ADAM SMITH'S SOCIOLOGICAL ECONOMICS

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in

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by

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SUMMARY

The study argues that Adam Smith sought to use economic forces to bring about social change. Consumer goods yield utility not in themselves but as symbols in the process of social interaction; and thus it would be meaningless to advocate economic growth to increase the supply of these symbols, particularly if economic growth altered the social structure and changed the nature of the symbols needed. Nor can growth be attributed to instinct and man's character, since character was the result of economic change as well as the cause of it. So were norms and values; having dismissed revealed religion, natural law, and an absolute standard of ethics, Smith had no choice but to approximate morality to aesthetics and science, explaining all three in terms of the propriety of habitual associations. Moreover, this perception was to be sensory, not rational or intellectual. The mind is the prisoner of the body, and the body of the situation.

The only way to make such circular causation into meaningful teleology is to introduce an outside factor. To Smith this was institutional change. Economic growth was welcomed as it would liberalise the state, reduce the temporal power of aristocracy and clergy, combat "superstition" with science, encourage learning and humanitarianism, and raise the living standards of the masses by improving their bargaining power. All of these goals could have been attained by political revolution; but Smith, fearing violence and favouring social continuity, preferred the compromise that economic and social revolution represented.

CONTENTS

INTRODUCTION	page i
PART ONE: METHODOLOGY	
CHAPTER ONE: Scientific Method	page 1
CHAPTER TWO: Aesthetics	page 53
CHAPTER THREE: Natural Law	page 85
CHAPTER FOUR: Epistemology	page 124
PART TWO: CONSUMING AND PRODUCING	
CHAPTER FIVE: Consumption	page 146
CHAPTER SIX: Production	page 201
PART THREE: INSTITUTIONAL CHANGE	
CHAPTER SEVEN: The State	page 281
CHAPTER EIGHT: Aristocracy and Clergy	page 375
CHAPTER NINE: The Division of Labour	page 398
CHAPTER TEN: Workers and Capitalists	page 437
BIBLIOGRAPHY	page 526

"When the Lord God made Earth and Heaven, there was neither shrub nor plant growing wild upon the earth, because the Lord God had sent no rain on the earth; nor was there any man to till the ground. A flood used to rise out of the earth and water all the surface of the ground. Then the Lord God formed a man from the dust of the ground and breathed into his nostrils the breath of life. Thus the man became a living creature. Then the Lord God planted a garden in Eden away to the east, and there he put the man whom he had formed. The Lord God made trees spring from the ground, all trees pleasant to look at and good for food; and in the middle of the garden he set the tree of life and the tree of the knowledge of good and evil

The Lord God took the man and put him in the Garden of Eden to till it and care for it. He told the man, 'You may eat from every tree in the garden, but not from the tree of the knowledge of good and evil; for on the day you eat from it, you will certainly die.'"

GENESIS, 2.

I N T R O D U C T I O N

INTRODUCTION

John Stuart Mill, himself a contributor to several disciplines, said that "a man is not likely to be a good economist if he is nothing else."⁽¹⁾ The aim of this study is to show that it is impossible to understand Adam Smith's economic theories without comprehending that they were really only part of an integrated, interdisciplinary, synthetic model of man. We will argue that Smith's strength as a social scientist lay precisely in his unwillingness to confine himself to economics alone (a uni-disciplinary approach), or to develop separate, parallel bodies of theory for economics and sociology (a multi-disciplinary approach). Our hypothesis is that Adam Smith's economics was sociological.

In the first part of this introduction we shall attempt to define economics and sociology; in the second we shall consider how positivist, and specifically utilitarian, elements in present-day economics hinder a sociological approach to economics; and in the third part we shall survey our study of Adam Smith's sociological economics.

I

Economics has been defined as being concerned mainly with the production, distribution and exchange of material commodities. Marshall said it was concerned with the "measurement of the force of a person's motives" in money terms. It is

"a study of mankind in the ordinary business of life ... It examines that part of individual and social action which is most closely

connected with the attainment and with the use of the material requisites of well-being."⁽²⁾

In other words, if Robinson Crusoe digs potatoes, his activity is economic; if he talks to his parrot, it is not.

Lord Robbins offered a much wider definition:

"Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses."⁽³⁾

However, these ends and means need not be material. Some ends are abstract (such as love or salvation). Some means are non-material (such as time, which is scarce relative to the demands made upon it, and which thus must be allocated between alternative employments). If Robinson Crusoe talks to his parrot, this is as much economic activity as if he were to dig potatoes. The cost of talking to his parrot is the quantity of potatoes foregone, and the cost of digging potatoes is the opportunity he loses of talking to his parrot. All cost is opportunity cost, and economics is simply the science which defines one thing in terms of another:

"We do not say that the production of potatoes is economic activity and the production of philosophy is not. We say rather that, insofar as either kind of activity involves the relinquishment of other desired alternatives; it has its economic aspect. There are no limitations on the subject matter of economics than this."⁽⁴⁾

Robbins insists that economics is not defined with respect to a given class of phenomena (e.g. markets, banks, factories) or even a given group of activities (e.g. buying and selling). Economics is simply

a state of mind, which can be applied to any subjective valuation of the trade-off between two objects or activities. There are thus an infinite number of economic relationships of the form: "The cost of practising the tuba is the opportunity sacrificed of reading War and Peace."

No economist, however dedicated and talented, can cope with an infinite number of relationships; and even Robbins seems to feel that in practice the economist should apply his peculiar state of mind mainly to material commodities and services. Thus in his discussion of the Reformation he points out the features of interest to the economist as

"chiefly changes in the distribution of property, changes in the channels of trade, changes in the demand for fish, changes in the supply of indulgences, changes in the incidence of taxes."⁽⁵⁾

And the invention of the steam engine is economically significant because

"it affected the supply of demand for certain products and certain factors of production, because it affected the price and income structures of the communities where it was adopted."⁽⁶⁾

Students' time is a scarce good, and many economists argue that the eclipse of methodology by the techniques of economic investigation only reflects a shift in priorities. Thus Professor Blang writes:

"Definitions of new subjects go out of date as soon as they are written. Economics is what economists do."⁽⁷⁾

And everyone knows that economists are concerned with the production and allocation of goods and services. On the opening page of his introductory textbook, Professor Lipsey takes a super-empirical view

of the definition of economics by listing the problems economists seem to be concerned with (the trade cycle, unemployment, the balance of payments, devaluation, the aggregate price level, wages, money, taxation) and then adding:

"These are the types of questions with which economists concern themselves and on which the theories of economics are supposed to shed some light. Such a list possibly gives the student a clearer idea of the scope of economics than can be obtained from an enumeration of the common textbook definitions."⁽⁸⁾

In other words, Lipsey cuts the Gordian knot by defining economics in terms of what it is, not what it should be. After all, as Mill pointed out, the wall of a city is erected only after the aggregate is already in existence.⁽⁹⁾

Sociology, on the other hand, is concerned with relationships between individuals and groups. Max Weber defined it as follows:

"Sociology ... is a science which attempts the interpretive understanding of social action in order thereby to arrive at a causal explanation of its causes and effects ... Action is social in so far as, by virtue of the subjective meaning attached to it by the acting individual (or individuals) it takes account of the behaviour of others and is thereby oriented in its course."⁽¹⁰⁾

Sociology is thus concerned with interaction. Nisbet defines the "nucleus of the sociological tradition" as the ideas of "community, authority, status, the sacred, and alienation."⁽¹¹⁾ These concepts help to explain why society does not disintegrate into a Hobbesian bellum omnium contra omnes. Sociology is concerned with social cohesion,

integration and solidarity, whereas economics is concerned with allocation of resources and individual utility. Nisbet finds, moreover, that sociology has been particularly characterised by revolt against the economist's rationalism, individualism and utilitarianism ("whose doctrines provide negative relief for so many sociological concepts."⁽¹²⁾) Sociology, like economics, is a state of mind.

Once again we are being forced to define sociology in terms of what sociologists do, but this, after all, is Raymond Aron's own approach:

"I prefer to regard as sociology that which societies designate as such; I regard as sociologists those who assume this title."⁽¹³⁾

Once again, therefore, we can consult a standard textbook to see what our society defines sociology to be. Dr. Cohen's Modern Social Theory, for example, is concerned with social order, power and coercion, exchange, conflict, norms and values, social change, ideas and ideologies.⁽¹⁴⁾

A study of interaction and integration can be made wherever two or more persons are gathered together. The sociologist could study the power structure in a village or the position of women in black American society; but he could also study the interactive relationships of worker and employer, or buyer and seller, relationships which are aspects of the economic processes of production and allocation. In other words, both economics and sociology seem to study the same phenomena. What is different is the point of view.

Consider the example of the market mechanism. The economist is concerned to know how consumer satisfactions are maximised through the

higgling of the markets for goods and factors, and the imperfections which exist in these markets (such as oligopolistic and monopolistic positions). The sociologist, on the other hand, is concerned with power positions, with the norms and values necessary to make a market economy viable, with institutional changes that may result and their effect on integration once association and contract have taken the place of community and status.

There are a number of cases where social interaction is not comprehensible without a knowledge of allocative activity. Thus sociology cannot deal with problems such as the class structure unless it is acquainted with the economic theories of profit, capital and investment. Moreover, technological change, as adopted in industry for economic reasons, affects the urban/rural distribution of the population by concentrating work in urban factories; leads to a breakdown of traditional authority and the extended family; necessitates an industrial power structure (based on office or wealth) which may be resented; and generates a division of labour which may reduce (or increase) the worker's sense of satisfaction with his own craftsmanship. Economic change generates new ways of life (consider the impact of the car or television) and may mean social instability if there is a great deal of professional and geographical mobility.

On the other hand, in many cases allocative activity cannot be investigated without first comprehending the imperatives passed by social inter relationships. The size of the labour-force is influenced by the normal age of marriage, the size of family, and social attitudes on the labour of married women (which, after all, is the basis of the

upward-sloping supply curve of labour with respect to wages). Age and sex distribution of the population affects the structure of demand and the degree of mobility. Social values (such as the Calvinist attitude to idleness) determine whether the supply of effort will be reduced at very high wage levels. Moreover, there may be social obstacles to mobility, such as caste in India or the monarchy in Britain. Sociology too is concerned with allocation, but it recognises that the division of labour may be the result of traditional status categories (age, sex, birth, wealth) as well as the new and ever-changing functional categories based on the supply of and demand for particular skills.

Economics is influenced by sociological factors in still other ways. The basis of cost theory, opportunity cost, is sociological. As Adolf Lowe, pleading for "co-operation" in the social sciences, put it,

"There is no realistic theory of costs without definite ideas as to the role which security, leisure, progress play in the mind of the leading as well as of the dependent groups."⁽¹⁵⁾

Consumption itself may be the collection of social symbols, of intermediate goods producing the final satisfaction of prestige; and the goals of the bureaucrats at the head of giant corporations may be more similar to those of state bureaucrats than to the profit-maximisation of the textbook entrepreneur. Social groups such as the family and the state have ever-changing rules to play in economic life; and the state may have to take over some of the functions previously performed by the family (e.g. care of the aged) insofar as these activities fall

into a new no-man's-land in between the traditional and the commercial sectors of the economy. Meanwhile, collective ownership of property, which existed in primitive society (e.g. village ownership of land) and which was eclipsed in early capitalism, may be re-emerging in the modern corporation, whether in the private or the state sector.

Thus, it would seem that in the real world economic and sociological aspects of phenomena are closely intertwined. Of course, the intellectual division of labour may be a useful mental exercise; and concentration on a single aspect of a phenomenon may allow the scholar to get to know it in greater depth than if his approach were interdisciplinary or synthetic. However, since neither approach exhausts the fullness or totality of the phenomena, neither can claim to be fully empirical.

If we observe in 99 cases out of 100 that A follows B, it is reasonable on this basis to construct an abstract but empirical theory which predicts that if B occurs, A is probably about to occur. We can orient our behaviour accordingly (e.g. if we see lightning we expect to hear thunder, and are not surprised by it); or we can clothe the scepticism of our abstract empiricism in a fiction (when God lights a cigar, he is likely to cough).

We can go still further and construct a theory which not only predicts but seems plausibly to explain. Thus we can say that if the price of pork falls, the quantity of pork demanded will increase since, *ceteris paribus*, pork has become relatively cheaper compared with beef and other meats. In other words, a shock is administered to an equilibrium where the ratios of prices to marginal utilities was constant but no longer is;

and we study, other things being equal, how a new equilibrium is re-established.

A theory based on *ceteris paribus* certainly yields no worse predictions than the abstract-empirical or the fictional theories discussed above. It may even be an improvement on them, since it offers a behavioural explanation of events. Such a theory has the defect, however, of assuming that other things remain equal over the time period in which data is collected. It is one thing to assume *ceteris paribus* in a first year textbook, and quite another thing to expect it in the real world. Moreover, as an explanation, changes in demand do not explain the level of demand (which may be influenced by conspicuous consumption, religious norms, and other social factors as well as by prices and marginal utilities).

In such a case, perhaps a more sophisticated brand of theory is needed. It would at least heighten our understanding of the workings of the "economic sub-system of society" (to use the terminology of Parsons and Smelser⁽¹⁶⁾) even if it did not yield better predictions of how A reacts to B. It would situate economy in society, the whole of which it appears to be a part. It would recognise the reality that few economic realities are found isolated (even conceptually), and most are found in compounds with other elements. Since no unidisciplinary body of theory can describe a whole phenomenon (only an aspect of it), and since phenomena are usually observed as wholes, perhaps the present horizontal division of labour (by disciplines) should be supplemented by a vertical division of labour (by phenomena). Since mixed theoretical constructions are less suitable to mathematical statement than simple price-quantity relationships, moreover, it is impossible to escape the

conclusion that in the interest of empirical validity the present tendency to mathematization of economic theory must be tempered and possibly reversed.

II

In Section I we argued that economists and sociologists are like two tribes occupying the same territory but speaking different languages. Moreover, even if one could translate "dyadic interaction", "affective neutrality" or "marginal efficiency of capital" into some common language (possibly English), they would still be separated by a difference in mentality which could only be bridged by convincing them to see allocation as interaction.

Even then, however, they would be unable to co-operate, and would continue to ignore one another's existence. The problem is one of method: not only do the two tribes have different reasons for hunting the same animal, but they hunt in different ways. In this section we shall examine the methodological gap between contemporary economics and sociology.

To begin with, let us remember that the majority of both economists and sociologists prefer the Action Approach to Functionalism. The latter, which seeks to explain the act or artifact in terms of its function in a social organism or machine, is felt to be tautological and unable to explain dysfunction or change. Moreover, it makes international comparisons impossible since one cannot compare elements in a social matrix without comparing whole matrices. Traces of Functionalism remain in sociology (and particularly in anthropology), and are even to be found in economics, (for example, the idea that

self-interest, via the invisible hand, results in a socially-beneficial but unintended outcome); but in general both disciplines tend to the Action Approach, with its emphasis on the subjective meaning of the unit act to an individual actor. This Approach has four elements:

1. The actor.
2. The "end" or expected future state of affairs towards the achievement of which the action is directed, and which gives it a telology and a test of efficacy (the attainment of the goal).
3. The "situation", divided into (a) "conditions" over which the actor has no control, such as the biological and physical environment; (b) "means", which the actor can use to attain his desired goal (although he may fail to secure the predicted result by a wrong choice of means through "ignorance" and "error").
4. The "norm" or selective standard according to which means suitable to the end are chosen. The choice of means cannot be random if the model is to be determinate or action predictable. Talcott Parsons defines a norm as follows:

"A norm is a verbal description of the concrete course of action regarded as desirable, combined with an injunction to make certain future actions conform to this course."⁽¹⁷⁾

The "norm" has no ethical significance. It simply defines what is "normal" or "correct", what "ought to be" if means are to be suited to ends in a way of which society would approve.

There are three kinds of Action theory. First, there is the idealistic approach, where action is seen as entirely the "self-expression", "emanation" or "Verwirklichung" of ideal norms (e.g. an

attempt to live according to the ideals of Biblical Christianity or the Geist of early capitalism). Secondly, a theory of action can be voluntaristic. In this case, action is interpreted as being partly the result of scientifically verifiable knowledge, and partly the result of society's other norms and values (which cannot be dismissed as an "irrational" motive; they are, simply, "non-rational"). This kind of mixed model has, in the last 40 years, become increasingly common in sociological theory, due initially to the work of Talcott Parsons.

A third kind of Action theory is the positivistic theory, which Parsons defines as being based on

"the view that positive science constitutes man's sole possible significant cognitive relation to external (non-ego) reality, man as actor, that is ... The actor is being considered as if he were a scientific investigator ... From the point of view of the actor, scientifically verifiable knowledge of the situation in which he acts becomes the only significant orienting medium in the action scheme."⁽¹⁸⁾

Empirical knowledge is thus seen as the only significant mode of subjective orientation to the situation. Knowledge is a quantitative affair, as science is continually amassing and systematizing more data. A positivistic theory can be partial (e.g. man's orientation in his economic life is scientific, but not in his equally worthy religious life) or total (Comte sincerely believed that man's progress in all areas of endeavour was from superstition to discovery of objective truth, and this optimistic view of intellectual progress is the basis of his theory of evolution in 3 stages, from theology through metaphysics to positive science).

The methodology of modern economics is strongly positivist, and has been particularly drawn to the utilitarian formulation of Positivism. Here the four main elements are:

1. Atomism and individualism. The utilitarian approach studies isolated unit acts, which are by definition acts of a single individual.

2. Rationalism. In the means-end relationship, the single norm is efficiency, i.e. the greatest suitability of means to ends, as verified by an outside scientific observer with full knowledge of the situation.

3. Empiricism. Laws are to be inductive (derived from the observation of real phenomena), not deductive (derived from other laws). They are to be concerned with habitual associations; however sceptical one may be about the foundations of man's knowledge, one can have the most confidence in the observation that B usually follows A.

4. Randomness of ends. Action is studied from the point of view of the individual actor, and social action is the simple aggregate of all the unit acts of all the actors. There is no reason to expect the end of one action of one actor to have any significant relationship to the end of another action of another actor. Utilitarianism does not say why a given end was chosen. The fact is observed and recorded, and the test of science is applied to the choice of means. There is no scientific standard by which the choice of ends could be evaluated.

Parsons argues that, if society is no more than a plurality of discrete individuals, each pursuing his own ends independently of others, then utilitarian positivism as a model of society is unstable without recourse to metaphysics (the Lockean reconciliation of diverse ends through the doctrines of "the natural identity of interests" and

"natural rights"), force (the Hobbesian absolute monarch who reconciles diverse ends with an iron fist) or biology (as in the Darwinian case, where both ends and means are prescribed by nature and "natural selection" becomes an impersonal force).⁽¹⁹⁾ Nonetheless, possibly because of the strongly democratic bias of any market theory (unwanted goods cannot be forced on the consumer), economics has tended to eschew these "radical" versions of positivism and to remain utilitarian. Thus, at a time when sociological theories were becoming increasingly voluntaristic and even phenomenological, economic theory (in its conceptualization, if not its technique) remained arrested at the simplest model of positivism, a stage it had reached by the time of Ricardo's Principles and the economics of the Philosophic Radicals.

There are three reasons for questioning the desirability of this particular methodological tradition: First, the exclusion of norms other than rationality from economic theory makes it an incomplete model of the real world (and leads to the ridiculous result that economic theory is irrelevant in a completely traditionalized society); Second, the assumption that ends are random neglects the fact that much of economic behaviour is socially motivated, and builds in an ideological bias towards liberalism and laissez-faire; Third, the utility of the institutional framework, of the means themselves, is neglected, since means by definition cannot be ends.

1. The norm of rationality. An action model is by definition under-specified if it does not say how means are related to ends. Because he has defined economics as the science of scarce means, Lord Robbins and all utilitarian economists are committed to the norm of rationality.

To Lord Robbins, rationality means three things. First, it means full awareness of alternatives and choices:

"Rationality in choice is nothing more and nothing less than choice with the complete awareness of the alternatives rejected. And it is just here that economics acquires its practical significance ... And thus in the last analysis economics does depend, if not for its existence, at least for its significance, on an ultimate valuation - the affirmation that rationality and ability to choose with knowledge is desirable ... The revolt against reason is essentially a revolt against life itself."⁽²⁰⁾

Second, rationality means consistency in behaviour patterns. This makes prediction possible. If an actor prefers A to B and B to C, we expect him to prefer A to C. Or, if the price of good X falls while the price of goods Y and Z remain constant, we expect arbitrage to take place to equate the ratios of prices to respective marginal utilities. Or, in the case of the Quantity Theory of Money, assuming constancy of velocity and number of transactions, we can predict the effect on the average price level of doubling the money-supply.

Third, rationality means that inputs will be optimally suited to outputs, so that the maximum amount of output is obtained from a given input, *ceteris paribus*:

"We cannot say that the pursuit of given ends is uneconomical because the ends are uneconomical; we can only say it is uneconomical if the ends are pursued with an unnecessary expenditure of means."⁽²¹⁾

In short, to secure a position of Paretian optimality and maximum efficiency (where no reallocation of resources can occur that would secure more output or more utility from same producer inputs and

consumer expenditures), one needs to use Pareto's logico-experimental method. The subjective expectations of the actor (that performance of A is the appropriate means to attain B) are verified by two or more scientific observers with objective and extended knowledge of similar events. Logical actions are those where the scientist confirms the expectations of the actor (that B will probably result from A), and recognises that C would not secure the same result with less expenditure of resources. Economic predictions of the means/end relationship are particularly well suited to the scientific tests of rationality and efficiency.

Unfortunately Pareto did not believe such tests could be carried out, since economic theory was not empirical but abstract. The economic element is only one element in an action, and occurs only in compounds, mixed with technological, sociological, religious and other elements. The norm of rationality cannot by itself yield predictions in the real world. Parsons says that, to Pareto,

"the facts embodied in a theory describe elements, or aspects, or properties of concrete phenomena, not the total phenomena themselves. Thus it is quite clear that in his methodological position Pareto explicitly rejects the empiricism to be found in Marshall. Science must first analyze the complex concrete phenomena, and only after it has built up analytical theories can it, by a process of synthesis, aspire to a complete scientific account of any sector of concrete reality ... Except in the limiting case, no one law will be directly applicable to the full explanation of concrete events."⁽²²⁾

To have empirical relevance, a theory must take non-rational, non-scientific norms into account. All deviation from predictions predicated rationality cannot be dismissed as irrational or unscientific, as "ignorance" and "error". The action may have been influenced by theological, metaphysical or political norms. Since the normative end is non-observable, there is no objective way of evaluating the actor's subjective attitude to the means/end relationship. The observer can confirm that a given symbol usually has a given meaning (it is usually a subjective expression of a particular sentiment), but cannot verify its appropriateness in terms of cause and effect. This is the case with magic, ritual and religion. It is easier to decide on the shortest road between two points than on the best way to attain "liberation", "peace" or "eternal salvation"; but such values may nonetheless influence action, and it would be wrong to assume they are mere vestiges of an era when man was oriented by superstition rather than science. Such norms and values are subjective and emotional. As Parsons says,

"Values are either accepted or rejected; they are not disproved as facts are ... An Indian mystic can tell an American businessman that the things of this world to which he devotes his life-money and success - are pure illusion and that reality can only be approached by sitting under a tree and contemplating. It is unlikely he can prove it to the American's satisfaction."⁽²³⁾

Pareto was not the only economist to face the implications for economic theory of non-rational elements in action. Max Weber, for example, in his Theory of Social and Economic Organization,⁽²⁴⁾ constructed four ideal types of action. Of these, only the first

action) corresponds to the positivist idea of rationality. A unique, optimal means/end relationship can be specified by objective, empirically verifiable, scientific considerations relating to efficiency in conditions of scarcity. However action could also be (involving a conscious belief in the absolute value of some ethical, aesthetic, religious or other form of behaviour, entirely for its own sake and independently of any prospects of external success"), "affectual" (governed by emotions) or "traditional" (related to habitual social ends and ideas of legitimacy and sanctity). In each case, Weber used his method of absolute, ideal types, typical modes of behaviour of phenomena in an assumed situation. It may not be concretely observable, and we may have to study a concrete case in terms of its deviation from the analytical norm. A more serious difficulty, however, is that although Weber recognized norms other than rationality, he did not succeed in integrating his ideal types so as to describe a given real world phenomenon as a whole. Parsons writes:

"His 'pluralism' tends, by hypostatization of ideal types, to break up, in a sense not inherent in analysis as such, the organic unity both of concrete historical individuals and of the historic process. In its reification phase it issues in what may be called a 'mosaic' theory of culture and society, conceiving them to be made up of disparate atoms." (25)

Thus, like Pareto, Weber recognised the limited empirical relevance of economic theory so long as it was predicated upon rational action alone. Moreover, Weber, although believing that human action was regular and predictable (and hence subject to theory), was deeply influenced by the

particularism and relativism of the Historical School (which had refused to theorise and generalise altogether on the grounds that each event, in its totality and fullness, is unique). Weber recognised that the conditions characteristic of modern European capitalism were qualitatively different from those of any other time (e.g. the Middle Ages) or place (e.g. India or China), and that economic theories analyzing it would not be transferable to situations with other conditions and normative orientations.

Weber constructed an "ideal type" for modern capitalism which was based on the idea of a rational deployment of free labourers with differentiated functions and no property in a hierarchically organized structure or bureaucracy whose aim is an impersonal one, profit-maximization as a success indicator in a competitive environment. A "Zeitgeist" or "spirit" conveying the necessary ideals is necessary, and must precede change in material conditions; and this spirit of capitalism Weber defined in terms of rational and continuous acquisitiveness. Any means must be open to choice (no traditional taboos) and there must be no (natural or social) upper limit to gain (as might be the case in a traditional society wishing to perpetuate itself intact and unchanged).

Weber argued that the reasons for the failure of capitalism to develop in India and China was not material (both countries had bureaucracy, extensive trade, lack of state intervention, highly developed craftsmanship and internal peace) but ideal. Religious norms were not conducive to the growth of a capitalistic "Geist". In India, the rigid immobility of the caste hierarchy, the stress of Hinduism on otherworldliness, the mortification of the flesh, reward in the next

incarnation but not in this one, caused traditional conduct to thrive. The value system was hostile to rationality, acquisition, change, or things of this world. In China, Confucianism stressed harmony, culture, equilibrium, and adaptation to the social order rather than change in it. It was a conservative philosophy preaching piety, acceptance, self-discipline and a well-rounded personality in place of specialisation.

On the other hand, Calvinism in Western Europe advocated action to reshape this world in accordance with divine will (as approximated by God's works, nature).⁽²⁶⁾ Moreover, although one was predestined from birth to salvation or damnation, success in this world could be taken as evidence one might be among the "elect". Moreover, the pleasures of the flesh being evil, if money were earned it should be saved (and invested), not squandered on self-indulgence. Thus, Calvinism provided the ideological sanction for capitalism by emphasising the need for science, rationality and success (for example, in business) in the service of the Lord.

In short, therefore, production and allocation may be subject to norms other than that of rationality alone. What is normal for an American businessman might not be normal for a Trobriand Islander, a Ceylonese buddhist, a pupil of Gandhi or a Chinese mandarin. Because, however, early Positivists assumed science was preferable to superstition and contract to status, they believed in a unique unilinear growth path ascending from the economic underdevelopment and intellectual impoverishment of the savage to the affluence and enlightenment of the European. They believed free enterprise, democracy, social mobility and a high standard of living were preferable to the institutions associated with

earlier stages in man's evolution.⁽²⁷⁾ One hopes that present-day economists, when they study underdeveloped countries, are able to use the positive method without falling into the trap of the positivist ideology. Economists, when they argue that social institutions (such as caste) are the greatest obstacle to the rationality so essential for economic development, would no doubt be the first to admit that the rationality so essential for economic development is the greatest obstacle to the persistence of social institutions (such as caste).⁽²⁸⁾ Economic underdevelopment does not mean underdevelopment in terms of non-material values.

