modern worlds against a common background. An acute awareness of the ways in which an understanding of commerce differentiated their own intellectual world from the ancient one did not lead them to make any of the rigid distinctions that mark the work of later historians of the ancient world. 43

Morals are treated both anatomically and evaluatively in TMS, and from neither perspective does Smith appear to see any special problem attaching to behaviour directed by self-interest and aimed solely at the prudential conduct of personal and family affairs. Not only is prudence considered to be a virtue (which it was not to Smith’s teacher, Frances Hutcheson), but self-interestedness, being one of the most commonplace of human traits, requires no explanation or social reinforcement, where the contrast here is with benevolent or heroic behaviour, whether within the family, among friends, or on a larger public stage. Compared with many nineteenth-century moralists, Smith does not appear to have found the problem of distinguishing selfishness from self-interestedness an inherently difficult

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43 Moses Finley, whose historiography was derived from an amalgam of sources that included Marx, Weber, and Polanyi, provides a good example; see the editorial introduction by B. D. Shaw and R. P. Saller to Economy and Society in Ancient Greece by M. I. Finley, London, 1981; and M. Finley, The Ancient Economy, London, 1973, Chapter I, where he argues that Francis Hutcheson’s concept of ‘oeconomy’ makes him the last of an ancient lineage that was to be broken a few years later by his pupil, Smith, in WN.
The pursuit of personal goals by unfair, dishonest, and criminal methods had to be recognised by anyone as coolheaded (even cynical) as Smith was, but such problems were capable of being policed by a combination of social disapproval and the sanctions of law. Indeed, within Smith’s jurisprudence, which aimed to identify those injuries that required punishment, actively anti-social behaviour of a civil or criminal kind was easier to deal with than a-social behaviour, for reasons that will be indicated shortly.

The only qualifications that need to be made to this picture are the following. Compared with other virtues prudence only commands a ‘cold esteem’, chiefly because it involves no essential difficulty, apart from a possible learning process in which most of us, most of the time, are likely to be apt pupils. It is also clear that from a simple evaluative standpoint Smith finds a society based solely on prudence, on the exact performance of the negative duties imposed by rules of commutative justice, a less desirable society than one in which the positive virtues of benevolence are present as well. Such a society, in which mercantile relations predominated, was a viable one, but it was also, unsurprisingly, ‘less happy and agreeable’ than one in which other virtues were cultivated.

Smith’s assumptions about the ‘natural’ character of commercial behaviour is, of course, the main reason why he has been criticised by Polanyi and those who have followed his economic anthropology. Anyone who is aware of TMS, and of the natural jurisprudence which provides a bridge linking this work with WN, is unlikely to share Polanyi’s view of Smith as an analyst of a ‘disembedded’ economy based on markets alone. In the light of arguments that Smith and Weber adopted similar methods of explanation, conveniently labelled as ‘institutional individualism’, the contrast with Weber is more fruitful, though a

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45 ‘We are not ready to suspect any person of being defective in selfishness, this is by no means the weak side of human nature, or the failing of which we are apt to be suspicious.’ (TMS, VII.ii.3.16)

46 TMS,II.ii.3.2.


48 I also wonder how much support there is now for Polanyi’s historical assertions that the kind of society analysed by Smith hardly existed before his time; that the assumption of a universal propensity to truck and barter was an entirely ‘apocryphal’ reading of the anthropological record; see The Great Transformation, New York, 1957, pp. 43-4.
proper examination of it would require another paper. It is often mischaracterised when Smith is treated as an advocate of the compulsively rational maximising and utilitarian aspects of economic behaviour that Weber felt were in need of special explanation as features of advanced Western forms of capitalism. For this to work Smith has to be endowed with views on economic behaviour that can only be found in later economists, notably the explicit assumption of the psychology of rational economic man. This fictional character acquired some warrant in Ricardo and John Stuart Mill, and he was to be provided with more precise tools of utility-maximization by Bentham and neoclassical theorists. I would argue that Smith felt no need to seek an explanation for modern economic rationality largely because he did not endow the behaviour of human agents, even in the more or less anonymous economic dealings of commercial society, with any special form of rationality. He did not anticipate the peculiar Calvinistic form invoked by Weber to account for the emergence of the capitalistic spirit. Nor did he, even less surprisingly, anticipate the bureaucratic forms Weber attributed to late nineteenth-century capitalism as a functioning system. In so far as Smith took any interest in the deeper origins of the propensity to truck and barter, he gave it a ‘rhetorical’ or psycho-linguistic character, revealing something distinctive to all language-using creatures. It was based on assumptions of uniformity of human nature, natural sociability, and a basic desire to persuade others to share our view of the world, and in so doing, collaborate in meeting our natural and artificial wants.