Lord Robbins argues that the laws of economics are universal and timeless, and denies the historical relativity of economic theory at its most general level.⁽²⁹⁾ This is because it is deduced from postulates which are "the simple and indisputable facts of ... everyday experience."⁽³⁰⁾ These postulates relate to scarcity and allocation:

"The main postulate of the theory of value is the fact that individuals can arrange their preferences in an order, and in fact do so. The main postulate of the theory of production is the fact that there are more than one factor of production ... We do not need controlled experiments to establish their validity; they are so much the stuff of our everyday experience that they have only to be stated to be recognised as obvious."⁽³¹⁾

The dilemma arises when our deductions relate to more specific facts of experience, which are nonetheless taken as postulates, such as utility maximization, profit maximization and acquisitiveness; from which we derive such results as that more is preferable to less, that work is disagreeable and is only performed for pecuniary reward; that

people would not be prudent without the incentives of profit and interest. Both the postulates and the results derived from them may be limited in relevance to the civilised world (Britain and the United States). Most of economic theory, after all, is concerned with behaviour in an individualist market exchange economy. If the actor in modern western society is more rational in his buying and selling practices, this may not reflect the inherent appropriateness of rationality to buying and selling, and may simply describe a social norm. As Professor Moore says,

"Socially effective motives are in fact primarily of social origin, inculcated through socialization of the young, and usually consistent with the ultimate values held in the society ... The approved and market-sanctioned acquisitiveness characteristic of industrial capitalism has in fact had its greatest extension in that economic order and, in its particular qualities and degree, cannot be regarded as a universal principal of human motivation."⁽³²⁾

And Professor Lowe states bluntly that the postulates from which economic theory is deduced are "nothing less than a system of sociology sui generis."⁽³³⁾ Different societies have different norms with respect to allocation; and a fully inductive and comparative approach might make economic theory more realistic.

Parsons accuses Robbins of being a "naive monist"⁽³⁴⁾, unable to recognise that there are a plurality of strands in a given action and that a single theoretical type of action is probably unobservable. This is, however, unjust. Robbins recognised that a choice to waste scarce means could occur and be non-rational but not irrational. A consumer could willingly pay an above-average price to make a particular

baker happy; a worker may accept a below-average wage if he receives non-measurable, non-monetary benefits as well; a country may impose a tariff to protect domestic suppliers in case war should break out; and there may even be utility in not bothering about utility. Robbins assimilates such social and political constraints to "conditions", however, and argues that the specifically economic problem, left after other elements have been netted out, is best dealt with by a rational adjustment of means so as to attain given ends with a minimum expenditure of scarce resources. The norm of rationality and the teleology of allocation are implicit in the word scarcity.

If one recognises, however, that other elements than economic rationality are present, it becomes almost impossible to test economic theories against empirical evidence. A worker receiving a low wage may be receiving non-monetary satisfactions that bring his total reward up to his marginal revenue productivity. Our argument becomes tautological if we assume that the norm of rationality describes events in the real world; it becomes intolerant if we assume it should alone govern economic life. Yet Robbins recognises that economic theory, couched as it is in terms of rationality, may, like the economic man, be "only an expository device ... a first approximation".⁽³⁵⁾ He recognises that economics is concerned only with one aspect of the behaviour of a phenomenon, and that that behaviour is observable only as a whole.⁽³⁶⁾ He recognises that economics provides "no norms which are binding in practice"⁽³⁷⁾.

The problem is this: if economic science is defined in terms of scarce means, then it is defined in terms of rational allocation. Yet if an action is simultaneously constrained by other, non-rational norms

(an orientation to "love thy neighbour as thyself", for example), then purely "economic" theories assuming rationality to be the sole norm in the means/end relationship cannot be empirical and become mere abstract ideal types. They may, of course, be useful as guides to clear thinking about one element of a phenomenon at a time. They must not, however, be taken too seriously or become "reified" (i.e. expected to be empirically relevant).

An alternative is to scrap Robbins' definition relating economics to the philosophical problem of scarcity and choice; and to put in its place Lipsey's definition of economics in terms of the phenomena and activities economists actually study. In each case we could then study all the norms relevant to a given action; and insofar as these norms are social and historically contingent, we will have gone some ways into converting economic man into social man. By studying all the norms relevant in a particular action (for example, the production and distribution of material goods and services, with which, despite Robbins, economists are almost exclusively concerned), a wider choice of ideologies would be offered to the economist than liberal commercialism alone.

2. The randomness of ends. Following the utilitarian positivist approach, Robbins assumes that economics is "entirely neutral between ends"⁽³⁸⁾ and takes them as exogenous and given. Positive science can settle arguments about means alone:

"Economics is not concerned at all with any ends as such. It is concerned with ends insofar as they affect the disposition of means. It takes the ends as given in scales of relative valuation."⁽³⁹⁾

Such a position is the necessary concomitant of the utilitarian tendency to use the unit act and the individual as the basis of model-building. Yet the individual lives in society, and his choices may be

socially-determined. Consumer preferences may not be independent but interdependent, due to desire for prestige, the impact of advertising and fashion, or simply the need to identify oneself as a member of a particular peer-group. Moreover, wants may change as result of the social change which resulted from previous economic change aimed at satisfying previous wants. The argument is circular and causation is indeterminate.

Love says: "The dynamic impulses in the capitalist system can hardly be reduced to eating and drinking."⁽⁴⁰⁾ The very perception of the "niggardliness of nature" may be "social" and not "natural", and this calls into question the very definition of economics in terms of scarcity. A present-day Englishman is undoubtedly more conscious of the existence of scarcity than is a Trobriand Islander (who works for the joy of working and gives away over half of his product). Subjective valuation of commodities may refer to social values (such as acquisition of material goods, charity, work and leisure) and not to some inborn, inescapable instinct for "more and better".

In such a case, tastes are variables in the dynamic economic process, and not exogenous data. The assumption of the randomness of ends, however, makes the economist a pure empiricist: he records the ends individuals desire, and is concerned with suiting scarce means to them. No particular end (e.g. material goods), no particular psychological orientation (e.g. psychological hedonism) is necessarily economic in itself. The economist ignores the psychological and sociological reasons wh particular goods, or goods as a whole, are selected; he takes these choice as given and part of the data recorded. According to Robbins, economics is "as little dependent on psychology as the multiplication

table."⁽⁴¹⁾ This assumes psychology and sociology are themselves exogenous, not the product of economic change (which may or may not be true, but cannot be assumed to be true without evidence); or that the economist should ignore this circularity and accept it as the price of being positive. The scientist is no more than a Sorcerer's Apprentice: he can set the Grooms to fetching water, but is not professionally qualified to stop them.

The problem is complex: if the perception of scarcity is social, and if economic growth breeds the very acquisitiveness which heightens the sense of deprivation, then the series may never converge on a subjective feeling of affluence. An empiricist, concerned only with observing choices and rankings and suiting means to ends, neglects the possibility that the means may create the ends.

To Marshall, for example, not all wants were taken as given and exogenous, independent of the processes leading to their satisfaction. Some are given (such as food, clothing and shelter, which satisfy biological needs), but others were variable - e.g. "artificial wants" (such as "grosser wants" of "food and drink that satisfy the appetite but afford no strength" and "ways of living that are unwholesome physically and morally"⁽⁴²⁾), or "wants adjusted to activities" (not random but constituting a well-integrated system). Since character is formed by economic activity more than by any other influence save possibly religion, free enterprise would generate virtues of energy, initiative, rationality, frugality, industry, honesty, ambition, efficiency, reliability, which would not be found in primitive or socialist societies (or, for that matter, highly bureaucratised corporations). Free enterprise capitalism was desirable, according to Marshall, not mainly

because it increased want-satisfaction, but rather because it improved man's character. Moreover, insofar as man became more intelligent, his tastes would change and become more sophisticated and noble. Thus, Marshall derived demand from the processes and activities creating supply. Parsons comments that:

"The inescapable conclusion from this fact is that, on an empiricist basis, there is no place for a logically separate body of principles of economics. Economics must be merely the application to a particular body of concrete phenomena of the general principles necessary for understanding human conduct. If any single name is applicable to this body of theory, it is "encyclopedic sociology", the synthesis of all scientific theory relevant to the concrete facts of human behaviour in society. Economics then becomes applied sociology."⁽⁴³⁾

In such a case, choice may be social, influenced by the nature of productive activity and the stage of social development. The individual's action must be seen in terms of social values. A society could have a whole set of common aims, such as worship of social Gods; ritual and taboo; equality. A body of theory would fail to be empirical if it failed to recognise how the individual's decisions were part of society's common set of ultimate ends. Thus Pareto argued that, while economic theory could determine a point of maximum efficiency and satisfaction (in the economic sense, which Pareto called "orphanimity"), in practice there was an infinite number of such points, depending on the distribution of income. Social utility was maximised when the collectivity has attained the goals it sets itself.

Durkheim, moreover, especially in his later work, argued that exchange was too weak a link to hold society together by itself. Cohesion and direction could only come from common norms, values and ritual practices.

If ends are social and not individual, then they are integrated and not random. The individual does not have a free choice, since his choices are in substantial measure a reflection of his social role. The early positivists advocated laissez-faire as a means of mechanism. If, however, wants are not random and determined largely by common sentiments, traditions and norms, then the rationale for methodological individualism breaks down. The state might be able to grasp the "General Will" and try to satisfy it in the widest (i.e. not merely economic) sense. The need to protect the individual from monolithic power - structures becomes less urgent when the state ceases to be the King and nobility and becomes the same hierarchy of university-trained specialist bureaucrats as one finds in the large corporation.

Robbins argues that economic analysis, although relevant to any situation of scarcity, only comes into its own where there is individual initiative. In a totalitarian economy, the choice between bread and circuses would be made on ideological grounds. In the absence of a market mechanism,

"the decisions of the executive must necessarily be 'arbitrary'. That is to say, they must be based on its valuations - not on the valuations of consumers and producers." (44)

Robbins, as usual, is correct as far as he goes. However, he is assuming the totalitarian executive does not know the "General Will". This may be correct, but it is surely scientifically unacceptable to use one ideology to refute another.⁽⁴⁵⁾ Moreover, he neglects the possibility that wants, as expressed by the consumer, are really social in origin. To the extent that they are socially prescribed choices, the individual is as much a prisoner of the situation as in the totalitarian case. The expression of choices through the mechanism of a market is no proof that they are individual or random. If the positivist ideology is not to arise out of the positivist methodology, economists must remember that laissez-faire is an assumption, not a recommendation. Societies can have teleologies other than the allocative.

3. The Institutional Framework. The Positivist approach, as applied in economics, has either taken the institutional setting as an exogenous constant, sociological and political but not economic (the most common approach today), or else assumed mainly desirable changes would result (the eighteenth and nineteenth century positivist theory of historical progress). It is not inconceivable, however, that the very institutions the economic theoretician manipulates to maximise economic utility may actually reduce total social utility.

The division of labour, to take one example, can lead to over-specialisation, boredom at work, and feelings of isolation. It might be unsatisfactory for the economist to consider work simply as a source of disutility necessary to obtain the utility of consumer satisfactions. Satisfaction can come from producing as well as consuming; and the need to use scarce resources with maximal efficiency, meaning as it does the replacement of small workshops by large corporations with

economies of large scale, may simply mean the substitution of utility in producing by utility in consuming. The result could be positive, negative or zero. Insofar as such changes are taking place, economics becomes the cause of institutional change, and thus a theory of history.

Again, economic theory demonstrates that if the wage is equal to the marginal revenue product of labour, there will be no exploitation. Yet class conflict may still arise. The worker may be totally unaware of the natural identity of interests in society; he may form trade unions and conduct prolonged and embittered strikes as part of his bargaining strategy; or he may simply be jealous of the different (and superior) living standards of the capitalist (particularly where wealth and position are inherited). The capitalist may draw satisfaction from the power his property yields him (quite apart from its return and the prestige associated with it), and the worker may find his subservience to this power a source of resentment and thus disutility. Economics, in discussing the rational use of means to an end, tends to neglect the social problems that might arise when the means are someone else's labour.

Or, to take another example, the market mechanism is an institution which may cordialise society through interdependence and co-operation in raising the living standards of all members of the community. Yet the "higgling and bargaining" process itself may destroy cordiality and lead to a tendency to regard one's brother or one's neighbour as one's customer. Competition itself means a hierarchy of successes and failures, according to the principle of survival of the

fittest. It puts a premium on ambition, which may be destabilising psychologically and socially.

Finally, let us recall the Institutionalist experiment to construct economic theories out of the very variables usually contained in the ceteris paribus assumption (law, property, consumption as a social action, cultural conflict). Thorstein Veblen, usually classified today as a sociologist, was Professor of Economics at Stanford University, and in 1924 was even elected President of the American Economic Association (he refused the office). In The Engineer and the Price System,⁽⁴⁵⁾ for example, he identified a potential conflict between the goals of the entrepreneur (profit), the consumer (serviceability) and the engineer (technological efficiency), to say nothing of the "soldiers, politicians and clergy", who would abolish capitalism if the engineers (frustrated by the loss of mechanical efficiency when the entrepreneur reduces output to raise prices) did not do so first. These are falsifiable propositions, and hence scientific; but no statistical evidence could have yielded conclusive support for Veblen's analysis. Lord Robbins' criticism of Institutionalism is that

"not one single 'law' deserving of the name, not one quantitative generalisation of permanent validity, has emerged from their efforts."⁽⁴⁶⁾

The difference is simply that Veblen saw economics as the science of change of institutions while Robbins saw it as the science of allocation in conditions of scarcity. Different questions deserve different answers. Possibly, however, the Positive tradition in economics has inhibited the range of questions economists have asked, both in scope and in method. In particular, the tendency to interpret

Adam Smith as a primitive forebear of Paul Samuelson (homo sapiens) rather than as a thinker in his own right, unique but equal, has, in our opinion, led to a total misapprehension of Smith's theories of economy, and society, and has necessitated the present study.

III

The continual economic change of the last two centuries has been accompanied by a weakening of the authority of traditional hierarchy (as contract replaces status) and of revealed religion (as science replaces metaphysics). The principal constraint on the choice of situation has become technological, not normative, and it is no surprise that the principal philosophical orientation has been positivist.

Optimists welcomed a new world based on verifiable statements rather than superstition, on balance of powers rather than lettres de cachet. On the other hand, pessimists such as the French existentialists pointed out the "absurdity" of a world where everything is relative and contingent, in a situation; where the only valid norms are those society chooses to impose; where there is, in the absence of a divine scheme, no absolute teleology. Camus expresses this sense of despair and meaninglessness as follows:

"Le sentiment de l'absurde, quand on pretend d'abord en tirer une regle d'action, rend le meurtre au moins indifferent et, par consequent, possible. Si l'on ne croit a rien, si rien n'a de sens, et si nous ne pouvons affirmer aucune valeur, tout est possible et rien n'a d'importance. Point de pour ni de contre, l'assassin n'a ni tort ni raison. On peut tisonner les crematoires comme on peut aussi se devouer a soigner les

Adam Smith's philosophical outlook was a mixture of the positivist methodology and the existentialist sense of the absurd. The connecting link was the materialist theory of history. To Adam Smith, the principal product of the economy was not material goods, but society itself. A vote for economic change is a vote for social revolution.

Some economists tend to argue as if the teleology of economics is rising standards of living. Smith felt, however, that most consumer goods were "baubles and trinkets" and "a deception". The deception was necessary to stimulate economic activity (and thus to provide employment), but in themselves the goods yielded insignificant utility.

Consumer goods are the badges of office by which a person defines his status. A Lord must look and act like a Lord if he hopes to play the role of a Lord. Consumption patterns should be "proper": in England decency does not require a worker to eat meat, nor in France to wear shoes. Since one desires approbation (the "sympathy" of the impartial spectator), one conforms to socially-defined standards of propriety. Ends are not individual and random, but prescribed and part of an ultimate set of group ends. In examining the means/end relationship, we need to examine the quantity of "sympathy" a given symbol evokes, not the quantity of direct utility it yields. An ascetic academic recluse like Smith would not be expected to favour "pig-philosophy".

Consumption patterns thus reflect what is proper in a given situation. Smith was, however, not adverse to altering the situation. He rejected the liberal view of the market (that a commodity is worth producing

if there is an effective demand for it), not least in his advocacy of the usury laws (to prevent money from getting into the hands of spendthrifts, whose consumption patterns he disliked). His whole theory of capital accumulation is an attempt to skew the distribution of the national income towards the lower classes. In general, economic change, to produce goods to satisfy a given want, not only redistributes the national income but creates new goods and a new social structure; new standards of propriety evolve. Wants are thus endogenous to the process of economic change, social and not primarily physiological, and thus relative and not absolute.

In general, there is no standard of propriety apart from habitual association. Empiricism is the only ethical standard possible, since Smith rejects revealed religion, and denies that divine purpose can be discovered in nature. Proper moral behaviour is a stock of conditioned reflexes, a body of mental case law (delimited by time and place), an aesthetic perception that a given situation demands a given action to complete it and make it into a recognisable whole. In short, both ethical and aesthetic perceptions are conventional and social, not absolute (the alexandrine is proper to tragedy in France, to comedy in England). The goal of conduct is propriety, both because it is beautiful in itself and because it wins the actor approbation (in the long-run from both his fellow-men and his conscience). Thus, behaviour-patterns tend to cluster around the social mean, as custom sanctifies everything.

A change in economy and society, of course, leads to a change in the stock of habitual associations. New standards of propriety evolve,

based on new conventions, and necessary for cohesion and continuity. The material infrastructure, moreover, generates the societal superstructure: different virtues are needed in a Dutch merchant than in a Russian aristocrat. As a Lockean environmental determinist, Smith argued that differences in character (individual and national) were not the cause but the result of the division of labour. Employment is the main influence on character. Thus country gentlemen do not need to be parsimonious (their prestige is inherited and their wealth replenishes itself annually), and become ignorant and lazy; while the merchant must be parsimonious, honest, hard-working, or else he will lose his status and power and sink down into the working-class (and in any case, prudence is proper to a man in his position and attracts the approbation of the invisible spectator for its own sake).

Economic change leads to a revolution in men's behaviour patterns, as norms and character depend mainly on social conditions, and these in turn depend mainly on the economic infrastructure.

Indeed, the whole approach of Humean empiricism, by discarding the search for an essence independent of existence, opens the door to relativism. Smith limited perception to habitual association, an essentially conservative approach as perception is not traced back beyond existing social conditions. Moreover, our limited knowledge of external objects is not obtained by reason or reflection, but via bodily sensation. The need for science is not to gain practical advantage from it (e.g. the use of technology to make a better world) but to restore tranquillity to a troubled spirit (suffering from "Surprise" and "Wonder")

because it cannot classify a new object in terms of an existing system). Smith was deeply influenced by the Stoics, who believed there was little difference between one position of permanence and tranquillity and another.

The problem is this: if changes in the economic infrastructure lead to changes in consumer tastes, behavioural norms, ethics and ideas, then the means/end analysis is indeterminate. The situation becomes absurd, since the ends are the product of the means. Quantitatively, of course, more material goods become available; but Smith does not feel such goods are productive of much utility, save when they are props in the social drama. Moreover, over time changes are qualitative as well as quantitative: different commodities are produced in different ways for different people living in a different institutional environment with different norms and values. Everything is different, and there is no way to compare the desirability of the second historical state with that of the first. Yet the second resulted from the economists' desire, in the first state, to suit scarce means to observed ends.

Smith recognises definite disadvantages in a dynamic, free enterprise market economy. For one thing, it depends on self-interest rather than sharing, hospitality or benevolence. A society can exist without mutual love provided there is administration of justice, but interaction among the actors becomes more detached and less rewarding in personal terms. Craftsmanship ceases to be valued for its own sake, independent of success in selling the good. A premium is placed on ambition, which destroys internal tranquillity and peace of mind.

An industrial economy is not productive of social cohesion. Each man has potentially the same natural ability, but some men become "philosophers" while others must content themselves with being "porters". A "philosopher" enjoys more varied and challenging work, has considerable leisure to develop outside interests (which he probably acquired through his more extensive education), has higher remuneration (to enable him to have the consumption pattern in keeping with his greater "decency", and necessary if he is to be trusted, since one cannot "sympathise" with poverty). Yet a "porter" has boring and routine work to perform and, since man's character and intellect is mainly the result of the division of labour, becomes stupid, ignorant, unable to innovate at a sophisticated level, unqualified for participation in politics (being largely uneducated, and anyway inclined to "sympathise" with and follow superiors). Education cannot cure "mental mutilation", but, since "mental mutilation" leads to neglect of education, state aid in this area could at least ensure that the masses have some skills in geometry and mechanics. Each social group should receive the education it needs to perform its accustomed functions (thus women should not receive the same education as men), but education is neither the great leveller (indeed, excessive mobility would be socially destabilising) nor the remedy for alienation at work (there is no idealist solution to a materialist problem).

Moreover, in industrial society, the division of labour between the owner of labour and the owner of capital was a particular source of grievance. Smith saw labour both as a stable unit of measurement of

value and as its unique source. Although neither land nor capital added value, each obtained a share in it (and these transfers may be desirable to ensure sociological continuity and the balance of power). The awareness of having to share the product (not the size of the share, absolute or relative) makes the worker resentful, desirous of independence (as in North America, where he could acquire land and become a small farmer), aware that the "market wage" is determined by relative bargaining strength, and that high profits mean low wages.

The need to accumulate capital (the wages fund plus fixed capital) in advance is a barrier to mobility. Moreover, the profit of the capitalist is not related to his own participation in the productive process (salaried managers run the firm for him) but to the risk he bears. High profits might induce the capitalist to squander wealth on luxury and ostentation, but low profits would not necessarily have the effect of causing him to withdraw his capital unless he were willing to sacrifice the prestige, power and security which possession of capital yields and to become a labourer. Moreover, the very profession of capitalist generates the virtues of prudence and effort. It may be that the supply curve of capital, like that of land, was vertical, independent of reward save at very high levels of profit when it became backward-bending; and that the reasons for this were sociological (the desire for a given social status) and not economic (the desire for gain as a return to abstinence).

Inequality of wealth may breed "sympathy", but it can also be a source of jealousy (especially where it is "upstart greatness" not based on hereditary position), and necessitate a caretaker function on the part

of the state.

Moreover, economic change can be a source of internal as well as social conflict. The breakup of the organic community and the concentration of population in the anonymous conditions of new industrial towns means vagueness about correct ethical standards in the absence of the intimate personal contacts necessary to form an idea about "propriety" in a set of situations. To have a sense of belonging, of course, the worker can join a "chapel", in order to give himself a sense of the collective in an era of individualism. Yet this will not tell him unambiguously what is "proper" since an era of upheaval in the material infrastructure is characterised by flux in ethical judgements and standards of propriety as well.

In short, we have argued that Smith found consumption patterns, norms and character to be variables, not constants, in the process of economic change; and that that process was productive of social conflict and a psychological sense of normlessness, neither of which would have existed if the traditional organisation of the economy had not been challenged. Yet nonetheless Smith advocated a free market, accumulation of capital, division of labour, and economic growth. There is, after all, a strong pragmatic tradition in Positivism, which stresses not just knowledge of natural processes but technical control over them; and the economist, whose very subject is defined in terms of a (subjectively perceived) sense of scarcity, is particularly close to having a professional teleology.

Since Smith did not feel wealth was an end in itself, however, his teleology must be sought elsewhere. The view taken in the present

study is that his teleology was sociological, i.e. that he sought to harness "economic" forces to destroy certain types of inter-relationships and to create others. Smith's work becomes a massive experiment in social engineering.

Thus, he argues that to each type of economic infrastructure there corresponds a unique political infrastructure; shows that the mercantilist state was corrupt (subject to pressure from vested interests), misguided (being ignorant of the principles of industry and trade) and wasteful (employing unproductive labour, squandering resources on ceremonial, and in general setting an example of ostentation rather than prudence); and then argues for a liberal system in the economy which would reduce both influence and interests of the state. Commerce would, by creating a flourishing middle class, help to create a balance of power through a balance of wealth. The masses were felt to be far too volatile and ignorant to share in government; but the middle classes (the "natural aristocracy" of self-made men) could, especially through the House of Commons (where finance bills originate) and the courts, counterbalance the power of King and aristocracy. His warm praise for republics reminds us that such a solution is probably no more than a compromise, but a compromise which at least substitutes contract and property rights for the dependence and insecurity of pre-commercial times. Just as mercantilism had replaced the barons with the politicians, Smith wanted laissez-faire to take the place of the politicians.

Moreover, commerce had undermined the power of the traditional aristocracy: whereas in the absence of a market they had had no choice

but to waste surplus produce on armies of retainers, in a commercial society they traded it, exchanging temporal power for material goods. The resultant increase in security encouraged commerce and capital-accumulation; while the fact that even the barons were trading gave the new spirit of acquisition an aura of respectability. Smith was aware that they were imprudent and wasted capital on unproductive labourers; but at least greed had induced them to give longer leases, and might break down entail and primogeniture, making farming into an efficiently-run business, not a relationship of personal dependence. A political revolution would go too far; it was desirable for their temporal power to be reduced but not, in the interests of social continuity, for the hereditary aristocracy to be eliminated.

The same process had caused the church to disband its private armies. This was particularly desirable as the church was a threat to political stability, a state within the state able to enlist the terrors of the supernatural. The church rested on the shaky foundations of superstition rather than science, superstition being no more than the first reaction of a savage to the unknown. Moreover, the casuistry of church law stressed universal and eternal truths, whereas Smith felt ethical judgements were relative and the product of the empirical (material) situation. Moreover, the church was rationalistic and anti-sensual whereas Smith emphasised the importance for epistemology of bodily sensations. Smith further disliked the church because clergymen on fixed stipends became lazy; because it sided with one faction or the other in political disputes; and because it employed unproductive labour.

which did not reproduce the capital it absorbed . Competition among many religious sects would substitute pluralism for monism, allow the customer to choose his dogma, and would lead to "rational religion". It is important to note that Smith is thinking of the social role of religion and the church; none of this has anything to do with God, whose usual role in Smith's thought is as a *deus ex machina* when recourse to the super-natural is the only way to complete an otherwise deficient argument.

Moreover, Smith desired economic growth because it would create an atmosphere in which science and the arts can flourish. Opulence leads to humanity and leisure, but man must first satisfy his bodily wants before he can be sensitive to wants of others, or can devote himself to satisfying his curiosity (for example, through astronomy).

Finally, economic growth would improve the lot of the masses. In a growing economy, cartels among employers to keep wages at subsistence level break down; and if the state is also being liberalised, it may cease to favour the mercantile classes (for example, in wage-setting or establishing exclusive corporations). An increase in capital means an increased demand for labour and thus rising wages, unless, of course, the initial pool of labour is so great that capitalists do not need to compete at all; or unless they substitute capital for labour; or unless the labour-force is (due to population increase) growing more rapidly than the capital stock. Smith considered these possibilities but he decided that nonetheless, in general, growth of capital is the best way to reduce excess profits and increase the share of the lower classes

in the national income. Commerce means higher living standards for all. Competition is necessary so as not to waste precious capital (thus he prefers the prudent businessman to the salaried bureaucrat), and free trade is really no more than a glorified incomes policy to favour the lower paid by economising on capital.

Adam Smith's sense of the Absurd led him to eat from the forbidden tree of the knowledge of good and evil. He was unable to accept the positivist economist's paradise of more and better goods, with more leisure to enjoy them in. He was obsessed with social interaction and with the quality of life. In this respect he may have fled from positive economics into normative sociology, and renounced the sacred name of scientist. But one can still sympathise with his dilemma: if commodity-utilitarianism is only meaningful in terms of symbols in the process of human interaction, if the empirical choices expressed in the market are no more than the results of social conditioning, then the economic factor must be studied in its social matrix. And if the process of want satisfaction is dynamic rather than static, then the social scientist becomes a sort of futurologist. He cannot help wondering what the symmetrical barbed wire fences, the pleasant if austere barracks, the gently-curving concrete ovens will be used for, and whether or not the future will be productive of more happiness than the present. These thoughts are dangerous: when the little men in white coats come for him, they will find nothing more than a babbling social philosopher.

So it was with Adam Smith, whose humanism caused him to leave the paradise of science and dwell East of Eden with those who, as Albion Small

put it, saw the human process as

"the tribunal of last resort upon the economic process ...

The apostolic succession in social philosophy from Adam Smith is through the sociologists rather than the economists ... They have contended for a view of life in terms of persons rather than in terms of technology. That is, they have put persons in the centre of their picture of life, and have assigned a subordinate place to the theory of those technical activities which deal with the material products of persons."⁽⁴⁸⁾

- (1) J.S. Mill, quoted in L. Robbins, An Essay on the Nature and Significance of Economic Science (London: MacMillan and Co., Ltd., 1952), p. 150.
- (2) A. Marshall, Principles of Economics, 8th ed. (London: MacMillan, 1946), p. 1.
- (3) L. Robbins, op. cit., p. 16.
- (4) ibid., p. 17.
- (5) ibid., p. 40.
- (6) ibid., p. 41.
- (7) M. Blaug, An Introduction to the Economics of Education (London: Allen Lane The Penguin Press, 1970), p. 15.
- (8) R.C. Lipsey, An Introduction to Positive Economics, 3rd ed. (London: Weidenfeld and Nicolson, 1971), p.
- (9) quoted in L. Robbins, op. cit., p. 2.
- (10) M. Weber, The Theory of Social and Economic Organization, ed. by Talcott Parsons (New York: The Free Press, 1964), p. 88.
- (11) R.A. Nisbet, The Sociological Tradition (London: Heinemann, 1970), p. vii.
- (12) ibid., p. 9.
- (13) E. Aron, Main Currents in Sociological Thought Vol. I (Harmondsworth: Pelican Books, 1968), pp. 7 - 8.
- (14) P. Cohen, Modern Social Theory (London: Heinemann, 1968).
- (15) A. Love, Economics and Sociology: A Plea for Co-operation in the Social Sciences (London: George Allen and Unwin Ltd., 1955) p. 23.

- (16) T. Parsons and N. Smelser, Economy and Society. (London: Routledge and Kegan Paul Ltd., 1956), p. 7.
- (17) T. Parsons, The Structure of Social Action (SSA), Vol. I (New York: The Free Press, 1968), p. 75.
- (18) ibid., p. 61.
- (19) According to Parsons, Utilitarianism has a tendency to collapse into one of the two "radical" versions of positivism. In the case of the first, "radical rationalistic positivism", we are forced to assume ends are not random (e.g. they are food, clothing and housing). These ends become part of the conditions, and science is simply a process of rational adaptation to this environment. As Parsons says,

"The active role of the actor is reduced to one of the understanding of the situation and forecasting of its future course of development. Indeed, it becomes somewhat mysterious what the function is of this rational process, how it is possible for the actor ever to err, if there is no other determinant of his action than knowledge and the conditions through this knowledge". (SSA p.64)

Optimists such as Godwin and the Anarchists felt that, if there was a natural identity of interests in society, and since men have a common set of conditions to which rationally to adapt themselves, it would be desirable to replace institutionalised authority and exchange by spontaneous co-operation as guided by reason and science. Pessimists such as Hobbes also favoured the use of reason to attain an end; but felt that the only way to overcome diversity is for an absolute monarch to impose a selection

of ends of his own choosing. In both cases ends cease to be random.

The second kind of Positivist theory that can emerge to correct the instability of utilitarianism is "radical anti-intellectualistic positivism" where means as well as ends are biological and action is prescribed and given. As Parsons puts it,

"if the process is subjectively manifest to the actor at all, it is only in terms which render effective adaption and control impossible." (SSA, p. 67).

The actor is the prisoner of real forces (heredity and environment) which have a momentum of their own. All the observer can do is identify and predict these forces. He cannot alter them. This malthus explained the "iron law of wages" in terms of population, and institutions such as "marriage" and "property" in terms of the need for moral restraint" (if people did not have both duty and means to care for their children, population expansion would exceed the increase in food supply). Biology becomes the greatest obstacle to anarchism. And Social Darwinism concerned itself not just with the quantitative problem of survival ("how many") but the qualitative problem as well ("which"). Natural selection becomes a theory of progress; but the normative element (even of rationality) disappears and functionalism reappears. According to Parsons, however, this is "the only position for a radically consistent positivist ... All

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positivist rivers ultimately flow into the same sea, that of
of mechanistic determination." (SEA, p. 121).

- (20) L. Robbins, op. cit., pp. 152, 157. Faced with such a choice -
between Positivism and Death - one must be suicidal to reject
utilitarianism.
- (21) ibid., p. 145.
- (22) SEA, p. 185-4.
- (23) ibid., p. 277.
- (24) M. Weber, TSED, pp. 115
- (25) SEA, p. 607.
- (26) M. Weber, The Protestant Ethic and the Spirit of Capitalism
(London: George Allen and Unwin, 1968)
- (27) See, for example, S. Follard, The Idea of Progress (Harmondsworth:
Penguin Books, 1971), or J. F. Burrow, Evolution and Society,
(Cambridge: The University Press, 1970).
- (28) See, for example, W. A. Lewis, The Theory of Economic Growth
(London: George Allen and Unwin Ltd., 1955).
- (29) L. Robbins, op. cit., p. 81.
- (30) ibid., pp. 78 - 9.
- (31) idem.
- (32) W. S. Moore, Economy and Society (Garden City, N.Y.: Doubleday
Company, Inc., 1955), p. 17.
- (33) A. Love, op. cit., p. 40.
- (34) SEA, p. 607.

- (35) L. Robbins, op. cit., p. 97.
- (36) ibid., p. 39.
- (37) ibid., p. 152.
- (38) ibid., p. 24.
- (39) ibid., p. 30.
- (40) Love, op. cit., p. 119.
- (41) L. Robbins, op. cit., p. 84.
- (42) quoted in SSA p. 139.
- (43) SSA, p. 174.
- (44) L. Robbins, op. cit., pp. 18 - 19.
- (45) Moreover, at times Robbins does seem to recognize the possibility of non-random ends. Thus, when he speaks of a "community of sybarites" being converted into a "community of ascetics" by the visit of a Savonarola (p. 26), he implies the community had some sort of common goal-function in mind, possibly instilled by the charismatic prophet himself.
- (45b) T. Veblen, The Engineers and the Price System (New York: Huebsch 1921). Galbraith's writings, particularly The Affluent Society and The New Industrial State, seem to have been much influenced by Veblen.
- (46) L. Robbins, op. cit., p. 114.
- (47) A. Camus, L'Homme Revolte, (Paris: Gallimard, 1951), p. 15.
- (48) A. Small, Adam Smith and Modern Sociology (Chicago: University of Chicago Press, 1908-, pp. 3 - 4.

Chapter 1. SCIENTIFIC METHOD

It has long been realized that one of Adam Smith's greatest contributions was in clarifying the methodology of the physical sciences and even in trying to apply it to the social sciences.⁽¹⁾

As early as 1795 David Stewart told the Royal Society of Edinburgh:

"Perhaps the merit of such a work as Mr. Smith's is to be estimated less from the novelty of the principles it contains than from the reasonings employed to support these principles, and from the scientific manner in which they are unfolded in their proper order and connection ... and followed out to their remote consequences".⁽²⁾

Joseph Schumpeter (who devotes only 14 pages out of 1260 in his History of Economic Analysis to Smith) too saw Smith as a synthesizer, not an innovator:

"The Wealth of Nations does not contain a single analytic idea, principle or method that was entirely new in 1776".

But he adds, significantly, about Smith:

"His mental stature was up to mastering the unwieldy material that flowed from many sources and subjecting it, with a strong hand, to the rule of a small number of coherent principles".⁽³⁾

And William Letwin, tracing the evolution of scientific methods in economics up to 1776, concludes:

"All the efforts of seventeenth and eighteenth century economic writers culminated in the Wealth of Nations ... (Smith) added to what he had inherited, but much of what he added was by way of tying together loose ends, bringing into sensible relation principles that had been left standing isolated".⁽⁴⁾

Letwin points out that Smith went beyond mere systematization of a mass of data (as, for example, a telephone directory does); he did so scientifically by creating "an explanatory system" which is capable of explaining or predicting many diverse phenomena of a certain sort".⁽⁵⁾

In Section I of this chapter we will consider the motives for scientific inquiry; in Section II the features of a good theory; in Section III the pitfalls a scientist may encounter. In Section IV we will consider the hypothesis that Smith was able to apply the methods of the physical sciences to the social sciences precisely because he felt the physical sciences were social sciences. In each case, we will rely heavily on Smith's early essays on scientific method, particularly the "History of Astronomy" and "History of Ancient Physics", published posthumously with other papers under the title Essays on Philosophical Subjects.

I

Scientific investigation may come about because a scientist enjoys investigating; because he wishes to further his career,⁽⁶⁾ because he seeks to discover something of use to mankind, or because he has nothing better to do. Smith seems to argue that psychological discomfort is almost the only motive for inquiry. The observer notices something he does not understand, something out of the ordinary which he cannot fit into his established scheme of reference. Unable to classify it, he loses his peace of mind, his tranquility.

Once the offending object has been assigned to a suitable category, however, the imagination is soothed and the observer can sleep easily without being puzzled:

"Philosophy ... by representing the invisible chains which bind together all these disjointed objects, endeavours to introduce order into this chaos of jarring and discordant appearances, to allay this tumult of the imagination, and to restore it, when it surveys the great revolutions of the universe, to ... tranquillity and composure".⁽⁷⁾

In a later section on consumption, we will see that to Smith utility is not just commodity-utility. It can result from propriety of conduct, from aesthetic sensations, and, significantly, also from tranquillity. The imagination "accompanies with delight any regular and orderly motion",⁽⁸⁾ but is troubled by uncertain, unpredictable motions, by an "incoherent diversity of movements".⁽⁹⁾ A theory tries to "allay this confusion, to connect together these disjointed appearances, and to introduce harmony and order into the mind's conception of those bodies".⁽¹⁰⁾ This relieves the mind's "embarrassment" by predicting with regularity and uniformity.

Thus science is productive of pleasure, not because it leads to the development of new and better commodities, but because it restores tranquillity and internal peace; and because it is a thing of beauty in itself. Indeed, a scientific system is beautiful precisely because it is scientific and thus reassuring. Speaking of the earliest astronomers, Smith says that even primitive theories such as the Ptolemaic spheres gave scientists "that tranquillity and repose which they had pursued through all the mazes of this intricate

hypothesis; and here they beheld this, the most beautiful and magnificent part of the theatre of nature, so disclosed and constructed that they could attend, with ease and delight, to all the revolutions and changes that occurred in it".⁽¹¹⁾

Tranquillity can be disturbed in two ways:

(1) by "Surprise": this is a destabilizing emotion, occurring when an object is known but unexpected in a given context. Thus "we are surprised at the sudden appearance of a friend whom we have seen a thousand times but whom we did not imagine we were to see then".⁽¹²⁾ This unforeseen event is upsetting and can have disastrous consequences: "a frenzy or habitual lunacy",⁽¹³⁾ "faintings, deliriums and sometimes instant death".⁽¹⁴⁾ On the other hand, when an object is expected (be its consequences good or bad) we are psychologically prepared for it; "the emotion or passion which it excites slides gradually and easily into the heart, without violence, pain or difficulty".⁽¹⁵⁾ Smith was an academic recluse, not an entrepreneur or a gambler; he loved stability and was a risk-avoider, not a risk-lover.

(2) by "Wonder": this too is at first destabilizing, since we suddenly come across an object that is "new and singular ... with which we have before been either little or not at all acquainted".⁽¹⁶⁾ But, unlike Surprise, Wonder contains active as well as passive elements; it thus contains the potential notion that leads to its own suppression, namely scientific curiosity. Wonder is thus potentially stabilising: When we observe a new object, we try to classify it:

"We remain still uncertain and undetermined where to place it, or what to think of it ... What sort of thing can that be? What is that like? ... If we can recollect many such objects which exactly resemble this new appearance, and which present themselves to the imagination naturally and, as it were, of their own accord, our Wonder is entirely at an end". (17)

Thus, Wonder leads to the classification of the object based on a common property or resemblance to some already known group of objects. It is vital to remember, however, that to Smith the goal of science is subjective (psychological tranquillity), not objective (to discover "the Truth"). The more convincingly a theory explains and predicts observable phenomena, the more scientific it is. As we shall see, one reason for this disregard for "the Truth" is that Smith was not sure a unique specification of what is true is ever possible.

Science, of course, cannot concern itself with all phenomena. It must select those which are most significant, most "great and beautiful". Smith describes this as the principle of Admiration. In his early writings, (18) Smith argued that the Heavenly Bodies excited the Admiration of astronomers, and in the Wealth of Nations he evidently feels that the social order is deserving of similar treatment. (19)

II

Philosophy is "the science of the connecting principles of nature". (20) In fact, Smith seems to use the words "philosophy" and "science"

interchangeably - physics as a science; ⁽²¹⁾ optics is "the philosophy of vision"; ⁽²²⁾ metaphysics is a branch of science. ⁽²³⁾ Possibly he did this to emphasise how tentative all knowledge is, or to stress that the goal of all inquiry is no more than inner peace. But Campbell says that in the eighteenth century, "philosophy" (now used to refer to non-factual, metaphysical speculation, and to concern with normative issues) and "science" (now used to mean "casual theories which can be tested by reference to observable matters of fact") ⁽²⁴⁾ were then "used interchangeably of any systematic attempt to understand the world and man's place in it". ⁽²⁵⁾

It seems clear that Smith saw no difference between the methodology of the physical and that of the social sciences; and that it is possible to generalize from Smith's discussion of the great astronomers so as to deduce what he felt the features of a good theory to be. These seem to be the same as the four reasons he gives for the triumph of the Copernican system over that of Ptolemy:

- (1) it was "more completely coherent"
- (2) it was "simple and intelligible"
- (3) it used familiar concepts
- (4) it had "more beautiful machinery". ⁽²⁶⁾

Let us now examine these four criteria:

1. Comprehensiveness A good theory should unite a large number of apparently dissimilar phenomena, bridging the gap between observations. There are two aspects of the problem of finding relationships:

(a) static classification: dissimilitude is resolved into similitude and Order is satisfied by the discovery of "connecting principles", of empirically-valid associations. Smith describes this technique in the "History of Astronomy":

"It is evident that the mind takes pleasure in observing the resemblances that are discoverable betwixt different objects. It is by means of such observations that it endeavours to arrange and methodise all its ideas, and to reduce them into proper classes and assortments. Where it can observe but one single quality that is common to a great variety of otherwise widely different objects, that single circumstance will be sufficient for it to connect them all together, to reduce them to one common class, and to call them by one general name".⁽²⁷⁾

Not just natural philosophy but moral philosophy as well is predicated on such principles of order and connection:

"In every age and country of the world, men must have attended to the characters, designs and actions of one another, and many reputable rules and maxims for the conduct of human life must have been laid down and approved by common consent. As soon as writing came into fashion, wise men or those who fancied themselves such would naturally endeavour to increase the number of those established and respected maxims ... They might continue in this manner for a long time merely to multiply the number of those maxims of prudence and morality, without even attempting to arrange them in any very distinct or methodical order, much less to connect them together by one or more general principles, from which they were all deducible, like

effects from their natural causes. The beauty of a systematical arrangement of different observations connected by a few common principles was first seen in the rude essays of those ancient times towards a system of natural philosophy. Something of the same kind was afterwards attempted in morals. The maxims of common life were arranged in some methodical order, and connected together by a few common principles, in the same manner as they had attempted to arrange and connect the phenomena of nature. The science which pretends to investigate and explain those connecting principles is what is properly called moral philosophy".⁽²⁸⁾

The goal is order - "to introduce order and coherence into the mind's conception of this seeming chaos of dissimilar and disjointed appearances".⁽²⁹⁾ A system unable or only partially able to do this will not satisfy the imagination and will have to be modified.

(b) dynamic classification: two completely different objects may appear related if they are customarily associated, if there is a usual sequence or succession. The imagination, having noticed A (e.g. thunder), comes to expect B (e.g. lightning).

Forecasting and prediction satisfy the basic human need to know what to expect, to avoid surprise, to keep one's tranquillity during a succession of events. The purpose of prediction is reassurance: We can never have knowledge of the real world anyway, so the best a scientist can do is note usual successions of phenomena:

"They come to be so connected together in the fancy that the idea of the one seems of its own accord to call up and introduce that of the other. If the objects are still observed to succeed each other as before, this connection, or as it has been called, this association of ideas, becomes stricter and stricter, and the habit of the imagination to pass from the conception of the one to that of the other grows more and more rivetted and confirmed. There is no break, no gap, no interval. The ideas excited by so coherent a chain of events seem, as it were, to float through the mind of their own accord".⁽³⁰⁾

The succession is "in the fancy". We know nothing about the objects themselves, only about their order of succession. Moreover, as will be argued later, our perception of the objects is sensory; my "fancy" may not be the same as your "fancy", and what I perceive may be totally different from what you perceive when we both observe the same object. This is similar to the Humean theories of causation and perception.

Smith, in common with other Enlightenment intellectuals, took Newton as his model.⁽³¹⁾ Newton used gravity as his connecting principle relating the behaviour of the different heavenly bodies and based his whole theory of gravity on it. Smith says:

"the ductility of this principle, which applied itself so happily to these, the most irregular of all the celestial appearances, and which have introduced such complete coherence

into the motions of all the Heavenly Bodies, has served not a little to recommend it to the imagination of mankind".⁽³²⁾

In short, Newton's system is:

"a system whose parts are all more strictly connected together than those of any other philosophical hypothesis. Allow his principle, the universality of gravity, and that it decreases as the squares of the distance increase, and all the appearances which he joins together by it necessarily follow".⁽³³⁾

Newton discovered:

"an immense chain of the most important and sublime truths, all closely connected together by one capital fact",⁽³⁴⁾ i.e. the principle of gravity.

Smith occasionally uses Newtonian language, as when, for example, he compares philosophical systems to machines. This has led some observers to think that Smith felt there were mechanical, natural laws in the social world. However, if one examines Smith's use of mechanistic analogies, the opposite seems more the case. For example:

"A system is an imaginary machine invented to connect together in the fancy those different movements and effects which are already in reality performed".⁽³⁵⁾ The machine is imaginary; it is a hypothesis fitted to a body of observed phenomena, as a connecting principle. Whether the hypothesis provides any information about the true laws of motion of the phenomena is irrelevant; its role is

simply to connect the phenomena and allow us to use them to make predictions. It does not help us to understand their nature. Like all functionalist models, it is only an analogy.

2. Simplicity. As long as a system is "intricate and complex", the imagination cannot "rest in it with complete tranquillity and satisfaction".⁽³⁶⁾ One of the earliest theories of astronomy postulated that, since the stars appeared to keep the same distance with respect to each other, they were fixed to a concave solid which revolved round the earth. Observation, however, revealed that the relative positions of certain stars altered; new spheres had to be postulated, since not all stars could be assumed fixed to the same concave solid. By the time of Aristotle there were thought to be 56 spheres; and further observation necessitated the addition of more and more. The danger was that there would soon be one model per star, that the system would become "as intricate and complex as those appearances themselves which it had been invented to render uniform and coherent".⁽³⁷⁾ On the other hand, the Newtonian system was simple; the whole universe of phenomena was explained with precision by a single familiar relation, gravity. Different types of phenomena (sun, moon, stars, planets, etc.) did not each need their own separate unifying principles.

3. Familiarity. Science plays upon the imagination; it endeavours "to render the theatre of nature a more coherent and therefore a more magnificent spectacle than otherwise it would have appeared to be".⁽³⁸⁾ Precisely for this reason, familiarity

of concepts is indispensable:

"No system, how well soever in other respects supported, has ever been able to gain any general credit on the world, whose connecting principles were not such as were familiar to mankind". (39)

Thus, chemistry has "crept along in obscurity", despite the fact that it studies much more useful problems than some other disciplines. After all,

"the connecting principles of the chemical philosophy are such as the generality of mankind know nothing about, have rarely seen, and have never been acquainted with ... Salts, sulphurs and mercuries, acids, alkalis, are principles which can smooth things to those only who live about the furnace". (40)

This reminds us that to Smith, the purpose of science is to restore tranquillity: "The repose and tranquillity of the imagination is the ultimate end of philosophy". (41) The purpose of science is not to discover useful truths except in so far as these are the precondition for accurate predictions and thus peace of mind. Science seems to

"methodize and dispose (observations) into an order that should enable the imagination to pass as smoothly and with as little embarrassment along them as along the most regular, familiar and coherent appearances of nature". (42)

It is comforting to find that an unfamiliar object is explicable by a familiar one and fits into a familiar sequence, a habitual association of ideas after all.

Thus, Galileo used his telescope to observe mountains and seas on the moon, "rendering that planet in every respect similar to the earth". This "made it less contrary to the analogy of nature that, as the moon revolved round the Earth, the Earth should revolve round the sun".⁽⁴³⁾ It was known that the moon revolved round the Earth; and Galileo, by demonstrating that the moon through a telescope looks very much like the Earth, was able to render more acceptable the Copernican view that the Earth revolved round the sun.

Familiarity explains the earliest theories of physics (e.g. the attempt to reduce all complex matter to four familiar elements, earth, water, air, fire; compounds could be explained in terms of these elements, and this satisfied the imagination). It is also a main reason for the success of the Newtonian system, which had gained the "general and complete approbation of mankind". The Newtonian system is

"the greatest discovery that ever was made by man, the discovery of an immense chain of the most important and sublime truths, all closely connected together by one capital fact, of the reality of which we have daily experience".⁽⁴⁴⁾

The principle of gravity is familiar to all, and thus the imagination has no difficulty in going along with it, in finding it intelligible, or in finding other phenomena intelligible when expressed in terms of gravity. What is familiar has the nature of an empirical law based on common experience; it does not need

to be explained. Moreover, Newton's law

"by which (the gravity of matter) is supposed to diminish as it recedes from its centre is the same which takes place in all other qualities which are propagated in rays from a centre in light, and in everything else of the same kind".⁽⁴⁵⁾

At times, however, there may be a contradiction between the need for science to explain and the need to reassure. After all, many phenomena are so complex that they cannot be explained in terms familiar to the layman. Thus, although Kepler's system "was better supported by observations than any system had ever been before"⁽⁴⁶⁾, it was complex. Kepler found the Heavenly bodies move in an ellipse, not a perfect circle; and that their velocity was not constant but varied according to a formula which he specified. Unfortunately, this meant that it was "an analogy too difficult to be followed or comprehended" and was thus not "agreeable to the natural taste of mankind".⁽⁴⁷⁾ Kepler's system was, of course, superior to previous systems since it could more precisely predict real world observations; but it was "of too intricate a nature to facilitate very much the effort of the imagination in conceiving it".⁽⁴⁸⁾ The future looks grim for familiar analogies (e.g. Smith explains the revolutions of the planets around the sun in terms of two ships sailing at different speeds);⁽⁴⁹⁾ as Smith admits, in the last analysis "a philosopher is company only to a philosopher".⁽⁵⁰⁾

4. Aesthetically satisfying. A scientific system, like any other work of art (a painting, for example) is an analogy; it is a model of reality, and although it looks like reality, in many respects, it is different from reality. Partly a scientific

system is beautiful because it puts the mind at rest: in the Wealth of Nations he speaks of "the beauty of a systematical arrangement of different observations", ⁽⁵¹⁾ and in the "History of Astronomy" he argues that "the mind takes pleasure in observing the resemblances that are discoverable betwixt different objects". ⁽⁵²⁾ This is the same as Francis Hutcheson's definition of beauty as uniformity in diversity, as order rather than colour or shape.

Since a system is analogous to a machine, in both cases one should design the model not just to fit the empirical facts one wishes to unify, but to do so as artistically as possible. One of the advantages of the theory of the Spheres was "the beauty of the system ... like a harmonic progression". ⁽⁵³⁾ Kepler's discovery that the movements of the Heavenly bodies are elliptical, not perfectly circular, was objectively irrefutable but aesthetically disappointing: after all, the general imagination had previously

"determined that a circular motion was the most perfect of all motions, and that none but the most perfect motion could be worthy of such beautiful and divine objects". ⁽⁵⁴⁾ The desire for beauty must make way for the facts, of course; but it is significant that Smith still strives to find an aesthetic justification (the ellipse is, "of all curve lines after a circle, the simplest and most easily conceived". ⁽⁵⁵⁾) This is in line with Smith's avowed purpose of making "the theatre of nature ... a more magnificent spectacle". ⁽⁵⁶⁾

The scientist feels an aesthetic pleasure in creating a model, just as a painter or sculptor feels pleasure

"founded altogether upon our Wonder at seeing an object of one

kind represent so well an object of a very different kind, and upon our admiration of the art which surmounts so happily that disparity which nature established between them".⁽⁵⁷⁾

A scientific model, like any other work of art, resembles its subject⁽⁵⁸⁾ but does not reproduce it exactly, and gains merit from disparity with the subject as this shows the creativity of the artist in interpretation as well as reproduction. In a sense this must be so. We shall argue later that Smith, like Hume, was not sure one can have knowledge of external objects; the scientist (or painter) tries to convey to other persons no more than an idea of the sense-perception he experiences. A scientific model is thus an appeal to the "sympathy" of the spectator; we try to persuade him, by means of symbols (e.g. words and their arrangement), to share our sense-perception, to see objects not as they "are" but as we ourselves perceive them to be. This is no different from a painter's aim in painting a storm: he wants us to not just see a storm, but to see the storm he saw, as he saw it.

Lindgren takes the view that, because Smith felt perceptions were highly individual and communication depends on symbols, Smith's scientific method is inseparable from his aesthetics:

"First, the object signified is selected from all available objects on the basis of the interest of the speaker. Second, the object selected as a sign is selected on the basis of two criteria, both of which are related to the aesthetic temperament of the community. Smith called them 'the love of analogy' and 'a certain

regularity of sound' ... Finally, as was seen to be the case with painting, the mark indirectly signifies an imitated object by directly signifying the image of that object. When this type of assignment has been accepted within a group, the mark will evoke the image of its unique correlate in the minds of the hearers".⁽⁵⁹⁾

Language thus is the conventional association of words with ideas. In support of his view, Lindgren quotes from Smith the opinion that the structure of our ideas "seems to have arisen more from the nature of language than from the nature of things".⁽⁶⁰⁾ There is no reason to suppose words always convey an idea of the objective states they represent. We shall consider this problem again in Chapters Two and Three.

III

There are two major pitfalls in scientific inquiry - first, dogmatic enslavement to doctrines of great thinkers of the past; second, an inability to distinguish between metaphysics and physics; and a resultant overemphasis on speculation at the cost of experimentation.

(1) The scientist must build on the work of others, but not perpetuate doctrines unquestioningly, out of love for a system ("No human consideration could have induced them to give up any part of it")⁽⁶¹⁾ rather than curiosity to investigate reality:

After the reign of Antoninus and, indeed, after the age of Hipparchus who lived almost three hundred years before Antoninus, the great reputation which the earlier philosophers had acquired

so imposed upon the imaginations of mankind that they seem to have despaired of ever equalling their renown. All human wisdom, they supposed, was comprehended in the writings of those elder sages".⁽⁶²⁾

In the short-run, a new theory, like anything new, arouses Surprise and Wonder (more so even than the phenomena it seeks to explain). It does "violence to the usual habits of the imagination"⁽⁶³⁾ and goes against "the natural prejudices of sense, confirmed by education"⁽⁶⁴⁾ (for example, it was once hard to imagine that the Earth revolved at all, let alone at 1000 m.p.h.). In the long-run, the superior explanatory power of a new theory causes scientists to adopt it.

It is important for scientists to keep abreast of developments in science. Tycho Brahe's system built on Ptolemy and Copernicus, Kepler's on Brahe; Newton's on Kepler and Cassini. Galileo refined the technique of inquiry by using the telescope to confirm Copernicus' findings.