Another characteristic that was distinctive to man, according to Smith, was his unwillingness to remain content with natural wants. Again, this provided a deceptively simple basis for a highly complex social phenomenon, the restless desire for improvement that comes with us from the cradle to the grave -- a phenomenon which, especially in *TMS*, is treated as the result of a sub-rational (certainly a non-utilitarian) impulse, rather than one based

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50 *WN*, I.i.1-3. What might be described today as the ‘linguistic turn’ is even more evident in *LJA*: ‘Men always endeavour to persuade others to be of their opinion even when the matter is of no consequence to them....And in this manner every one is practising oratory on others thro the whole of his life. You are uneasy whenever one differs from you, and you endeavour to persuade him to be of your mind; or if you do not it is a certain degree of self command, and to this every one is breeding thro their whole lives. In this manner they acquire a certain dexterity and address in managing their affairs, or in other words in managing of men; and this is altogether the practise of every man in the most ordinary affairs'; See *LJA*, p.352.
on a sober long-term calculation of the likely costs and benefits of chasing the indefinitely expandable wants of the mind connected with social status. Economic ambition is one of those cases, taken over from Mandeville, where a ‘deception’ brought public benefits that were not replicated at the level of the individual decision maker -- an early example of Smith’s pervasive use of the idea of unintended consequences. This creates the kind of problem of distinguishing être from paraître that is central to Rousseau’s version of the idea. Smith does regard the tendency to pay undue deference to the rich and powerful as a corruption in our moral sentiments, but there are few signs that he regarded this problem (let us call it one of false consciousness) as incapable, in principle at least, of being solved. He certainly does not contemplate the kind of ‘violent’ republican remedies espoused by Rousseau, though he may be making considerable demands on the ‘self-command’ of some individuals as an alternative to such remedies.

Further aspects of the contrast between Smith and Weber can be best explored via Weber’s treatment of custom and tradition as an obstacle that the spirit of capitalism had to overcome, with further light being shed by considering the role of religion in both accounts. Weber’s well-known statement that ‘a man does not “by nature” wish to earn more and more money, but simply to live as he is accustomed to live and to earn as much as is necessary for that purpose’ will serve to point up the underlying issues. Weber regarded this as the distinguishing mark of pre-capitalistic labour practices and as an explanation for the policy of exploiting the backward-bending properties of the supply curve of labour by keeping wages low to obtain more effort from the labour force. Smith’s account of the same phenomenon ran along different lines; he regarded the case for low wages merely as an argument favoured by employers with a vested interest in keeping profits high. Offered what the fruits of their productive labour yielded, namely higher wages and the opportunities to consume a wider range of cheaper goods, there could be no problem with incentives to labour. On the other

51 The crucial argument is given in a rhetorical set-piece in TMS, IV.1.10.
52 For an interesting comparison of Smith and Rousseau on this subject see M. Ignatieff, The Needs of Strangers, London, Chapter 4. For my version of the comparison, involving Mandeville as well as Rousseau, see Riches and Poverty; An Intellectual History of Political Economy in Britain, 1750-1834, Cambridge, 1996, pp. 66-89.
hand, Smith was more alive to market inertia than Ricardo, and has been found wanting in this respect by Chicago admirers.\textsuperscript{54} High wages were both a legitimate reward and a good long-run investment, ensuring better health standards and hence higher productivity. From a normative point of view, of course, high wages also conformed with Smith’s welfare side-condition concerning ‘progressive’ or ‘happy’ states.\textsuperscript{55} The secularity of Smith’s thought has been underestimated. It is not simply that his theology is deeply anti-Calvinist, but that theology plays no part in his explanation of efficient causes.\textsuperscript{56} Although Smith was clearly a Protestant sceptic, he was critical of the high-flying Calvinism that was in process of being overcome by his Moderate friends in Scotland. Smith does not discriminate between Catholics and Protestants in economic matters: it confers no advantage or disadvantage. The policy Smith advocated of encouraging the proliferation of protestant sects of the kind that Weber often had in mind was not in order to hone or legitimize their members’ economic instincts, but to provide an antidote to the anomic conditions to be found in urban settings by those who had begun life in rural communities.\textsuperscript{57}

VI

Sticking to the intellectual historians’ last to the end, one can ask how far Smith was peculiar in holding such opinions when judged by what was available to him and his contemporaries. It is fairly obvious, for example, that one of his basic aims in \textit{TMS} was to provide an alternative to those reductive accounts of human behaviour based on self-interest alone. Such accounts were chiefly associated with the names of Hobbes and Mandeville, but they were also being perpetuated in the mercantile literature against which Smith was later to mount his ‘very violent attack’ in \textit{WN}. Moreover, in constructing his own account of codes of morality based on the assumption of man’s natural sociability, Smith was self-consciously setting himself

\textsuperscript{54} ‘In a decaying manufacture...many workmen, rather than quit their old trade, are contented with smaller wages than would otherwise be suitable to the nature of their employment’; \textit{WN}, I. x.b.45. For the Chicago admirers see Stigler, ‘Smith’s Travels on the Ship of State’ in Skinner and Wilson (eds), \textit{Essays on Adam Smith}.

\textsuperscript{55} ‘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’; \textit{WN}, I. viii.36.