(2) The motive for science is passion (the desire to satisfy Wonder), not reason. Truth is not sought for its own sake, nor even because it is useful in attaining some concrete goal; the scientist studies the real world to satisfy his curiosity. An incorrect theory is acceptable (provided it is comprehensive, simple, uses familiar concepts and is aesthetically satisfying) so long as it is believable; but if observation undermines confidence in it, "it will embarrass and confound the imagination"⁽⁶⁵⁾ and new theories will be needed to restore tranquillity. Discovery results from Wonder, not utility:

"Wonder, therefore, and not any expectation of advantage from its discoveries, is the first principle which prompts mankind to the study of philosophy, of that science which pretends to lay open the concealed connections that unite the various appearances of nature; and they pursue this study for its own sake, as an original pleasure or good in itself, without regarding its tendency to procure them the means of many other pleasures".⁽⁶⁶⁾

This may seem odd in view of Smith's stress on commodity-utilitarianism in the Wealth of Nations. But, as we have seen, utility to Smith means peace of mind as well as consumption of commodities. In his description of invention, while minor inventions (made by slaves or workers) might be the result of utility (e.g. desire to abridge labour),⁽⁶⁷⁾ major inventions made by philosophers ("whose business is to do nothing but observe everything")⁽⁶⁸⁾ are the result of heightened curiosity. The scientist is not more dedicated to truth than other men; he is less tranquil. He notices a gap between two events where ordinary people see only a smooth progression; because he is an experienced observer, his Wonder is awakened when untrained people are satisfied with existing explanations of connection and causation. His superior perception in noticing that the intermediate stages are missing is almost aesthetic in its nature:

"As in those sounds which to the greater part of men seem perfectly agreeable to measure and harmony, the nicer ear of a

musician will discover a want ... so the more practical thought of a philosopher, who has spent his whole life in the study of the connecting principles of nature, will often feel an interval betwixt two objects which, to more careless observers, seem very strictly conjoined."⁽⁶⁹⁾

Empirical verification of a theory is a nuisance, but it cannot be avoided. If observation clearly falsifies a theory, then a new theory must be developed, since a theory that is "altogether wide of the real situation" is "useless"⁽⁷⁰⁾ in assuaging wonder (not least the wonder of the scientist himself). There is a need for a theory to "correspond with exact precision to the phenomena"⁽⁷¹⁾ because otherwise the mind will be confused and ill at ease. He praises Newton's system for its precision:

"it is everywhere the most precise and particular that can be imagined, and ascertains the time, the place, the quantity, the duration of each individual phenomenon to be exactly such as, by observation, they have been determined to be".⁽⁷²⁾

The positivist criterion of prediction becomes psychological in intent; if the mind is to be at rest, it must know what to expect. If it sees A, it must be confident that B will follow. Smith notes with approval that Newton's theory was used accurately to predict the return of a comet.⁽⁷³⁾

Thus, the scientist must learn from nature. Whereas the Cartesians deduced motion from abstract principles and axioms (the geometrical approach), the Newtonians collected facts case

by case by induction, and fitted empirical laws to them (the natural science approach). Smith admired the Newtonian, empirical approach, and warned scientists not to turn away from Nature or engage "chiefly in ethical, rhetorical and dialectical questions". (24) The laws uniting phenomena could only be found by observing them, not by abstract theorizing:

"The reasonings of philosophy, ... though they may confound and perplex the understanding, can never break down the necessary connection which nature has established between causes and their effects". (75)

He dismisses Plato's metaphysical theory of ideas based on introspection and says that if one seeks knowledge, one should try to know the real world, not know oneself (a "fallacious experiment"). (76)

He praises physics since it is an empirical science ("the proper subject of experiment and observation, a subject in which a careful attention is capable of making so many useful discoveries"), (77) and disparages the study of the "cobweb science" of metaphysics, since it is vague ("the subject in which, after a few very simple and almost obvious truths, the most careful attention can discover nothing but obscurity and uncertainty, and can consequently produce nothing but trifles and sophisms"). (78)

As we shall see, Smith developed his theory of moral sentiments inductively, from actual moral judgments. He felt one cannot impose an a priori ethical system on people and expect it to work.

When he says "the two useful parts of moral philosophy ... are Ethics and Jurisprudence",⁽⁷⁹⁾ he is really making a plea for scientific method; these are the only parts of moral philosophy that can be formulated precisely and empirically (since, in both cases, the philosopher does no more than record observed behaviour). He was particularly hard on contemplation ("abstract and speculative reasonings which perhaps tend very little to the bettering of our practice".)⁽⁸⁰⁾

When it comes to moral judgements, the instincts suffice to help us determine empirically (by induction) what to do.

"The most sublime speculation of the contemplative philosopher can scarce compensate the neglect of the smallest active duty".⁽⁸¹⁾

As Bitterman says, "to Smith, man was made for action, and criteria for action could be found only in immediate feelings and ideas".⁽⁸²⁾ It would be a waste to contemplate rather than to obey the will inherent in nature, to be studied by induction via the instincts. Smith writes that, in place of abstract thought,

"To man is allotted a much humbler department, but one much more suitable to the weakness of his powers and to the narrowness of his comprehension: the care of his own happiness, of that of his family, his friends, his country; that he is occupied in contemplating the more sublime can never be an excuse for his neglecting the most humble department".⁽⁸³⁾

Thus, we have been arguing that science aims to assuage Wonder; and that the application of scientific method to morals simply

means the formulation of empirical laws based on observations collected by induction and able to predict future behaviour. Science fits connecting principles to isolated experiences, and thus bases the general on the particular, the future on the present.⁽⁸⁴⁾

For example:

"The present inquiry is not concerning a matter of right ... but concerning a matter of fact. We are not at present examining upon what principles a perfect being would approve of the punishment of bad action, but upon what principles so weak and imperfect a creature as men actually and in fact approves of it".⁽⁸⁵⁾

Smith attempted to build economic theories on the basis of observations rather than abstraction. Of course, data was in most cases simply not available. Petty had tried, in Political Arithmetick (1671) to estimate the population of London from burial statistics; King and Davenant had also made attempts at statistical analysis. Smith argued, however, that he had "no great faith in political arithmetic",⁽⁸⁶⁾ and that his aim was to write a "speculative work".⁽⁸⁷⁾ He can perhaps be excused for not quantifying variables such as Wealth or Population in the absence of statistics; and where he did have data (for example, on Scottish linens and Yorkshire woollens)⁽⁸⁸⁾ he did not hesitate to make quite sophisticated deductions from it. Moreover, his theories are generally formulated so as to be falsifiable if data were available, indicating they were not pure speculation. In

general, however, he shows a reluctance to take statistical evidence seriously. Thus he refers to the ideas which

"the facts and arguments which have been alleged above dispose me to believe; or more properly to suspect and conjecture, for the best opinion which I can form upon this subject scarce, perhaps, deserves the name of belief".⁽⁸⁹⁾

We shall see another example of his use, albeit reluctant, of statistical evidence when we consider his approach to the division of labour, his knowledge of which probably came from his own experience (e.g. of sailors, nailmakers, colliers, in Kirkcaldy), reading (e.g. the article "Spingle" in the Encyclopaedia), and conversation (e.g. with academics, inventors, businessmen in the Glasgow Dining Club, Glasgow Literary Society, Edinburgh Select Society, and other clubs in Glasgow and Edinburgh).⁽⁹⁰⁾

Professor Meek has gone still further and said that, while Smith did make a great contribution to science in extending the scope and method of detached observation, his greatest contribution was his imaginative approach. Smith was not only aware of what was happening around him in eighteenth century Glasgow, but saw the tendencies latent in the process of change itself. Smith's science of political economy, says Meek, stressed not only what was but what was yet to come.⁽⁹¹⁾

IV

To Adam Smith, all science was social science, since all science exists in a social context. In this section we will examine the

nature of this relationship.

(1) The preconditions for scientific activity are, first law and order and security; and second, leisure, opulence and freedom from want;

"Mankind, in the first ages of society, before the establishment of law, order and security, have little curiosity to find out those hidden chains of events which bind together the seemingly disjointed appearances of nature. A savage whose subsistence is precarious, whose life is every day exposed to the rudest dangers, has no inclination to amuse himself with searching out what, when discovered, seems to serve no other purpose than to render the theatre of nature a more connected spectacle to his imagination".⁽⁹²⁾

Or elsewhere:

"The ruin of the empire of the Romans and, along with it, the subversion of all law and order, which happened a few centuries afterwards, produced the entire neglect of that study of the connecting principles of nature to which leisure and security can alone give occasion".⁽⁹³⁾

In primitive society, when Wonder is inescapable (e.g. when occasioned by thunder or comets), it is calmed by fictitious explanations with no empirical content, in other words, by superstition. Primitive Gods are believable because they resemble men in appearance and even in conduct. This personification of events (a good vintage is attributed to Bacchus, a calm sea to Neptune) shows how primitive men attempted to explain the less familiar in terms of the more

familiar, to build models by creating the Gods in his own image. This is the origin of polytheism, "which ascribes all the irregular events of nature to the favour or displeasure of intelligent, though invisible beings, to Gods, demons, witches, geni, fairies".⁽⁹⁴⁾ Otherwise man "despaired of discovering ... any regular system in Nature's operations".⁽⁹⁵⁾ The model was comprehensive but had no predictive powers whatsoever.

Primitive man had no time for reflection. However, economic growth creates an atmosphere more favourable to inquiry:

"When law has established order and security, and subsistence ceases to be precarious, the curiosity of mankind is increased and their fears are diminished. The leisure which they then enjoy renders them more attentive to the appearances of nature, more observant of her smallest irregularities, and more desirous to know what is the chain which links them all together. That some such chain subsists betwixt all her seemingly disjointed phenomena, they are necessarily led to conceive; and that magnanimity and cheerfulness which all generous natures acquire who are bred in civilized societies where they have so few occasions to feel their weakness and so many to be conscious of their strength and security, renders them less disposed to employ, for this connecting chain, those invisible beings whom the fear and ignorance of their rude forefathers had engendered".⁽⁹⁶⁾

It is interesting to note the two-way causation between knowledge and the economic change that makes it possible:

(a) opulence - more knowledge raises the national income (even if this is an unintended outcome), and thus provides more leisure, more opportunity to reflect, and hence still more knowledge.

(b) social stratification - this arises out of differentiation of function, and is a precondition for further growth. In poor countries, where there is "no room for any evident distinction of ranks", there is of necessity "the confusion and misrule which flows from a want of all regular subordination".⁽⁹⁷⁾

(c) law and order - these are the result of balance of powers in government, so that despotism as well as anarchy can be avoided. How the economic system brings about political reform we shall consider in Part III. Law and order are preconditions for inquiry, inquiry for growth, growth for law and order.

(2) The scientist seeks to explain the less familiar in terms of the more familiar; but words are symbols, nothing more. All men are not familiar with the same objects. What one accepts, what one questions, depend on what one is used to, on habitual associations. Smith likens the material world to an unknown card game, and the scientist to an observer trying to find out the rules by observing how the game is played. Different societies, different sub-groups, play different games, and this is not by chance but because of their material circumstances. The game develops out of the situation of each group, and thus there is no substitute for empirical investigation. Consider the following example of habitual association.

"The same orders of succession which to one set of men seem quite according to the natural course of things and such as

require no intermediate events to join them, shall to another appear altogether incoherent and disjointed unless some such events be supposed; and this for no other reason but because such orders of succession are familiar to the one and strange to the other. When we enter into the work-houses of the most common artisans, such as dyers, brewers, distillers, we observe a number of appearances which present themselves in an order that seems to us very strange and wonderful; . Our thought cannot easily follow it; we feel an interval betwixt every two of them ... But the artisan himself, who has been for many years familiar with the consequences of all the operations of his art, feels no such interval. They fall in with what custom has made the natural movement of his imagination". (98)

As we shall see, Smith's theory of morals is founded on the concept of propriety, and propriety turns out to be "the done thing", habitual association. Before one accuses Smith of excessive conservatism, one ought to remember the methodological problem of being a Human: once the habitual, familiar succession is broken, once the tranquillity of the existing order is destroyed, we have no guarantee that we will have any knowledge at all. Habitual association is not just the basis of social cohesion, morality, human communication, but the precondition for sanity:

"Could we conceive a person of the soundest judgement who had grown up to maturity and whose imagination had acquired those habits and that mold which the constitution of things in this

world necessarily impress upon it, to be transported alive to some other planet where nature was governed by laws quite different from those which take place here, as he would be continually obliged to attend to events which must to him appear in the highest degree jarring, irregular and discordant, he would soon feel ... giddiness and confusion begin to come upon him, which would at last end ... in lunacy and distraction". (99)

Moreover, the "constitution of things" has its own material basis, and hence is not able to be moulded to suit human desires and schemes of any sort. Prediction is possible within a given institutional framework; and, while one can modify it to allow material tendencies to reach equilibrium (an argument for laissez-faire), one cannot supplant it by a man-made structure. Different societies have different institutions; and, as we shall see in Part III, this is largely because of their different economic patterns. Ruggald Stewart wrote:

"the greater part of politicians before the time of Montesquieu ... contented themselves with an historical statement of facts and with a vague reference of laws to the wisdom of particular legislators, or to accidental circumstances which it is now impossible to ascertain. Montesquieu, on the contrary, considered laws as originating chiefly from the circumstances of society; and attempted to account, from the changes in the condition of mankind which takes place in the different stages of their progress, for the

corresponding alterations which their institutions undergo ...

In Mr. Smith's writings, whatever be the nature of his subject, he seldom misses an opportunity of indulging his curiosity, in tracing from the principles of human nature or from the circumstances of society the origins of the opinions and the institutions which he describes". (100)

Yet even a casual examination of Smith's work shows that he did not simply relate infrastructure to superstructure without taking a view on it. Sometimes he argued that observed phenomena mask basic realities. For example, Smith knew that labour-embodied did not explain market exchanges in the real world, but still may have thought labour was the unique source and measure of value (although it is so difficult to measure as to render it non-empirical in practice, even if not conceptually). Again, Smith's disregard for consumers' preferences and market prices may have existed because he believed they were social, not absolute; they depend on the prestige attached to socially-defined types of conspicuous consumption, and on the distribution of incomes, both functions of economic change. Moreover, if one uses historical or present-day data in an empirical study, one runs the risk that the data may be distorted by artificiality of institutions. After all, matter has its own motion; the scientist should study this latent motion towards equilibrium and try to abstract from the man-made frame-work which may be totally inappropriate to the phenomena. Thus Dugald Stewart makes the following rather surprising statement

in his study of Smith:

"In most cases it is of more importance to ascertain the progress that is most simple than the progress that is most agreeable to fact; for, paradoxical as the proposition may appear, it is certainly true that the real progress is the most natural. It may have been determined by particular accidents which are not likely again to occur and which cannot be considered as forming any part of that general provision which nature has made for the improvement of the race". (101)

The social scientist, in examining phenomena, must take a view on the appropriateness of the framework to the motion inherent in matter. For this reason it is vital to know if Smith thought the motion implicit in social variables was unique (the "natural law" view we shall consider in Chapter Three) or simply unique in a given situation. If the latter, then Smith was confronted with the choice of a number of situations - an infinite number, in fact - each with its own appropriate laws of motion. A feudal society, a mercantile society, an industrial society, a communist society, all have their own laws of motion. Smith chose one and rejected the other three; having done so, he could then investigate the appropriate means to the desired end. He was aware of the indispensability of the initial value judgement.

(3) At the end of his "History of Astronomy", Smith promises to apply the Newtonian methodology to other, more general philosophical

inquiries. Indeed, the full title of the essay is "The principles which lead and direct philosophical inquiries, illustrated by the history of astronomy" (just as the Wealth of Nations is "an inquiry into the nature and causes of the Wealth of Nations", indicating he was interested in the method - "inquiry" - as well as the result - "Wealth"). Hutton and Black, who prepared Smith's manuscripts of the early essays on scientific method for publication after his death, state about the "History of Astronomy":

"It must be viewed, not as a history or account of Sir Isaac Newton's astronomy, but chiefly as an additional illustration of those principles in the human mind which Mr. Smith has pointed out to be the universal motives of philosophical researches".⁽¹⁰²⁾

In his essay on the "Origin of Languages", Smith says: "We say of a philosopher that he is a Newton".⁽¹⁰³⁾ How far was Smith a Newton in his writings on ethics and economics? Did he attempt to apply the methodology of the natural sciences to the social sciences, to search for "connecting principles" capable of unifying a mass of data, as Newton's principles of gravity did?

In his Lectures on Rhetoric, Smith explains that there are two methods of proceeding in science:

(a) The Newtonian method of laying down one or a few fundamental principles, "from whence we account for the several phenomena, connecting all together by the same chain".⁽¹⁰⁴⁾

(b) The Aristotelian method of presenting a mass of facts

and explaining each separately: "We begin with telling that we are to explain such and such things, and for each advance a principle either different or the same with those which went before". (105)

Campbell suggests that Smith did not use the same methodology in his two main works, The Theory of Moral Sentiments (1759) and The Wealth of Nations (1776). The Newtonian method

"would appear to have been the method at which he aims in the Moral Sentiments which begins with a statement of the principle or principles of sympathy which he then goes on to apply to different areas of social life. The Wealth of Nations is nearer to the alternative method which Smith calls "Aristotelian". (106)

This is presumably because there is no single connecting link in it comparable to sympathy in the earlier work, but instead a number of connecting principles, each one linking a sub-group of phenomena.

Our view is that Smith used the same methodology in both works:

(a) Often Smith compares society to a "well-oiled machine".

Viner says that this harmony exists only in the earlier work:

"What we have ... in the Theory of Moral Sentiments is an unqualified doctrine of a harmonious order of nature, under divine guidance, which promotes the welfare of man through the operation of his individual propensities ... In the Wealth of Nations this harmony is represented as not extending to all elements of the economic order, and often as partial and imperfect where it does extend". (107)

In other words, the Moral Sentiments relies on concepts of divine guidance, natural harmony and human benevolence, while the Wealth of Nations is more practical. Let it suffice to say here that in Chapter Three we will argue that Smith believed neither in divine guidance nor in harmony; and in Chapter Six we will show how both books have the same conception of benevolence. There is no reason to think Smith conceived of society, in either work, as a machine, despite his occasional use of Newtonian concepts (the division of labour arising out of a propensity fulfilling itself; the "invisible hand" analogous to the effects of gravity).

(b) Viner says that the Moral Sentiments uses the deductive method; the a priori principles are those we have already mentioned (divinity, harmony, benevolence); while the Wealth of Nations is inductive and empirical:

"In the Theory of Moral Sentiments Smith started out with a few general propositions about the nature of the universe which any educated Scotchman of his day would have vouched for as self-evident truths; and following them wherever they led him, he picked up en route a few more self-evident truths about the nature of human nature, and finally reached conclusions of the sort we have examined. Failing to compare his conclusions with the facts, he saw no reason for qualifying them and no reason for re-examining his premises. Unfortunately, these premises were in special need of careful scrutiny, for they were all drawn from a peculiar class of axioms which urgently

require, but are incapable of, proof. In his earlier work Smith was a purely speculative philosopher, reasoning from notions masquerading as self-evident verities. In the Wealth of Nations, Smith made use of a rich harvest of facts gathered by personal observation at home and abroad, by observers of the current scene, by wide reading in a miscellany of sources from law books to travellers' tales". (108)

It seems clear, however, that both books were inductive (the Newtonian method is deductive, all else being deduced from the principle of gravity). The Moral Sentiments shows how an individual builds up, case by case, a picture of what the community defines as ethical, at a particular time and in a particular place. Although the process of experimentation is introspective and internal, it is not subjective: a unique code of behaviour exists in each situation, and it is up to the individual to find out what it is. No attempt is made to evaluate morality, simply to study its communication and its social functions. In the Wealth of Nations, external phenomena are studied, and theories are induced from the behaviour of the phenomena, not deduced from any a priori concept (even self-love).

(c) In both works, the subsequent scientific analysis is only possible because of an initial normative judgement. In the Moral Sentiments Smith, by studying the communication of ethical judgements and by emphasising their contingency (on the situation and especially its material basis), implies that in his view morality is relative (not absolute); that its principle function is to provide social

cohesion; and that it is suitable for inductive study (another person might prefer to deduce ethics from divine revelation, e.g. the Bible, or from his favourite political philosopher). He does not ask which system of ethics is best, but which system works best.

In the Wealth of Nations he chooses an end, the maximisation of per capita income, and thus was able scientifically to study the growth process. It is no more self-evident to advocate economic growth than to advocate economic decay, particularly if one argues (as Smith did) that each economic structure has a corresponding social and intellectual structure. A conservative might argue that liberalism in economics and economic growth leads to liberalism and mobility in society, rapid social change, and social decay. Once Smith had chosen "Wealth" as the goal of economic activity, he could build a model of how to attain it; but the choice of the end remains a value judgement.

(d) In both books, there is a unique connecting principle, a simple chain uniting a mass of data. In the Moral Sentiments it is the principle of sympathy, a simple, familiar, concept in terms of which he explains diverse aspects of human behaviour (law, rank, cohesion, the desire to acquire wealth, family affection, love of country, and others). In the Wealth of Nations, self-love leads to economic growth, and economic growth leads to social progress. In Part III we shall suggest reasons why Smith might only have advocated growth because it was the trigger for a social revolution. Smith's conception of economics was broad;

he felt consumption was social in nature, and that production was formative of character. He felt he had observed self-interest in economic affairs, and hoped that economic liberalism would be productive in the long-run of social change.

(e) Both works are individualistic - the unit of analysis is the individual. Yet both works emphasize that the individual is the product of the group and must be analyzed with reference to it.

(f) Lindgren (109) is the only scholar to argue that Smith did not intend to transpose the methodology of the physical sciences to the social sciences. He argues that in the Moral Sentiments, Smith stresses not just what one does but why one does it. One needs to consider concepts like "propriety of motivation", or "proper sympathy in the situation", rather than just conjunction of events. Only if one abstracts from proper motivation (as Hume did) can one study virtue scientifically or construct a system which yields predictions. Smith says:

"The sentiment of approbation always involves in it a sense of propriety quite distinct from the perception of utility", (110)

and that:

"It seems impossible that the approbation of virtue should be a sentiment of the same kind with that by which we approve of a convenient and well-contrived building; or that we should have no other reason for praising a man than that for which we commend a chest of drawers". (111)

Lindgren argues that by substituting propriety for utility as the basis of virtue, Smith demonstrated his humanism by rejecting the

mechanistic approach; but equally it made it impossible to study morality by observation of events.

This view seems exaggerated, however. First of all, the fact that a theory cannot be tested in practice does not necessarily mean it is useless as a theory. It may be as empirical as it could be expected to be. Thus, when Smith says that the rich attract more sympathy than the poor, ⁽¹¹²⁾ it is true that there is no index of sympathy by which one could test this. Yet one may know it is true from conversation with a large sample of people; and from popular attitudes to social stratification. It may be useful in predicting that wealth and power are correlated (even if wealth is not used to bribe officials or maintain private armies).

Second, it is based on a misconception about the working of the mechanism of sympathy. The scientist does not need to study motivation. The actor, wishing to attract sympathy and avoid isolation, will attempt to behave with propriety. He will know from experience what conduct maximises sympathy and will aim at it. If Smith is correct in saying men aim above all at sympathy, and that by consulting the "man within the breast" (conscience) they are able to predict how they themselves would react if another person were to behave in a similar fashion, then men will moderate their actions so as to behave "properly". The scientist can be sure that if most people behave in a certain way in a certain situation, the behaviour is socially acceptable and "proper".

Third, Smith believed that there are laws of motivation, and that moral judgements tend to cluster around the mean. Perhaps

he overemphasized uniformity of reactions in a given situation; but at least that is a falsifiable proposition. Smith was aware that ethics was "a science which, ... like criticism, does not admit of the most accurate precision".⁽¹¹³⁾ Yet he also felt that it is easier for a scientist to deceive the public in physics than in ethics; each person is aware of social standards, and does not need to be told what society defines as moral behaviour.⁽¹¹⁴⁾

Notes

- (1) The main studies of Smith's scientific method are: J.F. Becker, "Adam Smith's Theory of Social Science", Southern Economic Journal, 1961; H.J. Bittermann, "Adam Smith's Empiricism and the Law of Nature", Journal of Political Economy, 1940; T.D. Campbell, Adam Smith's Science of Morals (London: George Allen and Unwin, 1971), Ch. 1-3; J.L. Lindgren, "Adam Smith's Theory of Inquiry", Journal of Political Economy, 1969; H.F. Thomson, "Adam Smith's Philosophy of Science", Quarterly Journal of Economics, 1965.
- (2) D. Stewart, "Account of the Life and Writings of Adam Smith, LL.D.", 1793, reprinted from the Transactions of the Royal Society of Edinburgh as an introduction to A. Smith, Essays on Philosophical Subjects (London: T. Cadell Jun. and W. Davies and W. Creech, 1795), p.17.
- (3) J.A. Schumpeter, History of Economic Analysis (New York: Oxford University Press, 1954), pp. 184-5.
- (4) W. Letwin, The Origins of Scientific Economics (London: Methuen and Co., Ltd., 1963) pp. 221-3.
- (5) ibid p.viii. Italics mine.
- (6) cf. "History of Astronomy" (H.A.) p.46 for proof Smith was aware of this possibility. The "History of Astronomy" is the first of the Essays on Philosophical Subjects.

- (7) H.A. p.20
- (8) ibid. p.34
- (9) ibid. p.35
- (10) ibid., p.39. cf. "to soothe the imagination", p.2.
- (11) ibid., p.40
- (12) ibid., p.3.
- (13) ibid., p.5.
- (14) ibid., p.7.
- (15) ibid., p.5.
- (16) ibid., p.3.
- (17) ibid., p.12.
- (18) Probably written in the mid-1740's when Smith was about 25.

See E.G. West, Adam Smith (New Rochelle: Arlington House, 1969), pp. 44-45.
- (19) Cf. A. Smith, The Wealth of Nations (London: Methuen, 1904), esp. II, pp. 290-1.
- (20) H.A. p.20.
- (21) Cf. "Ancient Logic and Metaphysics", in Essays on Philosophical Subjects, pp. 116-7. Note also the following: "The chemical philosophy" H.A. p.22; "Chemical Philosophy", Lectures on Justice, Police, Revenue and Arms, ed. E. Cannan (Oxford: Clarendon Press, 1896), p. 168.
- (22) A. Smith, The Theory of Moral Sentiments (MS), 1759, (New York: Augustus Kelley and Co., 1966), p.191.

- (23) WN II p.292.
- (24) T.D. Campbell, op cit., p.26.
- (25) Ibid., p.25.
- (26) H.A., p.54.
- (27) ibid., p.10.
- (28) WN II, p.291, Cf. MS p.459.
- (29) "History of Ancient Physics", in Essays on Philosophical Subjects, p.98.
- (30) H.A. pp.14-15.
- (31) Voltaire described Newton as "the greatest man who ever lived" and announced "We are all his disciples now". Elsewhere he said: "Before Kepler, all men were blind. Kepler had one eye and Newton had two eyes". He attended Newton's funeral in Westminster Abbey, and claimed to be the "first poet to have drawn a comparison from the refraction of light". Other philosophers and poets attempted to replace theological language and argument with physics and science; and attempted to apply the new scientific techniques to aesthetics, politics and other fields, replacing revelation and metaphysics. Voltaire, in 1755, said: "Verses are hardly fashionable any more ... Everybody has begun to play at being the geometer and the Physicist ... Sentiment, imagination and the graces have been banished. Someone who had lived under Louis XIV and returned to the world would no longer recognize the French; he'd think that the Germans had conquered this country. Literature is

perishing before our very eyes". Humanists such as Pope, Swift and Blake, however, were not convinced the scientific revolution was desirable in every respect. The Newtonian method (sometimes without Newton's own modesty about its limitations) was applied to such philosophical problems as the theory of progress. The very fact that Newton was so honoured in England (the first Englishman to be knighted) was taken as a demonstration of the advantages of intellectual freedom (particularly by French authors). Moreover Newton avoided dogmatism and system-building, and respected the facts.

(32) H.A. p.90.

(33) ibid., p.91.

(34) ibid., p.93.

(35) ibid., p.44. Italics mine.

(36) ibid., p.45.

(37) ibid., p.36.

(38) ibid., p.21.

(39) idem.

(40) ibid., p.22.

(41) ibid., p.39.

(42) ibid., p.42.

(43) ibid., pp. 66-7. Familiarity is important to the whole Copernican scheme: "The Five planets, which seem, upon all other systems to be objects of a species by themselves, unlike

to every thing to which the imagination has been accustomed, when supposed to revolve along with the Earth round the Sun, were naturally apprehended to be objects of the same kind with the Earth, habitable, opaque, and enlightened only by the rays of the Sun. And thus this hypothesis, by classing them in the same species of things with an object that is, of all others, the most familiar to us, took off that wonder and uncertainty which the strangeness and singularity of their appearance had excited, and thus far, too, better answered the great end of philosophy". Ibid., p.55.

- (44) Ibid., p.93. Italics mine. Cf. D. Hume: "In Newton this island may boast of having produced the greatest and rarest genius that ever rose for the ornament and instruction of the species ... While Newton seemed to draw off the veil from some of the mysteries of nature, he showed at the same time the imperfections of the mechanical philosophy; and thereby restored her ultimate secrets to that obscurity in which they ever did and ever will remain". History of England, quoted in P. Gay, The Enlightenment: an Interpretation (London: Weidenfeld and Nicholson, 1969) .. p.130.

(45) ibid., p.92.

(46) ibid., p.70.

(47) ibid., p.73.

(48) idem.

(49) ibid., p.53.

(50) MS p.43. Smith's friends seem to have had very similar interests: Joseph Black, James Wall, Adam Ferguson,

David Hume, William Robertson, Lord Lauderdale, Lord Kames, John Coutes, John Adam, Charles Townshend, etc. He also knew Burke, Gibbon, Johnson, Reynolds, Goldsmith, Garrick in London.

(51) WN II, p.291.

(52) H.A., p.22. Italics mine. Cf. p.50.

(53) ibid., p.33.

(54) ibid., p.69.

(55) ibid., p.70.

(56) ibid., p.21.

(57) "Of the Imitative Acts", in Essays on Philosophical Subjects.

(58) Cf. "A system is an imaginary machine invented to connect together in the fancy those different movements and effects which are already in reality performed". HA, p.44. The word "imaginary" is of particular importance. Smith follows Hume in denying our ability to perceive external reality rationally. Most of all we need connecting principles for psychological reasons, to satisfy Wonder. Yet the system remains imaginary and fictional; we will never have dependable knowledge of its reality, and we will be satisfied if it seems to fit known associations in a predictable way. Smith points out the principles we have "as if they were the real chains which Nature makes use of". H.A. p.93. Connecting principles do not have to be real principles. Cf. Dugald Stewart's

comments on Smith's paper on the origin of languages, where Stewart accepts that conjectural history may not yield accurate answers. Nonetheless, however, "the mind is ... to a certain degree satisfied". Stewart, op. cit., p. XI ii. In another context Smith says: "To render, therefore, the lower part of the great theatre of nature a coherent spectacle to the imagination, it became necessary to suppose ..." "History of Ancient Physics", loc. cit., p.48. In other words, the mind sought to satisfy wonder by constructing fictional systems, not to discover absolute Truth.

(59) Lindgren, op. cit., p.907.

(60) "Ancient Logic and Metaphysics", quoted in ibid., p.908.

(61) H.A. p.45.

(62) ibid., p.46.

(63) ibid., p.64.

(64) ibid., p.56.

(65) ibid., p.58. But occasionally Smith seems to reproach people for feeling embarrassed and wasting the scientists' time on trivia. Speaking of the distant stars, for example, "The most precise knowledge of the relative situation of such objects could be of no other use to the inquirer than to satisfy the most unnecessary curiosity". "Of the External Senses", in Essays on Philosophical Subjects.

(66) ibid., p.26.

(67) For example, Lectures on Justice, etc., pp. 167-8;

WN I p.13-14.

(68) WN I p.14.

(69) H.A., p.20.

(70) ibid., p.49.

(71) ibid., p.30. West says: "Many social scientists these days rank hypotheses not according to their 'realism' but to their predictive value". If so, then Smith's approach seems quite modern. See R.G. West, "Adam Smith's Philosophy of Riches", Philosophy, April, 1969, p.112.

(72) ibid., p.92.

(73) ibid., p.90. It is no surprise he rejects the abstract theorizing of Descartes: e.g. Descartes' theory of vortices is "very plausible" on the surface, but in fact "has no foundation in nature nor any sort of resemblance to the truth ... It has been demonstrated that these pretended causes of those wonderful effects, not only do not actually exist, but are utterly impossible, and, if they did exist, could produce no such effects as are ascribed to them".

MS p.459.

(74) ibid., p.45.

(75) MS p.428.

(76) "Ancient Logic and Metaphysics", p.119. Cf. p.123.

(77) WN II p.293.

(78) idem.

(79) MS p.501.

(80) Lectures on Rhetoric and Belles Lettres, ed. by J. Lothian
(Edinburgh: J. Nelson and sons, 1963), p.37. For the same
reason he is distrustful of revealed religion.

(81) MS p.348.

(82) H. Blittermann, *op cit.*, p.725.

(83) MS p.348.

(84) *cf.* MS pp. 469-70.

(85) MS p.109. This is reminiscent of J.N. Keynes: "A positive
science may be defined as a body of systematized knowledge
concerning what is; a normative science ... as a body of
systematized knowledge relating to criteria of what ought
to be, and concerned therefore with the ideal as distinguished
from the actual". J.N. Keynes, The Scope and Method of
Political Economy (London: Macmillan and Co., 1917).

pp.54-5. Thus, Smith aimed to be scientific and positivist,
to avoid normative (value) judgements about ideals. That
this is related to his materialism will become apparent later.
It is important to remember, however, that as well as a
scientist, Smith was a ptolemist, and the Wealth of Nations
was intended to persuade as well as inform. He may have
indulged in deliberate exaggeration to make his point. After
all, "if the rod be bent too much one way, ... in order to make
it straight you must bend it as much the other". MS II p.183.

(86) WN II p.42. See also I p.87.

(87) WN II p.471.

(88) WN I p.94.

(89) WN I p.239. See also II p.27.

(90) Sometimes, however, his statistical evidence is arbitrary and selective; and he occasionally uses travellers' accounts as unscrupulously as his contemporary Lord Monteddo (who tried to prove the existence of men with tails and mermaids, the latter being "rare", as part of his theory of evolution). Thus, although Ulloa "says nothing of the price of bread", Smith deftly uses him to prove that in Brazil the price of bread exceeds the price of meat. (WN I p. 165-6). Or: "Marco Polo, who visited China more than five hundred years ago, describes its cultivation, industry and populousness almost in the same terms in which they are described by travellers in the present times". (WN I p.80. See also II p.69). He does not encourage the reader to have confidence in his sources, whom he describes as "weak and wondering travellers... stupid and lying missionaries" (WN II p.251). His historical evidence is arranged unsystematically and is often highly conjectural (e.g. in his history of languages, where he traces verb endings to sound, not desire for clearer expression). In many cases he bases his theories on casual empiricism (e.g. "decency nowhere requires that any man should eat butchers' meat" WN II p.405). The best example of this tendency

is his account of the effects of nurture: "The common people in Scotland, who are fed with oatmeal, are in general neither so strong nor so handsome as the same rank of people in England, who are fed with wheaten bread ... But it seems to be otherwise with potatoes. The chairmen, porters and coal-heavers in London, and those unfortunate women who live by prostitution, the strongest men and the most beautiful women perhaps in the British Dominions, are said to be, the greater part of them, from the lowest rank of people in Ireland, who are generally fed with this root. No food can afford a more decisive proof of its nourishing quality".

WN I p.179-80. Many of Smith's statements are very broad (e.g. "this general rule, so far as I have been able to observe, admits not of a single exception" MS p.356), but at least he tries to back them up with empirical observations. As Bitterman says: "He used such facts as he had; he believed that his conclusions were valid inferences from his data; he attempted to check his theories by factual observation. He was scientific for his day". Bittermann, op cit., p.505.

(91) R. Mack, "Adam Smith and the Classical Concept of Profit" in Economics and Ideology (London: Chapman and Hall Ltd., 1967), pp.32-3.

(92) H.A., p.25.

(93) ibid., p.46.

- (94) ibid., p.25.
- (95) "History of Ancient Physics", p.106.
- (96) H.A., pp. 25-6.
- (97) ibid., p.27.
- (98) ibid., pp.18-19. It continues: "In the same manner bread has, since the world began, been the common nourishment of the human body, and men have so long seen it, every day, converted into flesh and bones, substances in all respects so unlike it, that they have seldom had the curiosity to inquire by what process of intermediate events this change is brought about".
- (99) ibid., pp. 17-18.
- (100) U. Stewart, on cit., p. xiv. Cf. John Millar's view:
 "The great Montesquieu pointed out the road. He was the Lord Bacon in this branch of philosophy. Dr. Smith is the Newton". C.R. Fay, Adam Smith and the Scotland of his Day (Cambridge: the University Press, 1956), p.93.
- (101) Stewart, on cit., p.xiv.
- (102) H.A., p.93.
- (103) "Considerations concerning the first formation of languages", in MS, p.509.
- (104) L.R.B.L., p.140.
- (105) ibid., p.139.

- (106) Campbell, op. cit., p.31. Campbell's own view is not clear since he elsewhere says: "Despite Smith's intense interest in practical affairs, it is clear that the Wealth of Nations and, even more, the Moral Sentiments, are attempts to apply his understanding of Newtonian scientific method to the study of society" (p.21.). He postulates a "basic unity of purpose and method" (p.46) in all of Smith's works.
- (107) J. Viner, "Adam Smith and Laissez-Faire", in J.M. Clark and others, Adam Smith, 1776-1926 (New York: Augustus M. Kelley, 1966), pp. 120, 128.
- (108) ibid., p.136.
- (109) Lindgren, op cit., pp. 911-914.
- (110) MS p.271.
- (111) idem.
- (112) e.g. MS p.85.
- (113) MS p.485.
- (114) MS p.459-60.

Chapter 2. AESTHETICS.

It is a surprise to see how close Adam Smith's conception of science comes to Keats' dictum "Beauty is truth, truth beauty".

As Thomson writes:

"It is a striking feature of Smith's system of science that he more frequently refers to his own standard of judgement as aesthetic than as strictly rational, and that as his final criterion of truth he is willing to accept neither the rational test of consistency nor the empirical standard of correspondence with the observed facts".⁽¹⁾

Science itself is beautiful since Smith followed Hutcheson in identifying order with beauty. Moreover, the preconditions for a thing to be "beautiful" are almost the same as for it to be "scientific". Smith's theory of aesthetics is comprised of four strands. These are comprehensiveness, simplicity, familiarity and propriety, and will be examined in Section I of this chapter. In Section II we shall consider the relationship between aesthetics, economy and society.

I

The preconditions for aesthetic appreciation are:

(1) Comprehensiveness. A work of art is a model; like any other model, it unites a mass of data, collectively (since one cannot include every feature of the original object), by a "connecting chain". It is no surprise therefore that one of Smith's clearest statements

of the Newtonian method is to be found in his Lectures on Rhetoric and Belles Lettres:

"In the manner of Sir Isaac Newton, we may lay down certain principles, primary or proved, in the beginning, from whence we account for the several phenomena, connecting all together by the same chain ... It gives us a pleasure to see the phenomena which we reckoned the most unaccountable, all deducted from some principle (commonly, a well-known one) and all united in one chain, far superior to what we feel from the unconnected method, where everything is accounted for by itself, without any reference to the others".⁽²⁾

An artist has more freedom than a scientist, however, as he can select a connecting principle and then create a situation to illustrate it. A writer, for example, uses the technique of association of objects to emphasize a point:

"Milton often places a philosopher meditating under the shade of the mountain, a magician at the mouth of a cavern, and a hermit amidst the desert and torrents ... These objects are connected together and excite the same emotion ... The philosopher adds to the awful, majestic appearance of the mountain, the magician to the gloomy horror of the cavern. The hermit tends to excite in a strong degree the emotions we are apt to conceive at the sight of a desert."⁽³⁾

It is no surprise Smith chose to lecture Glasgow College students twice a week in the session 1762-3 on model-building in the imitative arts. It is, after all, so easy to ruin a model by improper associations, by the juxtaposition of objects provoking contradictory emotions:

"A sow wallowing in the mire is certainly a loathsome object, but no one would laugh at it as it is agreeable to the nature of the beast. But if he saw the sow afterwards in a drawing-room, the case would be altered".⁽⁴⁾

For the same reason, a poet should choose his words carefully. Pope speaks of a "brown horror", but Smith finds this simply careless: " 'Brown' joined to 'horror' conveys no idea at all".⁽⁵⁾ Much more satisfying is Milton: "In Milton's 'In Fenseroso' and 'L'Allegro', almost every word tends to convey some idea suited to the subject".⁽⁶⁾

The order produced by a model (in literature as in astronomy) is a thing of beauty in itself:

"Easy connection also renders objects agreeable; when we see no reason for the contiguity of the parts; when they are without any natural connexion, when they have neither a proper resemblance nor contrast, they never fail of being disagreeable".⁽⁷⁾

This shows Smith was influenced by Hutcheson, who defined beauty as existing where "unity amidst variety is observed".⁽⁸⁾ The use of words like "agreeable" or "pleasure" reminds us that to Smith beauty was an important source of utility. Furthermore, since order is beautiful, tranquillity enjoys double utility - for its own sake, and because it is beautiful to behold.

Science is future oriented in that it is used to predict the future; the arts are future-oriented because they can shape the future. Shaftesbury and Hutcheson saw living as an art which could

only be taught by example. Smith said that the arts can "assist us in our future conduct",⁽⁹⁾ and that their aim is not just to entertain but to instruct:

"(Literature) sets before us the more interesting and important events of human life, points out the causes by which these events were brought about, and by this means points out to us by what manner and method we may produce similar good effects or avoid similar bad ones".⁽¹⁰⁾

Or elsewhere: historical writing teaches us "how to produce the like effects or shun others, and know what is to be expected from such and such circumstances".⁽¹¹⁾

For this reason, an artistic model must be believable. It is an exercise in persuasion, an attempt to help men learn by experience; and it is particularly effective in that it appeals to the passions, not to reason (of which Smith did not think too highly). Dugald Stewart says Smith admired literature because of the impact it made on the senses:

"By these arts, everything that we perceive or feel, every operation of our minds, is expressed in such a manner that it may be clearly distinguished and remembered".⁽¹²⁾

(2) Simplicity. Smith feels that the writer should come to the point and express his sentiments clearly and simply. Moses should be called Moses, not "the Jewish lawgiver"⁽¹³⁾; Pope should have spoken of the ocean, not "the watery waste".⁽¹⁴⁾ The beauty of Latin

arises from its simplicity, not its clarity.⁽¹⁵⁾ As a general rule, "We may observe that the most beautiful passages are generally the most simple".⁽¹⁶⁾ Or: "It is plain, that must be the best order which most naturally occurs to the mind and best expresses the sense of the speaker concerning what he speaks".⁽¹⁷⁾ Or: "Perfection of style consists in expressing in the most concise, proper and precise manner the thought of the author".⁽¹⁸⁾

Smith feels that form is subservient to content; and that the writer should use words to express his ideas, no more. Words should be used to convince the reader to think and feel what the writer thinks and feels. Thus he says that style is called beautiful when "the words neatly and properly express the thing to be described and convey the sentiment the author entertained of it, and desired to communicate to his hearers". In such a case, "the expression has all the beauty language was capable of bestowing on it".⁽¹⁹⁾ On the other hand, too much embellishment can actually detract from a work of art by providing too many subsidiary centres of attention. Thus the gravedigger scene in Hamlet "had been better away" as it has "no share in bringing about the main design of the piece" and is "somewhat contrary to the temper of the rest of the scenes".⁽²⁰⁾

At the same time, one should not forget one is constructing a model. The most simple representation of a thing is the thing itself, but a copy would yield less pleasure than the original not more. A work of art should be a commentary. In sculpture,

our pleasure results from "the disparity between the imitating and the imitated object".⁽²¹⁾ (Indeed, a statue should be uncoloured to underline its differences with the original). Smith was not unaware that he was arguing for a middle way - neither too much embellishment nor too little:

"The taste of beauty, which consists in the three following particulars, proper variety, easy connection and simple order, is the cause of all this niceness. Nothing without variety pleases us; a long uniform wall is a disagreeable object. Too much variety, such as the crowded objects of a parterre, is also disagreeable. Uniformity tires the mind; too much variety, too far increased, occasions an over-dissipation of it".⁽²²⁾

This may also suggest that for aesthetic reasons Smith was dissatisfied with the division of labour and the resultant uniformity of job-function. Of course, he may also have felt there was excessive variety in pre-industrial society, leading to mental and physical exhaustion. Aesthetically, therefore, he would have welcomed some division of labour.

A writer trying to influence others should be simple; but if he is excessively simple, readers will not take him seriously:

"Swift, who is the plainest as well as the most proper and precise of all the English writers is despised as nothing out of the common road; each of us thinks he would have wrote as well".⁽²³⁾

Such is the price for trying to imitate the language of ordinary people! But even Smith criticizes Milton for bringing

out the artillery of poetry simply to extol the charms of a humble shilling.

(3) Familiarity. Smith's theories of science and literature are highly conservative:

"In each species of creatures, what is most beautiful bears the strongest resemblance to the greater part of the individuals with which it is classed.... The most customary form therefore is, in each species of things, ... the most beautiful".⁽²⁴⁾

In short, what one is used to is beautiful. It is reassuring and comforting because it is so familiar. It does not arouse Surprise or Wonder.

To narrow the gap between model and reality, Smith advocates observance of the unities - of time, because if four years or so elapse between the acts of a play we will feel uneasy at "being kept in the dark with regard to what happened in so long a time";⁽²⁵⁾ of place, because otherwise "the distance is so great that we are anxious to know what has happened in the interval".⁽²⁶⁾ Dugald Stewart says Smith's admiration of the French classical dramatists resulted "originally from the general character of his taste, which delighted more to remark that pliancy of genius which accommodates itself to established rules than to wonder at the bolder flights of an undisciplined imagination".⁽²⁷⁾ Order and the familiar association of established ideas is once again placed before novelty.

In the choice of words too, one should not be too adventurous: "Perspicuity requires not only that the expressions we use should

be free from all ambiguity proceeding from synonymous words, but that the words should be natives of the language we speak in". (28)

(4) Propriety. Words are conventional symbols of ideas and objects. If the writer wishes to arouse the same feelings in the reader as he himself felt, he must choose the correct linguistic bridge between symbol and object. But a writer exists in a social context, and if he is to be successful, he must keep in mind not just the supply of literature (his own emotions and individual perceptions set down on paper) but the demand for literature. He must conform to social standards of propriety, to popular tastes, at least of the class to which he is addressing himself: (29)

"What is it that makes a man agreeable company? Is it not, when his sentiments appear to be agreeably expressed, when the passion or affection is properly conveyed, and when their thoughts are so agreeable and natural that we find ourselves inclined to give our assent to them?" (30)

Moreover, propriety, fitness, correctness, the suitability of means to ends, are sources of beauty, and beauty is a source of utility. A "well-oiled machine" is admired because of its beauty, irrespective of what it produces. Aesthetics is a course of satisfaction regardless of any further consequences (pleasant or unpleasant). A well-designed and efficiently-run concentration camp is as beautiful and aesthetically satisfying as the Parthenon:

"That this fitness, this happy contrivance of any production of art, should often be more valued than the very end for which it

was intended, and that the exact adjustment of the means for attaining any conveniency or pleasure should frequently be more regarded than that very conveniency or pleasure ... has not, so far as I know, been yet taken notice of by anybody. That this, however, is very frequently the case may be observed in a thousand instances, both in the most frivolous and in the most important concerns of human life".⁽³¹⁾

There are four aspects to the question of propriety in literature:

(a) proper to the subject and its situation. Ridicule results when something is out of harmony with its surroundings, when there is an improper association of ideas;

"A tall man is no object of laughter, neither is a little; but a very tall man among a number of dwarfs, like Gulliver among the Lilliputians ... appears very ridiculous".⁽³²⁾

Continuity and tranquillity are sources of utility, and Smith sometimes seems to feel that the propriety of association yields far more pleasure than "absolute" standards of beauty could do. If beauty arising from habitual association should conflict with any absolute conception of beauty, it is the latter that must give way:

"There seems to be an absurdity in ornamenting a house after quite a different manner from that which custom and fashion have prescribed, though the new ornaments should in themselves be somewhat superior to the common ones".⁽³³⁾

Propriety is a social concept. The height of Ionic, Doric and Corinthian columns is not determined by abstract rules of aesthetics, but by customary association, by propriety in a social context:

"The propriety of each of these appropriations can be founded upon nothing but habit and custom. The eye, having been used to see a particular proportion connected with a particular ornament, would be offended if they were not joined together".⁽³⁴⁾

The concept of propriety in a given situation is particularly important as it is a pillar of social stability. The behaviour of those who, "walking in the humble paths of life", exercise the virtues proper to their class ("temperance, decency, modesty, moderation ... self-command, industry, frugality")⁽³⁵⁾ has "beauty and grace" independent of the result produced. We cannot praise a man simply because of the result of his actions, since this would mean regarding him as a tool, a means to an end, not a man:

"It seems impossible ... that we should have no other reason for praising a man than that for which we commend a chest of drawers".⁽³⁶⁾

The results are unintended. In the example above, the lower classes tried to behave properly: they were rewarded with approbation for doing so, and were able to share in the contemplation of the smoothly-functioning social machine. A rusty machine is "necessarily offensive" quite apart from the end served. Moreover, utility is an unintended by-product: social stability results, even though beauty was the aim.

Similarly, the rich are admired for aesthetic reasons - not because they have more wealth or power than the poor, but because they possess more and more suitable means to produce happiness (whether happiness is in fact the result is not important; what matters is the suitability of means to ends). It is the order, the harmony, the smooth working of the parts which yields satisfaction to the spectator:

"It is the ingenious and artful adjustment of those means to the end for which they were intended that is the principal source of his admiration".⁽³⁷⁾

The propriety of means to ends (an aesthetic standard) is distinct from the enjoyment the rich derive from their wealth (a commodity-utilitarian standard). In either case, of course, Smith feels a utilitarian consequence, social stability, will result, as no one would want to interfere with such perfection. Nonetheless, Smith insists that the rich are admired not so much for their happiness as for the "conveniency and arrangement in their palaces" and the "propriety of their equipages".⁽³⁸⁾ The origin of ranks is thus a special topic in aesthetics.

Smith is fond of mechanical analogies. A well-designed watch that keeps perfect time is beautiful because of the proper working of the parts, not because it is useful in telling the time (an incidental but, of course, desirable by-product; but not the reason we regard the watch with such pleasure).⁽³⁹⁾ Similarly,

virtuous behaviour adds "the fine polish to the wheels of society", and the smooth functioning of the social machine, proof of the propriety of the parts, is the source of aesthetic appreciation, "independent of the advantages it yields".⁽⁴⁰⁾ The individual obtains utility from the approbation of the spectator (if one behaves properly), utility from contemplating the machine, and incidental, unintended utility from the product of the machine.

(b) propriety of language: Once again, the writer must take care to use proper symbols. Of course, what is proper in one society may not be proper in another. In France, the alexandrine is customarily associated with tragedy, in England with comedy. The difference in propriety is a function of the different social customs of the two countries, not of the structure of the verse itself:

"What shocks at first will soon become easy from custom, which sanctifies everything".⁽⁴¹⁾

A psychological upheaval would be necessary to convince the English to accept the alexandrine as suitable for tragedy, and this revolution is undesirable. When two objects are usually associated, we feel it is improper to separate them, "though independent of custom there should be no real beauty in their union".⁽⁴²⁾ We would miss what we are used to seeing: "The modes of furniture and dress, which seem ridiculous to strangers give no offence to the people who are used to them".⁽⁴³⁾

In the case of an oration, the spectator will only find it "beautiful" if the language is "proper", not too "blustering"

and not too "refined":

"The Phillipics of Demosthenes, the Catilinarians of Cicero, derive their whole beauty from the noble propriety with which this passion is expressed".⁽⁴³⁾

Style is intimately related to content and should reinforce it, not detract from it. Smith praises Shaftesbury for being aware of this: "Polite dignity is the character he aimed at, and as this seems to be best supported by a grand and pompous diction, this was the style he made choice of".⁽⁴⁴⁾ Since language is related to the aims of the writer, different styles would be proper depending on whether the aim is to inform (didactic) or to persuade (rhetoric).

Language must also be proper to the character depicted in a work of fiction. In a class-society, the speech of "men of rank and distinction", of those "in the character of a gentleman", is different from that of the "vulgar":

"Hence it is that words equally expressive and more commonly used would appear very absurd if used in common conversation by one in the character of a gentleman. Thus, perhaps nine-tenths of the people in England say 'I'll do it' instead of 'I will do it'; but no gentleman would use that expression without the imputation of vulgarity".⁽⁴⁵⁾

The writer should use words "agreeable to the custom of some particular part of the nation", i.e. fitting and proper. Once again one encounters the problem of whether Smith felt there was an absolute standard of beauty in literature independent of the beauty

of propriety in a concrete situation. On the one hand, speaking of language, he says that English has become more melodious:

"The harsh and uncouth gutturals which so much prevailed have been almost entirely laid aside: thought, wrought, taught, are now pronounced as if there were no guttural in them ... The final syllable - ed, which has a sound nearly as harsh as - eth, is now laid aside as often as possible ... what has a greater effect on the sound of the languages than all the rest is the harmonious and sonorous pronunciation of the English nation. There is a certain singing in their manner of speaking which foreigners can never attain. Hence it is that this language, which when spoken by the natives is allowed to be very melodious and agreeable, in the mouths of strangers is strangely harsh and grating. The English have been led into all these practices without thinking of them, to remedy the natural harshness of their language". (46)

Here he seems to be saying that the sound of a language can be agreeable or disagreeable independent of the meaning of a phrase. Yet on the other hand he reproaches Shakespeare for forgetting that words can never be beautiful in themselves irrespective of their propriety to the object to be described. Thus Shakespeare should not have spoken of arming ourselves to face a "sea of troubles":

"Here there is a plain absurdity, as there is no meaning in putting on armour to stem the sea". (47)

"When the sentiment of the speaker is expressed in neat, clear, plain and clever manner, and the passion or affection he is possessed of and intends, by sympathy, to his hearer, is plainly and cleverly hit off, then and only then the expression has all the force and beauty that language can give it".⁽⁴⁸⁾

Here he says that beauty is almost identical to propriety and suitability. This is a conservative interpretation of beauty, associating it with tranquillity, continuity, and a social perception of habitual propriety.⁽⁴⁹⁾

(c) propriety with respect to the author himself: A writer should attempt to relate his style to what is suitable to his "genius and temper", not to some abstract standard of beauty:

"Shaftesbury ... seems to have been of a very puny and weakly constitution, always under some disorder or in dread of falling into one. Such a habit of (body) is very much connected, nay, almost continually attended by a cast of mind in a good measure similar. Abstract reasoning and deep searches are too fatiguing for persons of this delicate frame".⁽⁵⁰⁾

Hence we would expect Shaftesbury's style and content to be in keeping with his physiology. The mind is the prisoner of the body:

"One of grave cast of mind will describe an object in a very different way from one of more lively; a plain man will have a style very different from that of a simple man ... These characters, though all good and agreeable, must nevertheless, as they are very

different, be expressed in very different styles. And here likewise the rule may be applied, that one should stick to his natural character. A gay man should not endeavour to be grave, nor the grave man to be gay, but each should regulate that character and manner that is natural to him". (51)

(d) propriety with respect to the audience: Thus modesty and diffidence would be desirable when addressing a work of art to one's superiors:

"The orator often lays aside the dictatorial style and barely offers his arguments in a plain, modest manner, especially when his discourse is directed to those of greater judgement and higher rank than himself". (52)

Shaftesbury's character of Theocles is modeled on Socrates, but in such a way as to be comprehensible to the "time and circumstances" (53) of the eighteenth century:

"As Socrates' humour is often too coarse and his sarcasms too biting for this age, he has softened him in this respect, and made his Theocles altogether polite, and his wit such as suits the character of a gentleman". (54)

II

Smith felt that literature is a function of society, and that economic change produces social change. In this section we will consider the relationship between aesthetics and economics:

(1) Poetry antedates prose. Savage tribes composed words to go with their music, but had no need of prose literature. A commercial society needs prose for business purposes, however. Moreover, commerce and industry lead to opulence; opulence means leisure; and leisure can be used to write creatively and to read. Only in an opulent society does prose literature emerge:

"Opulence and commerce commonly precede the improvement of arts and refinement of every sort. I do not mean that the improvement of arts and refinement of manners are the necessary consequences of commerce - the Dutch and the Venetians bear testimony against me - but only that (it) is a necessary requisite. Whenever the inhabitants of a city are rich and opulent, where they enjoy the necessaries and conveniences of life in ease and security, there the arts will be cultivated and refinement of manners a never-failing attendant. For in all such states it must necessarily happen that there are many who are not obliged to labour for their livelihood and have nothing to do but display themselves in what most suits their taste, and seek out for pleasure in all its shapes. In this state it is that prose begins to be cultivated. Prose is naturally the language of business, as poetry is of pleasure and amusement. Prose is the style in which all the common affairs of life, all business and arguments, are made. No one ever made a bargain in verse; pleasure is not there what he aims at". (55)

(2) Literature deals with what is familiar and habitual, with social standards of propriety. But in different societies one is

familiar with different objects; an eighteenth-century Scotsman would be more familiar with a pin-factory than would an ancient Roman. One derives pleasure, moreover, from seeing proper behaviour, the social mean rather than deviating from it.