\textsuperscript{57} See \textit{WN}, V. 1.g.11-16.
apart from Rousseau as well as Mandeville. Unlike these two opponents, Smith does not, for example, require a version of the ignoble lie, or corrupt social compact, to explain how the natural equality of pre-social man is transformed, via a ruse practiced upon the poor by the rich, into accepting the inequalities of civil society. A conjectural history of civil society that started, as Smith’s did, from an assumption of man’s basic need for society, would arrive at very different answers from those given by Rousseau and Mandeville. Smith’s point of departure dictated that what needed to be explained was how the progress of opulence had been retarded or distorted, rather than how it ever got launched, or how it might be legitimated once launched. That becomes relevant when dealing with Book III of *WN*, which is not, strictly speaking, *conjectural* history: it is actual history organised around a conjecture about what is, or would have been, natural.

On the question of Smith’s attitude towards the moral legitimacy of commercial society, much of the most interesting work on Smith in recent years has concentrated on the role of natural jurisprudence, not merely in shaping his enterprize, but in giving detailed content to his science of the legislator.\(^{58}\) This has also focussed attention on the way in which Smith persistently invokes ideas of natural justice and injustice in *WN* when sustaining his critique of mercantile regimes in Book IV, and when advising legislators on the inescapable as well as voluntary duties of the sovereign in Book V. Since he defined the purpose of natural jurisprudence as one of providing ‘a theory of the general principles which *ought* to run through and be the foundation of the laws of all nations’, it is here that one should look for the normative content of Smith’s position.\(^{59}\) Although Smith’s restriction of justice to the negative categories of its commutative, as opposed to distributive, form may appear to confine the treatment to ‘perfect’ rights and obligations, Haakonssen has shown just how extensive and practical Smith’s use of the negative imperative can be. It covers the injuries that legislators can inflict on citizens as well as those that citizens can inflict on one another. By contrast with Hume, Smith has far more to say on personal as opposed to property rights, and he does

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59 *TMS*. VII.iv.37, emphasis added.
not confine his attention to ‘perfect’ rights alone. In all civilized nations, he claimed, the legislator was entrusted with the power ‘of promoting the prosperity of the commonwealth by establishing good discipline, and by discouraging every sort of vice and impropriety; he may prescribe rules, therefore, which not only prohibit mutual injuries among fellow-citizens, but command mutual good offices to a certain degree’. It is also characteristic of Smith’s position that he added the following caveat: ‘Of all the duties of a law-giver, however, this, perhaps, is that which requires the greatest delicacy and reserve to execute with propriety and judgement. To neglect it altogether exposes the commonwealth to many gross disorders and shocking enormities, and to push it too far is destructive of all liberty, security and justice’ (TMS, II.i.i.8).

Precisely because such a delicate balance is required, Smith, like Hume, is usually more attracted to the idea of creating legal and institutional machinery that will achieve legislative goals by preventing individuals or powerful interest groupings from combining against the public interest. Smith was fertile in designing and advocating the use of such expedients. He was also prepared to countenance methods of political ‘persuasion and management’ that would help keep the wheels of this machinery oiled -- a Humean insight into constitutions that Smith, in his private advice at least, could sometimes take to Machiavellian lengths. Holding such opinions separated him, as it had Hume, from those Scottish contemporaries who placed a premium on the virtue or public-spiritedness of political élites, those ‘men of republican principles’ with whom Smith is often to be found in friendly conflict. But it did not make him indifferent to the idea that legislators had responsibilities for protecting or maintaining the ‘character’ of the citizenry at large and their ability to take a part in its economic and social benefits. That is why there are a-social as well as anti-social forms of behaviour, and when the former involve the ‘intellectual, social, and martial virtues’ of the mass of society, as in the famous case of Smith’s diagnosis of the effects of the division of labour in commercial societies, practical (i.e. non-utopian) remedies had to be sought.

It is here that the idea of depleting ‘moral capital’ has some purchase, though the economistic language obscures the humanistic origins and extent of Smith’s concern. Until
this is given adequate recognition we are still likely to be offered portraits of Smith as a proto-
positivist social scientist, as an a-moral mechanician, as a typical Enlightenment materialist,
unable to appreciate the political and human side of history in which man makes himself. Smith is far too cool a customer for those who yearn for more warm-blooded forms of politics, and the use of unintended consequences as a mode of explaining complex historical and social outcomes, together with the preference for impersonal machinery, help to keep the stereotype alive. But what I have loosely described as Smith’s humanism is revealed in what was said earlier about the political limits to the progress of opulence. The prospects for continued growth in commercial society are open-ended and vulnerable in Smith’s account of the phenomenon. Commercial societies both need and breed the qualities necessary for their success, but the historical record is more often one of failure, of arrested potentiality, and also of those with the power to influence events disdaining to use the best instruments when the worst are still available to them. That is what lies behind Smith’s reference to the damage that the ‘ordinary revolutions of war and government’ were always capable of inflicting, where the ‘policy of Europe’ could be cited at one end of the political spectrum, and China, by virtue of the inflexibility of its social and political institutions, at the other. That comes closer to specifying what was genuinely problematic to Smith about economic development, but, in a strange twist to the history of modern consciousness, it may be far too voluntaristic for generations brought up on the social sciences he helped to create.