Savages, being ignorant and superstitious, are "delighted with fables that would not be relished by a people of more knowledge".⁽⁵⁶⁾ In savage society, "elves and fairies, dragons, griffins and other monsters ... are creatures of an imagination engendered by the terror and superstitious fear which is always found in the rude state of mankind".⁽⁵⁷⁾

Tacitus wrote of sentiment, emotion, mind, not of external events, and he did so because he was the product of his society. Under Trajan, Rome enjoyed a period of political stability and security. The populace had become introspective, and Tacitus had to appeal to the tastes of his audience:

"They who live in a great city where they have the full liberty of disposing of their wealth in all the luxuries and refinements of life, who are not called to any public enjoyment but what they inclined and obtained from the favour of the prince - such a people, I say, having nothing to engage them in the hurry of life, would naturally turn their attentions to the motions of the human mind, and those events that were accounted for by the different internal affections that influenced the persons concerned would be what most suited their taste".⁽⁵⁸⁾

-12-

The view that literature is social in origin is striking in view of recent developments in the sociology of literature. Smith's attempt to relate prose literature to the history of commercial society parallels Lucien Goldmann's assertion that the novel developed in the eighteenth century as a by-product of the capitalist revolution.⁽⁵⁹⁾ Also, it is striking to compare the above passage (Smith's characterisation with Tacitus) with Jean-Paul Sartre's account of the stagnation of social criticism in the rigid society of the seventeenth century: "L'art du XVII^e siècle est un processus strictement interne ... il est un cogito perpétuel".⁽⁶⁰⁾

Similarly, the much-maligned Machiavelli was only describing "the politics then in fashion" and appealing to an audience, in a given place at a given time, by describing to them that with which they were familiar:

"The different courts of Italy at that time piqued themselves greatly on a refined and subtle politics. Nothing could be a greater reproach to a man of genius than that he was of an open and undesigning character".⁽⁶¹⁾

Another interesting example of the social origins of literature is Smith's comparison of Demosthenes and Cicero. In Athens there was less inequality of fortunes than in Rome, and one citizen was considered the equal of another. Moreover, "commerce gave the lowest of the people an opportunity of raising themselves fortunes and by that means power".⁽⁶²⁾ In Rome, on the other hand, there

was a great gap between rich and poor, powerful and weak. There was no middle class. Nor was there any chance of social mobility: politics (not commerce) was the only means to wealth and power, and the plebians were excluded from it. Hence Cicero, writing for the upper classes of a highly stratified society, used more formal language than Demosthenes, who was writing for a society where people spoke to one another as equals and "differences of fortune or employment did not hinder the ease and familiarity of behaviour".⁽⁶³⁾ Smith states that the differences in style between the two men thus "may probably arise from the different condition of the countries in which they lived".⁽⁶⁴⁾

The arts belong to the ideational superstructure and arise from a given economic and social situation. They are the products of the basis, and have little or no influence on it. In this sense they are as much a residual as the propaganda function of education would be in trying to impose idealistic solutions on an adverse material situation. Music and dancing are "amusements" and one should not expect them to have much effect on character or morals. The Greeks were instructed in music, in order

"to humanize the mind, to soften the temper, and to dispose it for performing all the social and moral duties, both of public and private life".⁽⁶⁵⁾

The Romans, on the other hand, were trained in the arts of war. Yet paradoxically:

"The morals of the Romans ... seem to have been, not only equal but, upon the whole, superior a good deal superior to those of the Greeks".⁽⁶⁶⁾

One must look elsewhere for the source of the superiority of the Roman character (Smith seems to attribute it to the rule of law, which, as we shall later see, is not compatible with every sort of economic basis.

(3) Beauty is a source of utility in itself. For example, Smith feels that mathematics is originally studied, not because it is useful, but simply because of the beauty of its method.⁽⁶⁷⁾ In his account of the formation of languages, he argues that the agreement of adjectival and noun endings did not develop for the sake of clarity alone; it is the result of man's love of "similarity of sound"⁽⁶⁸⁾ and "love of analogy ... which is the foundation of by far the greater part of the rules of grammar".⁽⁶⁹⁾ Even the search for "connecting principles" in nature is a search for beauty and thus for pleasure in itself.

Indeed, the legislature may pass laws to make the social machine work more smoothly, not because it is interested in the product of the social machine (say, faster economic growth through laissez-faire) but simply because a well-oiled, smoothly-functioning social machine is a thing of beauty (and thus a source of utility) for its own sake:

"The perfection of police, the extension of trade and manufactures, are noble and magnificent objects. The contemplation of them pleases

us, and we are interested in whatever can tend to advance them. They make part of the great system of Government, and the wheels of the political machine seem to move with more harmony and ease by means of them. We take pleasure in beholding the perfection of so beautiful and so grand a system, and we are uneasy till we remove any obstruction than can in the least disturb or encumber the regularity of its motions". (70)

Sometimes Smith compares the "great machine of the Universe" (designed by the "Superintendent of the Universe") to a watch designed by a watchmaker. In both cases, the smooth functioning of all the parts of the machine is beautiful (and therefore a source of utility because of its beauty), independently of any other service the machine may render:

"Human society, when we contemplate it in a certain abstract and philosophical light, appears like a great, an immense machine, whose regular and harmonious movements produce a thousand agreeable effects. As in any other beautiful and noble machine that was the production of human art, whatever tended to render its movements more smooth and easy would derive a beauty from this effect." (71)

Smith tends to be optimistic about ends as well as motives. A social machine is beautiful because of the propriety of the role assigned to and played by each actor. What is proper will, via the mechanism of sympathy, produce social harmony, cohesion, social continuity, and peace. Indeed, if means are exactly suitable to

ends, by definition there will be tranquillity. Thus, the search for beauty produces, as an unintended outcome, utility. Smith neglects the fact that propriety often leads to disutility (our admiration of the rich and great is often so passionate that we tend to overlook their crimes); and does not integrate his aesthetic theories with his theory of social conflict (where, however beautifully the invisible hand performs the job of allocation, there is still resentment between social classes).

One reason why Smith was so optimistic, however, seems to have been his attempt to construct a closed system from propriety, beauty, and utility. Propriety is beautiful and so is utility. Moreover, propriety of functioning of a machine is the precondition for a product. Propriety is not just a source of utility in itself, but a precondition for commodity-utility or for utility in social relationships. Utility itself is a source of beauty:

"When we consider such actions as making a part of a system of behaviour which tends to promote the happiness either of the individual or of the society, they appear to derive a beauty from this utility, not unlike that which we ascribe to any well-contrived machine". (72)

Or elsewhere:

"That utility is one of the principal sources of beauty has been observed by everybody who has considered with any attention what constitutes the nature of beauty ... That the fitness of any system or machine to produce the end for which it was intended bestows a certain propriety and beauty upon the whole ... is so very obvious

that nobody has overlooked it ... The same principle, the same love of system, the same regard to the beauty of order, of art and contrivance, frequently serves to recommend those institutions which tend to promote the public welfare".⁽⁷³⁾

This indicates that, although the three principles of action (propriety, beauty, utility) may tend in the end to the same result, the supreme motive to Smith was propriety. By trying to behave with propriety, beauty and utility are the unintended outcomes. The reference to "the beauty of order" shows that Smith followed Hutcheson in identifying beauty with the rule of law, order, harmony, fitness, propriety. Scott has argued that Hutcheson and Shaftesbury pioneered an aesthetic conception of life and reactivated Renaissance ideas of art and beauty to counteract the ugliness of Puritanism and the mortification of the flesh.⁽⁷⁴⁾ They tried to blend Christian ethics (benevolence and love of one's neighbour) with the Greek idea of Cosmos, (balance, symmetry, order; each part working organically for the good of the whole by playing its proper role). Shaftesbury compared society to a lyre, where each string has its own motion but all play in harmony; and for this reason dismissed fears of Hobbesian egoism or its Puritan counterpart (morality as the price for not being sent to Hell, and thus an act of self-love) by saying that the most diverse actions can nonetheless add up to the smooth functioning of society.

Smith was the heir to this tradition. It is no surprise his aesthetic theory was so social in its origins. Occasional passages

(e.g. the phrase "no real beauty in their union"),⁽⁷⁵⁾ remind us he may have had an absolute theory of aesthetics. If so, he kept it to himself. Hutcheson saw God as a designer or engineer, not an artist. To him, beauty meant regularity and uniformity, shape but not colour. Following Hutcheson, Smith identified beauty with order. Like science, beauty is a social concept.

Notes

- (1) H. Thomson, op cit., p. 219, Professor Lothian writes: "It is clear that Smith deliberately proposed to make an emotional rather than an intellectual appeal to the interest of the students ... to stimulate their feelings and their aesthetic sense rather than their powers of reasoning". J. Lothian, "Introduction" to DNBL, p.xvi. Burke described Smith's language in the Moral Sentiments as "rather painting than writing". (Quoted in E.G. West, Adam Smith (New Rochelle: Arlington House, 1969), p.80 and p.110. Burke also says that on the simple principle of Sympathy Smith "raises one of the most beautiful fabrics of moral theory that has ever appeared".
- (2) DNBL, p.140.
- (3) ibid., pp. 66-7.
- (4) ibid., pp. 40-1.
- (5) ibid., p.73.
- (6) ibid., p.68.
- (7) L.J., p.158.
- (8) See W.R. Scott, Francis Hutcheson, (Cambridge: The University Press, 1900).
- (9) DNBL, p.86.
- (10) ibid., p.85.
- (11) ibid., p.102.
- (12) Stewart, op cit., p.xvi.

- (13) LRBL, p.6. Smith advises against the use of allegories, similes and metaphors (lest they make an author's style "dark and perplexed") and reproaches Shaftesbury for leading his readers "into a dungeon of metaphorical obscurity".
- (14) ibid., p.30.
- (15) "Considerations", MS p.535.
- (16) LRBL, p.29.
- (17) ibid., p.15.
- (18) ibid., p.51. In LRBL, he gives few express rules to writers; for the sake of simplicity, he seems to be telling them to rely on their feelings.
- (19) ibid., p.36.
- (20) ibid., p.117.
- (21) "Of the Imitative Arts", in Essays on Philosophical Subjects, p.140. See also p.135: "The most perfect imitation of an object of any kind must in all cases, it is evident, be another object of the same kind".
- (22) L.J., p.158.
- (23) LRBL, p.33.
- (24) MS, p.287. This may be a paraphrase of Buffler, although Thomason (op cit) accepts it - as I do - as being Smith's own view as well.
- (25) LRBL, p.118.
- (26) ibid., p.119.
- (27) Stewart, op. cit., p. iix.

(28) LRHL, p. 1. Hence we should say "unfold" and not "develop".

(29) Thus Smith was aware he was giving his Lectures on Rhetoric and Belles Lettres to "persons in the character of a gentleman"

(LRHL p. 2). Letwin argues the Wealth of Nations was written to influence statesmen (Letwin, op. cit., p. 226), which may account for its readable style, its practical approach (e.g. LRHL and MS both contain references to how to behave in drawing rooms and salons) and its occasional exaggeration ("If the rod be bent too much one way, says the proverb, in order to make it straight you must bend it as much the other" WN II p. 185).

In this Smith was perhaps too successful. As Campbell puts it, "The Wealth of Nations was adopted as the ideology of early liberal capitalism and its popularity may have been due as much to the way in which it accorded with the economic and political prejudices of the emergent bourgeoisie as to its intrinsic merits as a scholarly work". Campbell, op. cit., p. 15. Miller's description of Smith's lectures on ethics stresses how enjoyable the course was since Smith took care, after presenting numerous illustrations and examples, to trace them "backwards to that original proposition or general truth from which this beautiful train of speculation had proceeded". Quoted in Stewart, op. cit., p. xvii.

(30) LRHL, p. 51.

(31) MS, p. 258.

- (32) LRHL, p. 40. Cf. the sow in a drawing room, ibid., pp. 40-1.
- (33) MS, p. 284.
- (34) idem.
- (35) idem.
- (36) MS p. 271. Or elsewhere: "Originally ... we approve of another man's judgement, not as something useful, but as right, as accurate, as agreeable to truth and reality". MS, p. 21.
- (37) MS p. 262. Smith also applies this principle to literature:
"Kings and nobles are what make the best characters in a tragedy. The misfortunes of the great as they happen less frequently, affect us more. There is in human nature a servility which inclines us to adore our superiors, and an unhumanity which disposes us to contempt and to trample under foot our inferiors. We are too much accustomed to the misfortunes of people below or equal with ourselves to be greatly affected by them. But the misfortunes of the great, both as they seem connected with the welfare of a multitude and as we are apt to pay great respect and attention to our superiors, however unworthy, are what chiefly affect us. Nay, such is the temper of men that we are rather disposed to laugh at the misfortunes of our inferiors than take part in them ... 'Tis for this same principle that persons of high rank make very bad actors in a comedy ... Persons of low life, either equal or inferior to ourselves, are the best characters for comedy. We can laugh heartily at the absurdity of a shoe-maker or a burgher, though we can hardly prevail on ourselves to weep at his misfortunes ... We even carry this so far that we

are rather apt to make sport of this misfortunes of our inferiors than to sympathize with them". LRBL, p. 120.

The same view is expressed in MS p. 73.

(38) MS, p. 260.

(39) MS, p. 259.

(40) MS, p. 404.

(41) L.J., p. 248.

(42) MS, p. 281.

(43) MS, p. 352.

(44) LRBL, p. 55.

(45) LRBL, p. 2.

(46) LRBL, pp. 12, 14. Similarly, an artist is aware of "that ideal perfection of which he has formed some conception, which he imitates as well as he can, but which he despairs of ever equalling". (MS, p. 365). Thus, perhaps somewhere there is an abstract, ideal picture, which the artist strives to reproduce. It exists independently of existing worldly images. The artist "imitates the work of a divine artist which can never be equalled". (MS, p. 364). Or elsewhere he states categorically, without reference to the situation: "A smooth surface is more pleasing than a rough one. Variety is more pleasing than a tedious undiversified uniformity". (MS, p. 289). Since Smith stresses the aesthetic nature of moral perceptions, this must

raise the question of whether the possible existence of an absolute moral standard implies the possible existence of an absolute moral standard. In short, it suggests a possible contradiction between Smith's philosophy and his sociology.

- (47) ibid., p. 27.
- (48) ibid., p. 22-3.
- (49) Consider the following example of differences in customs between countries: "The Spaniard's notion of politeness is a majestic, proud and overbearing philosophical gravity. The Frenchman, again, places it in an easy gaiety, affableness, and sensibility. Politeness again, in England, consists in composure, calm and unruffled behaviour". LEBL p. 192.
- (50) ibid., p. 52.
- (51) ibid., pp. 36-7.
- (52) ibid., p. 52.
- (53) ibid., p. 54.
- (54) ibid., p. 55.
- (55) ibid., pp. 131-2.
- (56) ibid., p. 107.
- (57) ibid., p. 101.
- (58) ibid., p. 108.
- (59) L. Goldmann, Four une Sociologie du Roman (Paris: Gallimard).
- (60) J.P. Sartre, Qu'est-ce que c'est que la littérature (Paris: Gallimard, 1948), p. 122.
- (61) LEBL, pp. 110-111.
- (62) ibid., p. 144.

- (63) ibid., p. 152.
- (64) ibid., p. 155.
- (65) WN II p. 296.
- (66) idem.
- (67) MS, p. 272.
- (68) "Considerations", MS, p. 514.
- (69) ibid., p. 518.
- (70) MS, pp. 265-6.
- (71) MS, p. 464.
- (72) MS, p. 480.
- (73) MS, p. 257, 265.
- (74) Scott, on.cit.
- (75) MS, p. 281.

Chapter 3. NATURAL LAW

The "natural law" school in philosophy, according to the important study by Professor Bittermann, "argued that there was an ethical law of nature, discoverable by reason alone, that was uniform through time and place; that this law was an ideal pattern to which positive laws, public policy, and individual conduct should conform; that this law had a divine origin; and that conformity to it was essential for accomplishing the divine plan".⁽¹⁾

In the eighteenth century it was related to the concept of rationalism, and often also the deduction of propositions from a priori, self-evident, initial propositions. Bittermann says: "The validity of generalization thus depends upon the correctness of the primitive propositions and the logic of deduction rather than upon agreement or disagreement with data".⁽²⁾

If one wanted to determine what is "natural" by the "rational" method, according to Letwin⁽³⁾ there are two possibilities:

One is induction from the existing situation. We study nature by observing her ways. Natural law can be known to prohibit murder because most known communities prohibit murder by positive law. This is not the same as Newtonian experiment (inferring causes from a study of effects) since there is an implicit teleology - we postulate that there is a universal, eternal natural order. There is no empirical justification for this a priori assumption.

The other is deduction from the nature of man and God. Natural law can be known to prohibit murder because men are self-seeking, and no community could survive if members were free to kill one another. This is the Hobbesian view of the state of nature, for example, from which he deduced his theory of the social contract. Natural law to Hobbes means the right to survive. Montesquieu argued that "love of justice" inheres in man's nature and is eternal regardless of social convention or religious faith. The Enlightenment, sceptical about the authenticity of the Scriptures and Revelation, sought knowledge of God through a search for immutable, eternal principles of morality. Grotius, who believed in God, felt that the law of nature would be universally and eternally valid even if God did not exist.

Thus, natural law philosophers attempted to separate natural law ("recta ratio", the Stoics' Universal Right Reason) from positive law ("lex scripta"), to suggest reforms based on nature and not convention, revelation, or abstract idealism (as Montesquieu said: "In vain do the civil laws make chains, natural law will always break them".) ⁽⁴⁾ Smith was influenced by Roman Law in Scotland, (unlike England), by the Stoics and authors such as Hobbes, Locke, Ruffendorf, Grotius, by Gershom Carmichael and the "never-to-be-forgotten" Francis Hutcheson with whom he studied, by his talks with the Physiocrats and other figures of the French Enlightenment.

In the eighteenth century, the "Age of Reason", there was however also a revolt against reason, an anti-rationalist school

which denied the existence of a law of nature in the same way as the natural law school denied the authority of revelation. History and sociology (the study of man in concrete social situations) took the place of philosophy. Empirical observation was not aimed at discovering immutable laws of nature but at learning how institutions function under given conditions. Different conditions produce different equilibria. The approach was thus relativist and not teleological. The chief anti-rationalist was David Hume (whom Smith called "by far the most illustrious philosopher and historian of the present age").⁽⁵⁾ Hume denied the reality of any "supposed state of nature" or a social contract; obedience to government is functional, "because society could not otherwise subsist",⁽⁶⁾ not because of any absolute obligation. Moreover, Hume argued that utility (maximisation of happiness of the group) was a more important criterion than obedience to conventional authority, to any abstract or absolute conception of the Truth. Finally, Hume's epistemology was sensationalist. This point is separate from the other two; one can reject "Universal Right Reason" and use an eclectic approach without becoming a sensationalist,⁽⁷⁾ although clearly the denial of external objects renders the natural law concept of Reason totally unworkable. Humean empiricism means knowledge can be obtained exclusively from sense-perception and experience. The predictive value of such observations depends on the probability that observed successions of experiences will continue in future. Effects are

not deduced from a priori causes (the Cartesian method), since the theory of causation collapses into perception of habitual associations empirically observed.

In this chapter we shall consider Adam Smith's attitude to the concept of natural law. In Section I we will examine the evidence to show he accepted it; in Section II the evidence to show he rejected it. In Section III we will discuss what Adam Smith understood by the term "Reason". In the next chapter, we will discuss Smith's epistemological position and his attitude to Humean sensationalism.

I

There are three reasons for thinking Smith believed in the concept of natural law:

(1) In his essay on "Ancient Logic and Metaphysics", he says: "In every case, Species or Universals and not Individuals are the objects of philosophy"⁽⁸⁾ and goes on to praise physics for studying the "universal nature",⁽⁹⁾ the Essence, the *Gattungswesen* of each object:

"Thus the specific essence of the water which now stands before me does not consist in its being heated by the fire or cooled by the air, in such a particular degree; in its being contained in a vessel of such a form or of such dimensions. These are all accidental circumstances which are altogether extraneous to its general nature, and upon which none of its effects as water depend".⁽¹⁰⁾

Physics is superior to metaphysics in that it studies the nature or essence of each species of things, the elements unique to it as

a member of a class of objects, of a group. Essence is more interesting than Existence. Thus, speaking of man:

"Man is perpetually changing every particle of his body; and every thought of his mind is in continual flux and succession. But humanity, or human nature, is always existent, is always the same, is never generated and never corrupted".⁽¹¹⁾

(2) Although he never uses the phrase "natural law" in the Wealth of Nations, and only occasionally in the Moral Sentiments, references to nature are abundant. Consider the smuggler, who is "a person who, though no doubt highly blamable for violating the laws of his country, is frequently incapable of violating those of natural justice, and would have been in every respect an excellent citizen had not the laws of his country made that a crime which nature never meant to be so".⁽¹²⁾

Or: the rate of profit tends to be "naturally low in rich countries and high in poor countries".⁽¹³⁾

Or: "To remove a man who has committed no misdemeanour from the parish where he chooses to reside is an evident violation of natural liberty and justice".⁽¹⁴⁾

Or: to restrain a banker from issuing such notes when all his neighbours are willing to accept of them is a manifest violation of that natural liberty which it is the proper business of law not to infringe but to support".⁽¹⁵⁾

Adam Smith's theory of laissez-faire may be thought of as a means of allowing the economy to find its own natural level, that state

of affairs intended by nature "if human institutions had never thwarted those natural inclinations".⁽¹⁶⁾

"All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord".⁽¹⁷⁾

Jurisprudence is the study of principles which "ought"⁽¹⁸⁾ to be (not are) the foundation of law. It seems clear that by this he means the "natural system of perfect liberty and justice",⁽¹⁹⁾ the "system of natural liberty".⁽²⁰⁾ The enforcement of the settlement laws, for example is an "evident violation of natural liberty and justice".⁽²¹⁾

(3) Nature need not be a passive state of affairs. It can be active. In the same sense as "Nature" Smith uses terms such as "the Director of Nature", "the Author of Nature", "the Great Architect", "Providence" and "God". It seems at times as if Smith thinks that God reveals himself to man not through his Word but through his Works; and that deduction of God's will from the laws of nature is almost a religious act. Newtonian mechanics is the key to the will of God.

The supernatural plays an important role in Smith's thought, both as the "final cause" of moral judgements, and as the ultimate sanction (punishments and rewards in the after-life to counter-balance unpunished abuses and unrewarded benevolence in this life and thus restore harmony to the system). Macfie writes, about Smith:

"His faith, temperament, untroubled personal life, and the spirit of his age, together with the hopeful developments in his Scotland, led him to an optimism which his realistic grasp of the facts of human nature, together with the psychology he accepted, could not support. Only the supernatural could completely bridge its gap".⁽²²⁾

Macfie argues that the invisible hand has theological overtones; God created self-love, he points out with reference to Smith's model, to make the social machine work. After all, Smith says: "We may on this, as well as many other occasions, admire the wisdom of God in the weakness and folly of man".⁽²³⁾

Often Smith uses theological language. For example: "the sacred rights of private property";⁽²⁴⁾ "the property which each man has in his own labour ... is the most sacred and inviolable";⁽²⁵⁾ "a sacred and religious right not to hurt or disturb, in any respect, the happiness of our neighbour".⁽²⁶⁾

II

On the other hand, one could list the following five points to show Smith rejected the natural law approach:

(1) Smith's use of the word "natural" has no connotation of permanence. It has a highly institutional meaning, referring to the equilibrium or position of inertia toward which given phenomena tend, at a given time in a given place. Thus "the natural price is,

as it were, the central price to which the prices of all commodities are continually gravitating".⁽²⁷⁾ Despite the Newtonian metaphor, we soon learn that the natural price depends on the levels of wages, profits and rents, "at the time and place in which they commonly prevail".⁽²⁸⁾ Moreover, if the market price is to gravitate to the natural price, a number of social adjustments must take place - on the supply side, mobility and division of labour; on the demand side, changes in the distribution of income, and the establishment of new Paretian optima (and a resultant redistribution of the labour-force between productive and non-productive labour). The establishment of an equilibrium is not a simple process of movement to some natural level; as we shall see in our chapter on Consumption, the movement itself causes a shift in the position of equilibrium. A belief in comparative statics (and in the adjustment process) does not necessitate a belief in natural law.

Bittermann points out that wealth had increased despite distortions in the pattern of investment due to the mercantile system, and adds:

" 'Nature', as used here, then, had a quite empirical content, devoid of ethical meaning ... It seems preferable, therefore, to interpret the naturalness of price in terms of the usual and ordinary course of economic activity rather than to give it a special meaning in terms of the system of natural liberty".⁽²⁹⁾

Just as the Reformation made it difficult to accept a unique doctrine of nature based on revelation, so Smith felt it was impossible to deduce a unique law of nature from experience, precisely because experience was so various (depending on the country, economy,

era, even on the individual and his perception of a situation). Each situation has its equilibrium, but no two equilibria are ever alike.

Thus the pursuit of wealth is not a basic, eternal human urge: it is a "deception" that provides the motive for industry. Wealth and greatness are called "the natural objects" of respect because they "almost constantly obtain it".⁽³⁰⁾ They are natural in the material context Smith was examining; and, as a materialist, he would not have dreamt of imposing an idealist solution (e.g. action based exclusively on benevolence) on society. At the same time, Smith does not make any attempt to formulate a code of natural law independent of social norms and institutions, of the social consensus.

Consider the case of incest. At first it seems as if Smith is about to invoke nature: "Nothing can be more shocking to nature than for a mother to marry her son".⁽³¹⁾ It soon appears, however, that the real reason is social: "By this the mother becomes inferior to her son ... In like manner a marriage between a father and a daughter is incestuous. It is, however, to be observed that this is not so contrary to nature as the former, because the father still is superior when he is husband ... But still it is unnatural that the father, the guardian and instructor of the daughter, should turn her lover and marry her. Besides, a mother can never look agreeably on a daughter who will probably supply her place. Nothing can be more destructive of domestic happiness".⁽³²⁾

Thus, morality is not derived from the will of nature but from the needs of society - for a clearly-defined structure of authority; for marriage as a source of social stability. Marriage is far from being a divine sacrament; if it is celebrated in a church, this is only because a religious ceremony is supposed to make the greatest impression".⁽³³⁾ For the sake of stability, divorce should not be too easy: "Where both parties have the power of divorce, they can have no mutual trust nor dependence upon each other".⁽³⁴⁾

Continuity and benevolence, as well as assistance and socialisation of children, depend on a stable family structure. Marriage does not exist among quadrupeds for economic and social reasons: "The support of the young is no burden to the female and there is no occasion for the assistance of the male".⁽³⁵⁾ Female fidelity is indispensable in human society; otherwise "spurious children may be introduced into the family and come to the succession instead of the lawful ones".⁽³⁶⁾ Conflict over the succession may result if there are not clearly-defined blood ties.

Thus, the "natural" order may be the resultant of a given situation. Different material situations may produce different natural equilibria. One equilibrium is as natural as another. Thus when Smith says that the power and privileges of the clergy broke down in "the natural course of things",⁽³⁷⁾ by "natural" he means "without legislation or design", as the result of economic change. Similarly, when Smith speaks of "natural sympathy" as the basis for our moral sentiments (which become codified as moral rules).

he does not mean that the judgements resulting from sympathy indicate the unique natural order of things, but that the sensationalist mechanism itself is natural. The precise rules depend on the context; it is natural to base rules on sympathy and unnatural to base them on revelation, a priori axioms, or the whim of a legislator.

It is for this reason clear that Smith's invisible hand passages, and his advocacy of laissez-faire, are sociological and not theological. If one desires faster growth as the engine of social progress and culture (a value judgement), if the government is corrupt and misinformed, if the self-interest of businessmen can be empirically demonstrated to lead to faster growth (via the division of labour, accumulation of capital, employment of productive rather than unproductive labour), then one may prefer to let businessmen get on with the job with the least amount of restriction. Laissez-faire is thus aimed at faster growth (a scientific approach), not at allowing "Nature" to express her will more clearly (a philosophical approach):

"The natural effort of every individual to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle that it is alone, and without any assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often incumbers its operations". (38)

As a materialist, Smith feels one has to have a healthy respect for the material infrastructure. One should not distort its regular

motions and uniformities by inappropriate policies. Different material conditions produce different phenomena, however, and different "natural" states of those phenomena. One "natural" state cannot be more "natural" than another. One may be less "desirable" (e.g. stagnation compared with growth) but both are equally "natural".

(2) Smith discusses two types of natural rights". Locke deduced his theory of natural rights from the rights that would exist in a state of nature. Trained both in law and in medicine (in an era deeply impressed by Harvey's recent discovery of circulation of the blood and by Newtonian mechanics), Locke went further in his belief in nature than Smith was prepared to do. Smith says:

"The origin of natural rights is quite evident. That a person has a right to have his body free from injury and his liberty free from infringement unless there be a proper cause, nobody doubts. But acquired rights such as property require more explanation. Property and civil government very much depend on one another. The preservation of property must always vary with the form of government". (39)

Smith seems to be saying that natural rights refer to one's person, not to one's property. In the state of nature, men do not seem to have any natural right to property, since the state developed to disrupt the natural tendency to invade other people's property. In any case, Smith does not believe there ever was a state of nature. Like Hutcheson, he seems to treat natural rights as those rights which foster the welfare of the social organism. The right to hold property

is thus a right because it is an incentive to diligence, which is
desirable because it leads to growth which leads to social progress.

Another reason why Smith is not concerned with finding a
natural justification for property rights is that his theory of
sympathy provides a theory of property based on the admiration of the
rich by the poor:

"Our sympathy with our superiors being greater than with our
equals or inferiors, we admire their happy situation, enter into it
with pleasure, and endeavour to promote it".⁽⁴⁰⁾

Smith's theological vocabulary is thus misleading. The
"sacred rights of private property"⁽⁴¹⁾ turn out to be the functional
prerequisite of economic growth and the result of the admiration of
the lower classes for men of wealth. The "sacred and religious
regard not to hurt or disturb in any way the happiness of our neighbour"⁽⁴²⁾
turns out to be the minimum condition for the existence of any society.
The right of retaliation is "sacred and necessary" since "the very
existence of society requires that unmerited and unprovoked malice
should be restrained by proper punishments".⁽⁴³⁾ One does not need
to follow Professor Gropsey in interpreting Smith as a Hobbesian
preoccupied with the struggle for existence to see why personal rights
are so important to Smith: otherwise society itself could not exist.

(5) Smith, like Hume, did not base any part of his social
theory on a pre-existent state of nature or social contract. He
points out:

"It in reality serves no purpose to treat of the laws which would take place in a state of nature ... as there is no such state existing". (44)

He does not say such a state never existed. However, since none exists, he is reluctant to guess what it might have been like; there is no empirical basis for observation.

When he does examine information regarding primitive societies, his methodology is empirical, historical, anthropological. He is interested in relating political and social institutions to their economic infrastructure, not in investigating human nature in its simplest, least refined, most genuine form (Rousseau's concept of the "noble savage") or in discovering the rights and laws which existed in a state of nature before there was positive law (as Locke and others tried conceptually to do). As Bittermann says,

"Smith draws some conclusions from his primitive economy, as in the deer and beaver problem, but he does not argue that what obtained in the primitive economy would remain in more advanced stages of social life". (45)

Smith's approach was empirical, not a priori; each society must be studied on its own merits, and results from one society cannot be used to explain another. The material conditions (and thus habits, customs, etc.) are simply not the same.

He rejects the idea of a social contract since there is no historical evidence for one; no discussion of it outside Britain.

although all countries nonetheless have governments; no awareness of its existence among the masses who are supposed to be bound by it; no way to contract out save by emigration. Anyway, the future cannot be bound by an agreement made in the past. He decides that Government is founded on "authority" and "utility", not on contract or consent.

(4) The order of nature is not harmonious. The Wealth of Nations, as we shall see, describes a natural order fraught with conflict (between workers and employers; merchants and manufacturers; producers and consumers). Even if conflicting forces neutralize one another, the subjective sense of conflict is a real problem and a hindrance to cordialisation of society. In the Moral Sentiments Smith shows how abuses remain uncorrected in the natural order of things:

"The industrious knave cultivates the soil; the indolent good man leaves it uncultivated. Who ought to reap the harvest? Who starve and who live in plenty? The natural course of things decides in favour of the knave; the natural sentiments of mankind in favour of the man of virtue". (46)

In another case, Smith admits that there is no way to postulate harmony on earth without bringing in a Deus ex machine:

"We are so far from imagining that injustice ought to be punished in this life, merely on account of the order of society, which cannot otherwise be maintained, that nature teaches us to hope, and religion, we suppose, authorizes us to expect, that it will be

punished in a life to come ... The justice of God, however, we think, still requires that he should hereafter avenge the injuries of the widow and the fatherless, who are here so often insulted with impunity. In every religion, and in every superstition that the world has ever beheld, accordingly, there has been a Tartarus as well as an Elysium; a place provided for the punishment of the wicked as well as one for the reward of the just".⁽⁴⁷⁾

Thus, the natural order may favour the knave and leave the widow and orphan unprotected. Smith breaks away from the Stoic model of Panglossian optimism. He refuses to submit with resignation or to see evil as part of the divine pattern, and suggests that sometimes conscious action is preferable to the natural course of things.

"Thus man is by Nature directed to correct, in some measure, that distribution of things which she herself would have made".⁽⁴⁸⁾

Like the God of the poets, man is "perpetually interposing by extraordinary means, in favour of virtue and in opposition to vice, and like them endeavours to turn away the arrow that is aimed at the head of the righteous but to accelerate the sword of destruction that is lifted against the wicked".⁽⁴⁹⁾ However, this is not an easy task: "the current is too rapid and too strong for him to stop it". By the natural order, sometimes "violence and artifice prevail over sincerity and justice".⁽⁵⁰⁾ In such a case, our only consolation is "the belief of a future state",⁽⁵¹⁾ i.e. an appeal to Heaven.

The chain of events seems to be as follows:

(a) there is a natural equilibrium in the order of things.

(b) sometimes the "natural" is philosophically unsatisfactory.

Thus, nothing can be more natural than the preservation of life (Cropsey says that to Smith self-preservation is "the overriding end of nature";⁽⁵²⁾ but some groups are naturally unprotected.

(c) in such cases, it is natural for man to correct the natural order.⁽⁵³⁾ Man is thus superior in virtue to Nature, and intervention is superior to laissez-faire.

(d) There is a good chance that man, like Prometheus, will fail in his natural attempt to challenge the natural. Fortunately man is not doomed to eternal pessimism. He can comfort himself with the belief that God ("The Author of Nature") will tie up loose ends in the next life and thus restore harmony to the natural order. Thus Campbell concludes that Smith's "theism is largely based on the argument from design ... (which) can presuppose morality in so far as it stresses that the mechanism of nature produces the sort of results we would expect from a benevolent God".⁽⁵⁴⁾ Thus, the beauty and utility of the social machine, the perfect adjustment of means to ends, is proof for Campbell "that such artifice implies an artificer".

It is clear, however, that this is not the case. Not only is belief in the supernatural the only way to restore harmony to the social mechanism, there is good reason to think this belief is totally unfounded. All religions have assumed a Designer (possibly fictitious); this suggests it may be a functional prerequisite of

society in the absence of any harmonious order at all in nature. It is as much a feature of superstition as of Christianity or rational Deism. Smith argues, in his "History of Ancient Physics" that inability of savages to discover regularity and system in nature led to:

"that pusillanimous superstition which ascribes almost every unexpected event to the arbitrary will of some designing though invisible beings who produced it for some private and particular purpose". (55)

Later, the universe was systematized as a machine, and philosophers were tempted to assume a machinemaker. Smith does not seem convinced of the accuracy of this assumption - note his choice of words ("We suppose", "We think") and his admission that there is no empirical basis (the punishment of injustice in the after life "cannot serve to deter the rest of mankind, who see it not, who know it not") (56) It seems as if Smith, like the Christian Utilitarians, (e.g. Paley) is implicitly admitting the failure of his theory of sympathy, and hoping that the fear of Hell Fire will serve the function that philosophy is unable to fulfill. His invitation to superstition is puzzling in view of his consistent view of it:

"Every person is superstitious in proportion to the precariousness of his life, liberty and property, and to their ignorance. Gamesters and savages are particularly so". (57)

One cannot avoid the suspicion that Smith hoped science would take the place of God; and that until then, the philosophers should persuade the masses to behave like gamesters and savages.

(e) It is possible Smith conceived "nature" as dynamic rather than static. Thus the abuses of the widow and the orphan would be corrected by "justice", the law of contract, checks and balances in Government, restraints on the nobles and the church, a growing sense of humanity. In short, perhaps Smith felt harmony could be restored by successive approximations as a result of Progress. Meanwhile, just as we spoke of man's inability to alter the (static) order of nature, we suggest that passages such as the following make more sense if interpreted dynamically, as referring to the process of change and progress:

"Man was made for action, and to promote by the exertion of his faculties such changes in the external circumstances, both of himself and others, as may seem most favourable to the happiness of all".⁽⁵⁸⁾

Our view is that Smith's argument for laissez-faire is based on the normative desire for faster economic growth to create the conditions in which a belief in God will no longer be necessary, not a desire to promote static harmony or static natural law. Whereas Hutcheson argued that a benevolent Deity acted through human nature, it is our view that Smith simply wanted social progress through economic progress ("the natural progress towards wealth and greatness")⁽⁵⁹⁾ and institutional reform. Only institutional reform, one feels he argued, can socialize society.

(5) We will now attempt to re-examine the various interpretations that one might have of Smith's attitude to religion, apart from the question of natural harmony.

Smith was influenced in many ways by his teacher at Glasgow College, Francis Hutcheson. Hutcheson was the son of a Presbyterian minister, who fell under the spell of the new critical Theology while himself a student in Glasgow. At that time Robert Simpson, Professor of Mathematics, was on trial before the ecclesiastical courts for heresy (he had defended free will and denied punishment for original sin). When Hutcheson himself became a minister in Dublin, he made himself unpopular with his flock by teaching that the souls of the heathen will go to Heaven if they simply follow their own consciences. By ignoring traditional Calvinist concepts of "faith", original sin", "election", by emphasizing that God is benevolent, he did not have far to move to his later position (under the influence of Shaftesbury) that mankind is benevolent. By 1730 (when he was appointed Professor in Glasgow) he was reputed to be a Deist. He extolled the moral excellence of ancient ethical systems (although they were pre-Christian), taught that the standard of moral goodness is the happiness of others, and insisted that we can have a knowledge of good and evil prior to and without a knowledge of God, through the natural affections rather than intelligence. Professor Scott says he "preached philosophy"⁽⁶⁰⁾ and tried to "put a new face on theology in Scotland".⁽⁶¹⁾ It is no surprise he was prosecuted for blasphemy by the Presbytery of Glasgow.

Hutcheson's view of God was closely related to his aesthetics. Beauty is an ordered scheme; the regularity of the design proves the existence of a wise and benevolent designer. As Professor Scott says, "aesthetics becomes a species of divine ethics"; (62) and beauty is reduced to ordered mathematical proportion.

Smith's own views on religion seem to fall under four headings:

(a) Christianity. It is reported that Smith was reluctant to open lectures with the customary prayer. The Earl of Buchan, his pupil, said: "Oh, venerable and worthy man, why was you not a Christian?" (63) Smith was a friend of Hume, and in the sixth edition of the Moral Sentiments the only reference to atonement and revelation was deleted. It read: "The doctrines of revelation coincide, in every respect, with those original anticipations of nature". In its place Smith substituted: "In every religion and in every superstition that the world has ever beheld, there has been a Tartarus as well as an Elysium, a place provided for the punishment of the wicked as well as one for the reward of the just". (64) The change may have been made when Smith, at the end of his career, no longer needed to camouflage his views for fear of accusations of blasphemy that could harm his career (as Simpson, Hutcheson and Hume were harmed).

Certainly Christianity has not cordialized society. It has not led to the abolition of slavery, although "our planters are all Christian". (65) Moreover, although Christians show "a superior degree of humanity" in war compared with Greeks and Romans, this

humanity is strictly functional. It is directed only towards fellow Christians (in the Crusades infidels were treated in "the most cruel manner"),⁽⁶⁶⁾ and then only in a land-war where the local population would otherwise revolt (fellow Christians in a sea-war are treated as if they were infidels). Occasional references to "our Saviour"⁽⁶⁷⁾ or "the Great law of Christianity"⁽⁶⁸⁾ seem very much out of place.

(b) God as Machinemaker. Smith distinguishes between "efficient causes" (immediate aims and impulses that motivate human action - for example, hunger, thirst, or "the passion which unites the two sexes"), and "final causes" (functional requisites of the social order - for example, moral behaviour, economic welfare of society, social cohesion). To underline the difference he uses mechanical and medical analogies. The wheels of a watch have a momentum of their own (efficient cause), but mechanically tell the correct time (final cause), as if they rationally intended to do so. This leads us to praise the watchmaker who designed the watch; just as we praise the artist who created the human body for causing the blood to circulate of its own accord (efficient cause), thus having the unintended outcome of keeping the body alive (final cause).

The same is true of ethical questions. The individual seeks to maximise the ties of sympathy (efficient cause); and this leads to cohesion, harmony and happiness of the social organism (final cause). Any set of moral sentiments as long as it arises from sympathy, could fulfill this function. The smooth functioning of

the social machine is proof that the sentiments are authentically moral. Morality is what morality does. It is as if God designed the machine to promote the happiness of mankind;

"The digestion of the food, the circulation of the blood, and the secretion of the several juices which are drawn from it, are operations all of them necessary for the great purpose of animal life. Yet we never endeavour to account for them from those purposes as from their efficient causes, nor imagine that the blood circulates, or that the food digests of its own accord, and with a view or intention to the purposes of circulation or digestion. The wheels of the watch are all admirably adjusted to the end for which it was made, the pointing of the hour. All their various motions conspire in the nicest manner to produce this effect. If they were endowed with a desire and intention to produce it, they could not do it better. Yet we never ascribe any such desire or intention to them, but to the watch-maker ... But though, in accounting for the operations of bodies, we never fail to distinguish in this manner the efficient from the final cause, in accounting for those of the mind we are very apt to confound these two different things with one another. When by natural principles we are led to advance those ends which a refined and enlightened reason would recommend to us, we are very apt to inquire to that reason, as to their efficient cause, the sentiments and actions by which we advance those ends, and to imagine that to be the wisdom of man which in reality is the wisdom of God". (69)

Similarly in the economic sphere, God may know the final causes (growth and progress), but individual actors are only interested in their own personal advancement. Instinct takes the place of rational plan, and Smith is not unhappy with this fact: "I have never known much good to be done by those who affected to trade for the public good".⁽⁷⁰⁾ This is the invisible hand paradox:

"Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society which he has in view. But the study of his own advantage naturally, or rather necessarily leads him to prefer that employment which is most advantageous to the society".⁽⁷¹⁾

The distinction between final causes and efficient causes may, of course, be totally secular. There is no reason to think that God designed the social machine (indeed, modern functionalism is secular). The Scottish School, which placed such emphasis on the passions rather than reason, did however tend to clothe their account of final causes in theological language. Thus Thomas Reid (Smith's successor to the Chair of Moral Philosophy in Glasgow) praised socially-desirable but unintended outcomes as follows:

"Reason, if it were perfect, would lead men neither to lose the benefit of their active powers by inactivity, nor to overstrain them by excessive labour. But nature hath given a powerful assistant to reason, by making inactivity a grievous punishment to itself; and by annexing the pain of lassitude to excess labour".⁽⁷²⁾

Human beings are like bees, who in constructing their honey-combs behave as if they have a knowledge of geometry. They do not, which causes the observer to believe in "the great Geometrician who made the bee".⁽⁷³⁾

The actor does not foresee the end served and may even be mistaken (e.g. "deception" of consumption); the process seems to show signs of Design, and hence a Designer is postulated. However the theory then becomes empirical: efficient causes can be studied scientifically. We can trace how moral rules evolve from experience or how self-love promotes growth without assuming any desirable, divinely-intended goal. Hume, a true empiricist, chose not to consider final causes at all. Perhaps Smith did so simply as a literary device.

(c) Psychological aspects. We have already seen several illustrations of the psychological role played by religion. It is the final section to restore harmony to a non-harmonious theoretical system; to reinforce sympathy (since "men are made of coarse clay");⁽⁷⁴⁾ and to fill gaps in the theory (for example, the uncorrected abuses of widows and orphans).⁽⁷⁵⁾ It can be prudent to behave morally, for quite material reasons:

"This religion, even in its rudest form, gave a sanction to the rules of morality long before the age of artificial reasoning and philosophy. That the terrors of religion should thus enforce the natural sense of duty was of too much importance to the happiness of mankind for nature to leave it dependent upon the slowness and uncertainty of philosophic researches".⁽⁷⁶⁾

Smith is always anxious to find an emotional basis for action instead of relying on philosophical idealism, even if the basis is fictional. Moral sentiments are the product of material conditions as digested by the senses; but the rules prescribed by the senses "are to be regarded as the commands and laws of the Deity".⁽⁷⁷⁾

Postulating Divine Intention (of the moral faculties Smith says: "It cannot be doubted that they were given us for the direction of our conduct in this life")⁷⁸ allows him to escape from the need to evaluate morality. Whatever is, is good. The goal is cohesion, not Truth. Smith deduces God's will from man's practice, since man's practice is the index of man's need. If one rejects Revelation and a Hutchesonian "Moral Sense",⁽⁷⁹⁾ if one argues that man is "made of coarse clay" and the social machine a classic example of unskilled workmanship, it may be indispensable to postulate a supreme Big Brother to sanctify the moral superstructure of a material infrastructure.

In a sense this is a teleological argument, an argument from Design, that the movement of the whole is different from the movement of the parts because God intended it to be so. We induce the Divine will from the facts of nature and the movement of phenomena.

As a follower of Hutcheson, Smith associated divinity with beauty; we observe empirically that the universe is a beautiful machine, and arrive in this way at a belief in God. As Campbell puts it:

"It is admiration, the emotion which follows on a scientific explanation, that prompts belief in God ... (Smith's faith is) a consequence, not a cause, of his study of nature ... He does not deduce facts from his theology but makes theological statements on the basis of facts independently ascertained".⁽⁸⁰⁾

Man has doubts about his origins and his future which are satisfied through his belief in God. On the analogy of a father creating a child, we ask who created mankind. If God, then "there is a congruity and fitness that a creature should obey its creator".⁽⁸¹⁾ It is proper to worship God.⁽⁸²⁾

Similarly, "Our happiness in this life is thus, upon many occasions, dependent upon the humble hope and expectation of a life to come ... The virtuous man who has the misfortune to doubt of it cannot possibly avoid wishing more earnestly and anxiously to believe it".⁽⁸³⁾

The fear of death and sense of man's inadequacy cause us to console ourselves with religion. As an empiricist, Smith knows no one has seen God; he is aware of the large amount of wishful thinking that goes into our view of God (e.g. "No other end (but the happiness of mankind) seems worthy of that supreme wisdom and benignity which we necessarily ascribe to him".) and that religion can lead to the excesses of fanaticism and superstition which he detests (he cites a play of Voltaire's where two of the characters "are instigated by the strongest motives of a false religion to commit a horrid murder that shocks all the principles of human nature").⁽⁸⁵⁾

In concluding our discussion of Smith's views on religion, it is worth quoting Bittermann's interpretations:

"The frequent references to the Deity in the last edition of the ethical essay, far too numerous to constitute merely prudent camouflage, would indicate that Smith held to a natural theology despite Hume's Dialogues. It seems likely that his matured view was represented in the Wealth of Nations, where he argued for theologic free trade". (86)

In the Wealth of Nations Smith praises "pure and rational religion ... such as wise men in all ages of the world wished to see established". (87)

Our view, on the other hand, is that Smith was, like Hume, an agnostic, who used religion functionally to reinforce a sometimes shaky ethical structure. God is a shadowy and perhaps fictitious actor with an important role to play in the social drama. Moreover, because Smith's approach was so empirical, there is no evidence to suggest he was a natural law philosopher in any sense. As Taylor says, Smith, along with the other members of the Scottish School, was simply interested in "establishing an experimental basis for the study of man in relation to the customs and organization of a civilized community". (88)

III

The fact that Smith rejected Reason (in the sense of absolute, eternal, universal, natural Truth) does not mean he rejected reasoning or logic. In this section we will illustrate Smith's use of reasoning, while remembering that in the next chapter we will find his epistemological position to be overwhelmingly sensationalist.

Campbell says: "An act may be said to be rational if it is done because the agent believes that it is a means to a desired end. In Smith's scheme of action this element is played down in that the typical act is considered to be the spontaneous consequence of stimulated desire. He certainly rules out long-term calculations as an element in normal behaviour. However he does allow that the agent acts in the light of what he considers to be in his immediate interests. This is an essential factor in economic behaviour and is amply illustrated in the Wealth of Nations. It is particularly a feature, therefore, of commercial society".⁽⁸⁹⁾

The features of rationality to Smith are as follows:

First an ability to notice habitual successions. One notices that B usually follows A and, desiring B, performs A. The perception of A and B is sensual, but by reasoning one can aim at B without waiting for it to be produced accidentally. Smith was aware one must be able to think clearly; he reproaches Rousseau for being "an author more capable of feeling strongly than of analyzing accurately".⁽⁹⁰⁾

Second, the ability to induce ("always regarded as one of the operations of reason")⁽⁹¹⁾ is as important in ethics as in economics. Professor Macfie argues that Smith was more rational than Hume since Smith, unlike Hume, rejected utility (sensory) as the basis of ethics and thus had to define propriety:

"Whereas, as a definition of good conduct, Hume was content with 'a feeling for the happiness of mankind', for Smith 'propriety' led to more rational interpretations ... Propriety for what? ... In the time-honoured way, Smith first gave the conventional Stoic answer - appropriate to our natures. But his really original contribution advances from this basis by adopting Hume's view of sympathy as the moralizing factor, but then adding to it his own characteristic rational twist, by interpreting it as the sympathy of the 'impartial and well-informed spectator' ".⁽⁹²⁾

Simple sympathy is emotional in nature; but Smith's concept of sympathy was more rational as, the impartial spectator being different from the real spectator, in each case a calculation must be made of the proper reaction. One sympathizes not with an emotion alone but with a proper emotion. Smith says:

"Sympathy does not arise from the view of the passion as from that of the situation which excites it".⁽⁹³⁾

We must decide how an impartial spectator, who has "acute and delicate discernment",⁽⁹⁴⁾ who is so well informed that he "attended to many things which we had overlooked",⁽⁹⁵⁾ would view the emotion

in its situational context. Suppose we wished to determine the propriety of the reaction of a man who had just lost his father: "We knew that if we took time to consider his situation fully and in all its parts, we should, without doubt, most sincerely sympathize with him".⁽⁹⁶⁾ Before we sympathize, therefore, there is a complex process of "thinking", "consciousness", "reason and thought"⁽⁹⁷⁾ to see how the (non-existent) impartial spectator, the sounding-board of all moral judgements, would react. Instinctual and emotional reaction by itself is not enough to determine "right" and "wrong". The key is memory: "The general maxims of morality are formed, like all other general maxims, from experience and induction ... It is by reason alone that we discover those general rules of justice by which we ought to regulate our conduct".⁽⁹⁸⁾

Clearly in the economic sphere, if the "final cause" is social welfare and economic growth, and the "efficient cause" is self-love, then reasoning is an indispensable tool - to find the best employment of capital, the best market for goods, the optimal level of wages. Smith relies on the rational perception of self-interest as the basis for predictability in economic life.

Thirdly, Smith defines reason as "the faculty which determines not only what are the proper means for attaining any end, but also what ends are fit to be pursued, and what degree of relative value we ought to put upon each".⁽⁹⁹⁾ This is a highly normative conception and it is no surprise that in most of his work Smith shrinks from

applying it. Rather than trying out different combinations of ends and means, he confines himself to identifying proper associations in a given social context. In buying a suit of clothes, a man pays attention to the "proper" type of dress (suitable to time, place, age, class, profession), as defined by social convention. Reason helps him to choose the proper suit, but does not go beyond identifying customary associations:

"Though independent of custom there should be no beauty in their union, yet when custom has thus connected them together we feel an impropriety in their separation".(100)

This suggests reason in practice is totally conservative, totally unable to compare ends. In fact, however, Smith was painting a much wider canvas. Customary associations provide social cohesion and propriety provides a framework for change. Proper self-love is the basis of economic growth; and economic growth is desired for highly normative ends.

Despite the function performed by reasoning, the source of all knowledge and perception remains the passions. In the next chapter we will show how closely Smith's epistemology approached to that of Hume. As Smith says,

"Nothing can be agreeable or disagreeable for its own sake which is not rendered so by immediate sense or feeling".(101)

Notes

- (1) H. Bittermann, "Adam Smith's Empiricism and the Law of Nature",
Journal of Political Economy, 1940, p. 492.
- (2) ibid., p. 488.
- (3) W. Letwin, The Origins of Scientific Economics (London: Methuen
and Co., Ltd., 1963), pp. 171-172.
- (4) Quoted in P. Gay, The Enlightenment: an Interpretation (London:
Weidenfeld and Nicholson, 1969), p. 457.
- (5) WN, II, p. 311.
- (6) R. Hume, "Of the Original Contract", in E. Barker, ed., The Social
Contract, (London: Oxford University Press, 1947), p. 229.
- (7) This point will be considered in greater detail in Chapter IV.
- (8) "History of ancient Logic and Metaphysics", in Essays on
Philosophical Subjects, p. 116.
- (9) ibid., p. 128.
- (10) ibid., p. 116.
- (11) ibid., p. 119.
- (12) WN II p. 429.
- (13) WN I p. 277.
- (14) WN I p. 157.
- (15) WN I p. 344.
- (16) WN I p. 402. On p. 405 he refers to the "natural course of things".
- (17) WN II p. 208. Cf. I p. 102.
- (18) MS p. 503.

- (19) WN II p. 121.
- (20) WN II p. 203.
- (21) WN I p. 157.
- (22) A.L. Macfie, The Individual in Society: Papers on Adam Smith
(London: George Allen and Unwin, 1967), p. 117.
- (23) Quoted in ibid., p. 124. Cf. MS p. 264; WN I p. 475-77.
- (24) WN I p. 150.
- (25) WN I p. 136.
- (26) ME p. 319. See also WN II p. 95.
- (27) WN I p. 65. Italics mine. See also II pp. 37, 48, 90, 169, 208.
- (28) Idem.
- (29) H. Bittermann, op cit., p. 703.
- (30) ME p. 86.
- (31) L.J. p. 87.
- (32) Idem.
- (33) ibid., p. 76.
- (34) ibid., p. 69.
- (35) ibid., p. 73.
- (36) L.J. p. 74. Cf. "The Effect of marriage is to legitimate the children". ibid., p. 69. Also, polygamy is undesirable as it leads to "jealousy of interest" and thus "want of tranquillity "
L.J. p. 81.
- (37) WN II p. 325.

- (38) WN II pp. 49-50. Cf. MS p. 337. The invisible hand passages occur in MS p. 264 and WN I pp. 475-7.
- (39) L.J. p. 8. Similarly, primogeniture led to entails for economic and not spiritual reasons. See WN I p. 409.
- (40) L.J. p. 10. Cf. reference to propriety Ibid., p. 110.
- (41) WN I p. 190.
- (42) MS p. 319.
- (43) MS Quoted in Campbell, op. cit., p. 75.
- (44) L.J. p. 2.
- (45) H. Bittensmann, op. cit., p. 706. Another example is WN I p. 53: conditions in the "early and rude state of society which precedes both the accumulation of stock and the appropriation of land". On the other hand, Smith did admire the work of social contract writers, notably Hobbes, Locke and Rousseau; Of the latter he says: "Rousseau conducts the reader to reason and truth by the attractions of sentiment and force of conviction. His "Social Compact" will one day avenge all the persecutions he suffered". Quoted in E.G. West, Adam Smith (New Rochelle: Arlington House, 1969), p. 123.
- (46) MS p. 238. Professor Macfie points out that if Smith's goal was really harmony, then neither benevolence (in the Moral Sentiments) nor self-love (in the Wealth of Nations) was enough to bring it about. Rather than there being a contradiction between the two books, there is agreement in postulating an imperfect world. Macfie, op. cit., ch. 6.

- (47) MS p. 132. *Italics mine.*
- (48) ibid., p. 236.
- (49) ibid., p. 239.
- (50) idem.
- (51) ibid., p. 240.
- (52) J. Gropsey, Polity and Economy: an Interpretation of the Principles of Adam Smith (The Hague: Martinus Nijhoff, 1957) p. 41.
- (53) As Gropsey puts it: "Man is naturally disposed to reverse the natural". Ibid., p. 40.
- (54) Campbell, op. cit., p. 231.
- (55) "History of Ancient Physics", loc. cit., p. 106.
- (56) MS p. 132. See also pp. 176, 187, 346, 427.
- (57) L.J. p. 95.
- (58) MS p. 153-4.
- (59) WN I p. 367. This progress is not automatic (mercantilism retarded it). Reform of laws on trade would be a conscious effort men can make to stimulate progress.
- (60) W.R. Scott, Francis Hutcheson (Cambridge: The University Press, 1900), p. 65.
- (61) ibid., p. 90.
- (62) ibid., p. 195.
- (63) Quoted in J. Res, Life of Adam Smith (New York: Augustus Kelley, 1965), p. 130.
- (64) Both passages quoted in H. Bittermann, op. cit., p. 712.
- (65) L.J. p. 101.

(66) ibid., p. 272.

(67) MS p. 253.

(68) MS p. 27.

(69) MS pp. 126-7. "By acting according to the dictates of our moral faculties, we necessarily pursue the most effectual means for promoting the happiness of mankind, and may therefore be said, in some sense, to cooperate with the Deity and to advance as far as is in our power the plan of Providence". Ibid., p.235.

(70) WN I p. 478. Cf. II p. 208.

(71) ibid., p. 475. Cf. he is "led by an invisible hand to promote an end which was no part of his intention", p. 477. Dr. West says the idea of direction as if by an invisible hand (not by an invisible hand) might be purely a scientific hypothesis about "the formation of spontaneous or self-determining orders", without necessarily having any Theological overtones. See H.C. West, "Adam Smith's Philosophy of Riches", Philosophy, April 1969, p. 101.

(72) T. Reid, "Bees and Man: Instinct and the Limitations of Reason", in L. Schneider, ed., The Scottish Moralists on Human Nature and Society (Chicago: Phoenix Books, 1967), p. 104.

(73) ibid., p. 103.

(74) MS p. 230.

(75) MS p. 132.

(76) MS p. 233.

(77) MS p. 234.

(78) MS p. 232.

(79) MS p. 480.

(80) T. Campbell, op. cit., p. 60.

(81) MS p. 447.

(82) This argument should be used with caution; if we argue at the same time that God is the source of propriety, then we are saying it is proper to be proper, and the argument becomes circular. But Smith argues that propriety is an empirical concept, determined by what most people in a given material context consider to be proper. It is not "good" but "spontaneous". Thus God is not the immediate source of propriety and we can without ambiguity say it is proper to worship him.

(83) MS pp. 187-8. The same could be said about: "The very suspicion of a fatherless world must be the most melancholy of all reflections", MS, p. 345. Yet in this passage, West concludes, "Smith reveals himself clearly as a religious man". E.C. West, Adam Smith (New Rochelle: Arlington House, 1969), p. 101.

(84) ibid., p. 235. *Italics mine.*

(85) ibid., p. 252. Man creates God in his own image, apparently. See ibid., p. 232-3.

(86) Bittermann, op. cit., p. 714.

(87) WK II p. 315.

(88) W.T. Taylor, Francis Hutcheson and David Hume as Predecessors of Adam Smith, (Chapel Hill: Duke University Press, 1965), p. 5.

- (89) Campbell, op. cit., p. 63.
- (90) "Of the Imitative Arts", in Essays on Philosophical Subjects,
p. 165.
- (91) MS p. 469.
- (92) A.L. Macfie, op.cit., p. 49.
- (93) MS, p. 7.
- (94) ibid., p. 20.
- (95) idem.
- (96) ibid., p. 16. *Italics mine.*
- (97) ibid., pp. 8 - 9.
- (98) ibid., p. 469.
- (99) ibid., p. 395.
- (100) ibid., p. 201. This shows the Humean distrust of Truth existing
independent of sensory perception of association.
- (101) ibid., p. 470.

Chapter 4. EPISMELOGY.

Smith was both a materialist and a sensationalist. He was a materialist because, like Hegel, he saw action as superior to thought, and equated life to notion implicit in matter:

"The reasonings of philosophy, though they may confound and perplex the understanding, can never break down the necessary connection which nature has established between causes and their effects".⁽¹⁾

He was a sensationalist because, although each act has elements of both passion and reflection, it is through the emotions that the material order makes itself felt:

"It is altogether absurd and unintelligible to suppose that the first perceptions of right and wrong can be derived from reason ... These first perceptions, as well as all other experiments upon which any general rules are founded, cannot be the object of reason but of immediate sense and feeling".⁽²⁾

In this chapter we shall argue that Smith joined Hume in denying the existence of objective knowledge to be attained by reflection. Nature directs man instinctively through the passions. The soul is reduced to the body. The moral order being derived from coincidence of passions, reasoning should confine itself to codifying perceptions into precepts. Intellectuals can indeed do considerable harm if they suggest spurious and undesirable idealistic schemes (e.g. casuistry) irreconcilable with the mechanistic demands of the material situation.

In Section I we will discuss the background to the Scottish "revolt against reason". In Section II we shall try to fit Smith into the general debate.

I

David Hume was the prophet of sense-perception. Whereas the Cartesians had posited mastery of the passions as the basis of knowledge, Hume argued that the passions are the unique source of knowledge. He rejected self-evident or innate ideas and warned that we cannot be confident of the objective existence of external phenomena:

"It is impossible for us to think of anything which we have not antecedently felt, either by our internal or our external senses... Reason is and ought only to be the slave of the passions, and can never pretend to any other office than to serve and obey them".⁽³⁾

Reason cannot supply the motivation for action. The most reliable knowledge we can hope for about causation in the external world is when, by experience, we learn that one sensation habitually follows (and is thus associated with) another.

"In all single instances of the operation of bodies or minds, there is nothing that produces any impression, nor consequently can suggest any idea of power or necessary connection. But when many uniform instances appear and the same object is always followed by the same event, we then begin to entertain the notion of cause and connection. We then feel a new sentiment or impression, to wit, a customary connection in the thought or imagination between one object and its usual attendant, and this sentiment is the original of that idea which we seek for".⁽⁴⁾

Reason is thus limited to the comparison of two sense-perceptions, to putting in order observations gleaned from experience. Prediction

is based on customary association. The theory was much influenced by contemporary advances in psychology (e.g. the work of David Hartley on association of ideas).

Diderot too joined the revolt against the tyranny of rationalism and that of revelation by declaring: "I forgive everything that is inspired by passion". And: "It is only the passions and the great passions that can raise the soul to great things".⁽⁵⁾ Voltaire called the passions "the principal cause of the order we see today in the world".⁽⁶⁾ Holbach condemned the Christian doctrine of self-denial and repression of instinct: "To prohibit men their passions is to forbid them to be men".⁽⁷⁾ This new spirit of libertinage was a precondition for economic activity; the Church had traditionally disparaged the struggle for wealth and greatness as sordid and self-seeking.

Christian revelation had been challenged by the doctrine of natural law, and now natural law was challenged by the new empirical approach. The philosophers of the Scottish Enlightenment shared the Humean belief that the truth is relative to time and place, and reason should limit itself to the harmonization of means to ends. They tended to base their explanations of the cognitive process on instinct, not pure reflection. Hume said: "Nothing can oppose or retard the impulse of passion but a contrary impulse ... Reason has no original impulse".⁽⁸⁾ And Thomas Reid insisted that most men are the product of "habit, limitation and instruction, and reason has little

or no share in forming them".⁽⁹⁾ Mrs. Bryson, in her analysis of the Scottish School, states: "It was the rare analyst who did not begin his investigations with Experience, instead of with some large a priori afforded by Reason".⁽¹⁰⁾ The Scottish philosophers, she says, insisted that "sensation and feeling together are far more determinant of man's action than is his rational nature".⁽¹¹⁾

The approach, opposed as much to Berkeley's idealism as to Christian revelation or the doctrine of natural law, was anti-intellectual and cosmopolitan. The perceptions are instinctual, and will be the same for all nations in similar material conditions. Primitive peoples will one day resemble, in their conduct, people in present-day developed societies, since parallel material development leads to parallel evolution in the social superstructure. Hence there is little point in studying savages or their institutions. Human nature is basically the same, and similar conditions will give rise to similar perceptions. Thus, perceptions do not vary greatly among individuals in the same situation, and inductions from experience tend to be very similar. The individual experience is thus an index of the group experience.

Each individual in the group, according to the Scots, is equipped to experience and to discover the truth for himself. A consensus develops, life is standardized, and originality can be a nuisance as it can disturb the peace of the group. The emphasis on customary association is conservative: it traces perceptions back to existing social conditions and no further. Reason is more likely to stimulate change

since it introduces an exogenous standard. On the other hand, unlike mechanistic determinists (e.g. Holbach or Condillac) or Calvinists, the Scottish School did not deny free will, and recognised man can use his powers of speech and intelligence to change his material environment and thus his fate. Moreover, economic growth itself, by creating a new economic infrastructure, creates a new stock of habitual associations, perceptions and ideas.

II

One could argue Smith was an anti-rationalist for the following reasons:

(1) In his essay "Of the External Senses", Smith's language is almost Humean in its exaltation of sense-perception as the only means of obtaining knowledge about external phenomena:

"What we feel when we stand in the sunshine during a hot, or in the shade during a frosty day, is evidently felt not as pressing upon the body but as in the body. It does not necessarily suggest the presence of any external object, nor could we from thence alone infer the existence of any such object. It is a sensation which neither does nor can exist anywhere but either in the organ which feels it or in the unknown principle of perception, whatever that may be, which feels in that organ or by means of that organ ... the sensations of heat and cold do not necessarily suggest the presence of any external object".⁽¹²⁾

-167-

In other words, my perception that I am cold tells me more about myself than it does about the weather. Whereas I can be reasonably confident of the existence of my sense-perception, I can never be confident at all of the objective existence and nature of the external object. There is no reason to think the visible world (as perceived by the sense of Sight) is the same as the real world. I can compare sensations but can never know what the objects are really like.

In practice, this is unworkable. Mankind would be in continual confusion, and Wonder would never be assuaged by prediction. Science builds its theory of causality on the habitual coincidence of sensations:

"Though the sensations of heat and cold do not necessarily suggest the presence of any external object, we soon learn from experience that they are commonly excited by some such object ... By the frequency and uniformity of this experience, by the custom and habit of thought which that frequency and uniformity necessarily occasion, the Internal Sensation and the External Cause of that Sensation come in our conception to be so strictly connected that in our ordinary and careless way of thinking, we are apt to consider them as almost one and the same thing".⁽¹³⁾

From experience we discover that a given external stimulus (e.g. a certain type of food) excites a predictable sense-reaction (e.g. a pleasant taste or smell). But the stimulus does not contain the reaction ("Nobody ever fancies that our food feels its own agreeable or disagreeable taste";⁽¹⁴⁾ it simply leads to it ("When we say that smell is in the flower, we do not thereby mean that the flower itself has any feeling of the sensation which we feel; but that it has the

power of exciting this sensation in our nostrils, or in the principle of perception which feels in our nostrils".).⁽¹⁵⁾

Knowledge is assessable only by experimentation and experience. He criticises Plato and Socrates for postulating the existence of "external objects, independent of the act of understanding ... exemplars according to which the Deity formed the world".⁽¹⁶⁾ Such absolute external ideals are fictional; Smith felt there was no way of knowing if they were real or not. Thus he reproaches Plato and Socrates for their "fallacious experiment which showed that a person might be led to discover himself, without any information, any general truth of which he was before ignorant, merely by being asked a number of properly arranged and connected questions concerning it".⁽¹⁷⁾ We cannot know the true essences of external objects, but we can by observation discover regularities in their relations with one another, as we perceive them to be.

It is no surprise Smith called Hume "by far the most illustrious philosopher and historian of the present age".⁽¹⁸⁾

Because of his lack of belief in the reality of external objects, Smith advised writers to steer clear of them. Instead they should write of objects through their effects on the sensations of human beings; through an appeal to sympathy on the affections of the reader;

"That way of expressing any quality of an object which does it by describing the several parts that constitute the quality we want to express, may be called the direct method. When again we do it by describing the effects this quality produces on those who behold

it, (this) may be called the indirect method. The latter in most cases is by far the best ... Pindar, Homer and Milton never attempt to describe music directly; they always do it by describing the effects it produced on some other creatures".(19)

Or elsewhere:

"The humming of a swarm of bees and the cooing of a turtle give us ideas agreeable and soothing; but this is greatly heightened when Virgil describes Melibeus lulled asleep by their soothing sound".(20)

Here narration or description is inferior to an account where the effects of actions on the emotions of the actors are shown:

"As it is mankind we are chiefly connected with, it must be their actions which chiefly interest our attention ... When we mean to affect the reader deeply, we must have recourse to the indirect method of description, relating the effects the transaction produced both on the actors and spectators".(21)

Of Tacitus he says:

"In describing the more important actions he does not give us an account of their external causes, but only of the internal ones; and though this perhaps will not tend so much to instruct us in the knowledge of the causes of events, yet it will be more interesting and lead us into a science no less useful, to wit, the knowledge of the motives by which men act".(22)

(2) Sometimes sense-perception is primary or physical; in other cases it is secondary or psychological:

"Nature, when she formed man for society, endowed him with an original desire to please and an original aversion to offend his brethren".⁽²⁵⁾

Nature acts through the social passions - the love of company and of approbation - which cause man to conform to social pressures. She acts through the instinct of conscience⁽²⁴⁾ to inspire moral behaviour. To enjoy sympathy, one conforms to social norms. In fact, the norms themselves are the spontaneous product of material experience. Propriety is the basis of virtue and morality, and it depends on habitual associations noticed since childhood in a given society:

"Our continual observations upon the conduct of others insensibly leads us to form to ourselves certain general rules concerning what is fit and proper, either to be done or to be avoided. Some of their actions shock all our natural sentiments. We hear everybody about us express the like detestation against them. This still further confirms and even exasperates our natural sense of their deformity. It satisfies us that we view them in the proper light when we see others view them in the same light".⁽²⁵⁾

Observation and experience, not active reason, mean that we gradually built up a stock of conditional responses to various sorts of stimuli. If then one is confronted with a new experience, one consults the mental case-law one has imperceptibly and unintentionally built up. There is, however, no a priori set of rules to be consulted. The rules themselves are simply the codification of perceptions:

"Nothing can be agreeable or disagreeable for its own sake which is not rendered such by immediate sense and feeling ... Pleasure and pain are the great objects of desire and aversion; but these are distinguished not by reason but by immediate sense and feeling. If virtue therefore be desirable for its own sake, and if vice be, in the same manner, the object of aversion, it cannot be reason which originally distinguishes these different qualities but immediate sense and feeling". (26)

Rules of morality are the product of changing perceptions of propriety as conditions change; customs evolve out of material conditions, human nature remaining constant. A shift in the distribution of the national income (say, from landowners to merchants and capitalists) as a result of a shift in the economic centre of gravity (say, from agriculture to industry) will mean a change in the composition of society's stock of ideas. Habitual associations will be different. What is proper in one situation may not be proper in another. We shall consider examples of this in our section on propriety.

The perception of coincidence of sentiments is sensory, not rational. Reason is derivative, not primary, and even it is the product of subjective sensory perceptions;

"Every sense is supreme over its own objects. There is no appeal from the eye with regard to the beauty of colours, nor from the ear with regard to the harmony of sounds, nor from the taste with regard

to the agreeableness of flavours ... Whatever gratifies the taste is sweet, whatever pleases the eye is beautiful, whatever soothes the ear is harmonious ... Whatever is agreeable to our moral faculties is fit and right and proper to be done; the contrary, wrong, unfit and improper. The sentiments which they approve of are graceful and becoming, the contrary ungraceful and unbecoming. The very words right, wrong, fit, improper, graceful, unbecoming, mean only what pleases or displeases these faculties".(27)

There is an implicit problem of communication here (not unlike that of modern existentialism): What I see, taste, or smell, may not be the same as what you experience, since no two experiences are ever alike.(28) It also explains Smith's concern with aesthetics, since, if each person perceives the Essence of an object differently, we may need to use aesthetic tools to convey our subjective perception of the object to another person: there is no point in simply recounting the objective properties of, say, a bunch of flowers, as these tangible features may only be a small part of the total experience (which also involves colour, shape, touch, smell, etc.). This means human communication is very approximate and subjective:

"Every faculty in one man is the measure by which he judges of the like faculty in another. I judge of your sight by my sight, of your reason by my reason, of your resentment by my resentment, of your love by my love. I neither have nor can have any other way of judging about them".(29)

Probably the sentiments of one man tend to resemble those of another man in a like situation. If they were not, the impartial spectator mechanism would break down, and with it cohesion, morality and society itself. Smith relies on his belief that human nature is basically the same, and that man is a social animal (with a desire to avoid disapproval and gain approbation) as the basis of his social theory; but he admits he cannot be sure, as we can never have dependable knowledge of another person's sensory perceptions:

"As we have no immediate experience of what other men feel, we can form no idea of the manner in which they are affected but by conceiving what we ourselves should feel in the like situation ... Whatever is the passion which arises from any object in the person principally concerned, an analogous emotion springs up at the thought of his situation in the breast of every attentive spectator".⁽³⁰⁾

Even words themselves are elastic and an impediment to communication.⁽³¹⁾ Words take on a separate identity of their own depending on the propriety and beauty of their sound.⁽³²⁾ Moreover, any situation has so many features as to render any description incomplete and thus selective.⁽³³⁾

If there is a general congruence of sentiments ("sympathy") over a period of time in a particular context, that indicates the propriety of the sentiments. It allows us to build up a purely sensual code of virtue and vice (rationalists pointed out that if morality is independent of reason and intelligence, then even an animal could be virtuous without being educated or even Christian). The goal is not to evaluate codes of morality but to discuss their formation and communication:

"The present inquiry is not concerning a matter of right, if I may say so, but concerning a matter of fact. We are not at present examining upon what principles a perfect being would approve of the punishment of bad actions, but upon what principles so weak and imperfect a creature as man actually and in fact approves of it".⁽³⁴⁾

The initial perception is sensual. Reasoning can be used to test whether a given action pleases or offends; one can consult the "man within the breast" to see if the action provokes "inward shame and self-condemnation", or "tranquillity of mind, contentment, self-satisfaction".⁽³⁵⁾ The perception is sensory but the code is rational:

"The general maxims of morality are formed, like all other maxims, from experience and induction. We observe, in a great variety of particular cases, what pleases or displeases our moral faculties, what these approve or disapprove of; and by induction from this experience we establish these general rules. But induction is always regarded as one of the operations of reason".⁽³⁶⁾

Thus, our detestation of murder arises "instantaneously" and is "antecedent ... to any general rule". In fact, the general rule would "be founded upon the detestation",⁽³⁷⁾ not vice versa. The rule is the product of past experience, and must be altered if present experience conflicts with it. Moral rules cannot be codified with precision (there being no empirical evidence for a Moral Sense of the type postulated by Hutcheson); and the rules of justice can be codified only because they are injunctions, not exhortations:

"We are said to do justice to our neighbour when we abstain from doing him any positive harm, and do not directly hurt him, either in his person, or in his estate, or in his reputation".⁽³⁸⁾

Benevolence cannot be made compulsory. Whereas justice is comparable in literature to grammar, the other virtues are "loose, vague and indeterminate", comparable in literature to style.⁽³⁹⁾

Thus, although religion can be used as a supernatural sanction for the current ethical standards, it cannot be a source of moral sentiments itself, either by revelation or by causistry. The advantage of so flexible an attitude to religion is that it allows man to create God in his own image:

"Men are naturally led to ascribe to those mysterious beings, whatever they are, which happen in any country to be the object of religious fear, all their own sentiments and passions. They have no other, they can conceive no other to ascribe them".⁽⁴⁰⁾

On the other hand, education may have a more important role to play. It may have to teach "the bulk of mankind" how to act with "tolerable decency" so as to avoid "any considerable degree of blame".⁽⁴¹⁾ This implies the "bulk of mankind" are insensible to the approbation or disapprobation of the impartial spectator, do not see themselves reflected in the social mirror, and are indifferent to social norms supposedly internalized by sympathy. It suggests Smith's moral theory applies only to "men of refinement" (he would have passionately denied this, of course), who impose their perceptions on the masses by the use of education. Education does not circumvent the passions but acts

through them: "The great secret of education is to direct vanity to proper objects".⁽⁴²⁾ Smith prefers this emotional appeal rather than the rationalist, utilitarian attitude to education of "precept and exhortation".⁽⁴³⁾ But if vanity has to be directed to proper objects, this means propriety is not the automatic result of the passions.

Proper behaviour cannot be a reflex-action if it has to be taught. And whose perception of propriety is the most proper one?

Smith seems unaware of this contradiction in his moral theory. He seems to think that the judgements of men, like their ability and intelligence, are clustered around the mean, since they exist in the same material situation and have reference to the same impartial dependable source of moral judgements:

"The control of our passive feelings must be acquired, not from the abstruse syllogisms of a quibbling dialectic, but from that great discipline which nature has established for the acquisition of this and of every other virtue: a regard to the sentiments of the real or supposed spectator of our conduct".⁽⁴⁴⁾

(5) Smith's social theory is based on his confidence in the ability of "efficient causes" to promote desirable but unintended objectives. For example, the division of labour originates gradually from an instinctual "propensity to truck, barter, and exchange",⁽⁴⁵⁾ and from "that principle to persuade which so prevails in human nature".⁽⁴⁶⁾ Such a propensity is "known to no other animal. Nobody ever saw a dog, the most sagacious animal, exchange a bone with his companion for another".⁽⁴⁷⁾ A dog has use neither of logic nor speech.

The growth of population occurs not out of a desire to populate, strengthen and enrich the Kingdom, but because of the "passion which unites the two sexes".⁽⁴⁸⁾ Scientific research takes place because of passion (Wonder), not reason (a detached search for truth for its own sake or because it is useful). Economic activity is indulged in for personal advancement and higher consumption (a "deception" in any case),⁽⁴⁹⁾ and yet economic growth of society as a whole is the unintended result of self-love.⁽⁵⁰⁾

Reason teaches that kings are the servants of the people and may with no impropriety be overthrown if they infringe the rules of justice; but the passions encourage sympathy with the rich and powerful, prevent revolution, and thus help to maintain social stability and continuity.⁽⁵¹⁾

Social cohesion is the unintended outcome of a desire for approbation and fear of disapprobation, of the mechanism of sympathy. This is reinforced by another passion, the desire to believe in God, who can then be invoked as a final sanction for morality.

A very important drive is self-preservation, and Professor Gropsey has made this the centrepiece of his interpretation of Adam Smith. He argues that Smith relied on the passions as the basis for perception because he was a Hobbesian:

"There being no mention of any end beyond life, or of anything to which the possession of life is supposed to contribute, we must say that life appears as the highest good, or the thing which is

desired for its own sake, and not for the sake of anything else ... Human nature is to be understood as that principle in virtue of which man seeks above all else the continuance of his vital motion, or life".⁽⁵²⁾

He quotes the following passage from Smith: "Death is the greatest evil which one man can inflict upon another".⁽⁵³⁾ And: "self-preservation and the propagation of the species are the great ends which nature seems to have proposed in the formation of all animals ... But though we are in this manner endowed with a very strong desire of these ends, it has not been entrusted to the slow and uncertain determinations of our reason to find out the proper means of bringing them about. Nature has directed us to the greater part of these by original and immediate instincts".⁽⁵⁴⁾

From this Cropsey deduces the following:

"Humanity, or the human, emerges as an inference from the desire for self-preservation, a desire which is gratified through the working of men's passions. The desire for self-preservation becomes the irreducible, as well as the most compelling, and hence the most dependable innate activator of the human spirit. In the most important respects, therefore - in respect of the essential human urge to live, and the power to take life - all men are equal. This is the aspect of the Hobbesian-Spinozistic doctrine which forms the basis of Smith's theoretical system".⁽⁵⁵⁾

Thus, laissez-faire meant to Smith that men would be ruled by passions rather than by misguided civil or ecclesiastical rulers.

This would promote virtue: Gropsey writes:

"Social virtue is for the sake of society, and society is for the sake of preservation of life ... The means for safe-guarding preservation have been seen to evolve from the free motion of the passions". (56)

And:

"Nature causes men to seek their good by making their good attractive to their passions. If it did otherwise, a creature of man's feeble powers would neither see the end nor the best means to it". (57)

Our own view is that Gropsey is wrong to say that Smith was a Hobbesian. Smith rejected the idea of a social contract and the need for a strong ruler. He argued that society was desirable, beautiful and agreeable in itself, irrespective of its utilitarian basis. He felt life in society leads not just to preservation of life but to fulfillment. Nonetheless, Gropsey is probably right to emphasize how much Smith relied on instinct and appetite as the basis of social action. It is appetite, not reason, which is the basis of Smith's epistemology:

"Nature has ... not only endowed mankind with an appetite for the end which she proposes, but likewise for the means by which alone this end can be brought about, for their own sakes and independent of their tendency to produce it". (58)

Notes

- (1) MS p. 428. Cf. pp. 401-2. Cropsy takes this view of Smith as a Hegelian: "It is probable that one of Smith's unspoken premises is that the most essential phenomenon of human life is the induced motion of matter". Cropsy, op. cit., p. 16. Cf. pp. 8 et seq.
- (2) MS, p. 470.
- (3) D. Hume, Enquiry Concerning Human Understanding (London: Longmans, 1875), II, pp. 51, 195.
- (4) ibid.
- (5) Quoted in P. Gay, op. cit., pp. 188-9.
- (6) ibid., p. 191.
- (7) ibid., p. 194. Smith personally knew Diderot, Halbach (at one of whose weekly dinners he met Diderot), Voltaire, (whom he visited five or six times at Ferney and greatly admired), Helvetius, d'Alembert, Turgot, Quesnay, Morellet, and possibly also Rousseau, Condillac and Grimm. It was while a tutor in Toulouse in 1764 to the Duke of Buccleugh that Smith began to write the Wealth of Nations. In Paris in 1765, his fame as a friend of Hume and the author of the Moral Sentiments (already translated into French) gained him entry to the most fashionable salons.
- (8) Quoted in L. Schneider, op. cit., p. xix.
- (9) idem.
- (10) G. Bryson, Man and Society: The Scottish Inquiry of the Eighteenth Century (Princeton: Princeton University Press, 1945), p. 5.

- (11) ibid., p. 11.
- (12) "Of the External Senses", in Essays on Philosophical Subjects,
p. 205.
- (13) idem.
- (14) ibid., p. 207.
- (15) idem.
- (16) "History of Ancient Logic and Metaphysics", loc. cit., p. 119.
- (17) ibid., p. 123.
- (18) WN II p. 311.
- (19) LEBHL, p. 63.
- (20) ibid., p. 66.
- (21) ibid., p. 82. Cf. pp. 70, 91.
- (22) ibid., p. 109.
- (23) MS p. 170.
- (24) "The viceregents which (God) has set up within us" MS p. 234.
- (25) MS p. 224.
- (26) MS p. 470-1.
- (27) MS p. 234.
- (28) "History of Ancient Logic and Metaphysics", loc. cit., p. 118,
and "Of the External Senses", loc. cit., p. 225.
- (29) MS p. 18.
- (30) ibid., p. 5. Cf. p. 191.

- (31) "Considerations", MS p. 516.
- (32) ibid., p. 514.
- (33) ibid., pp. 500, 514.
- (34) MS, p. 109.
- (35) ibid., p. 235.
- (36) ibid., p. 409. Cf. p. 248.
- (37) MS, p. 225. Cf. p. 249.
- (38) MS p. 398.
- (39) ibid., p. 482.
- (40) ibid., p. 232.
- (41) ibid., p. 230.
- (42) ibid., p. 450.
- (43) idem.
- (44) ibid., p. 203. This contradiction was not noticed by Cropsey, who seems to feel there is no danger of seduction by false perceptions. He argues that to Smith "the true provenience of virtue is seen as the indefeasible passions themselves, not the carefree conquest of the passions". Cropsey, op. cit., p. 23. This is because he sees Smith mainly as a Hobbesian.
- (45) WN I p. 17.
- (46) L.J. p. 171. Rhetoric is the art of persuasion, and it seems clear Smith was concerned with aesthetics for very sociological reasons.
- (47) L.J. p. 169.

- (48) MS p. 110.
- (49) ibid., p. 263. Cf. "I have never known much good done by those who affected to trade for the public good". VN
- (50) This development need not be welcomed: "To feel much for others and little for ourselves ... to restrain our selfish and indulge our benevolent affections, constitutes the perfection of human nature ... As to love our neighbour as we love ourselves is the great law of Christianity, so it is the great precept of nature to love ourselves only as we love our neighbour".
- MS p. 27-28. But in practice men are "made of coarse clay" (MS p. 230) and, after all, self-love demonstrably leads to material welfare: "Benevolence may perhaps be the sole principle of action in the Deity ... But whatever way be the case with the Deity, so imperfect a creature as man, the support of whose existence requires so many things external to him, must often act from many other motives". MS pp. 446-7. And elsewhere: "The brewer and the baker serve us not from benevolence but from self-love". LJ p. 169. And elsewhere: "frivolous consumption indicates a base and selfish disposition". VN I p. 371.
- (51) E.g. MS p. 84; 264.
- (52) J. Cropsey, op. cit., pp. 3-4.
- (53) Quoted in ibid., p. 4.
- (54) MS p. 110. Quoted in Cropsey, op. cit., p. 2.
- (55) ibid., p. viii.
- (56) ibid., p. 26.
- (57) ibid., p. 5.
- (58) MS, p. 110.

PART TWO:

CONSUMING AND PRODUCING

Chapter 5. CONSUMPTION.

Adam Smith felt that, by and large, work is not enjoyable, and that "it is in the interest of every man to live as much at his ease as he can".⁽¹⁾ Yet men do work, and Smith is in no doubt about the reason for this: "The consumptibility ... of goods is the great cause of human industry".⁽²⁾ And elsewhere: "Consumption is the sole end and purpose of all production".⁽³⁾ Actual job-satisfaction is rare, and most people work for money:

"In the inferior employments, the sweets of labour consist altogether in the recompense of labour. They who are soonest in a condition to enjoy the sweets of it are likely soonest to conceive a relish for it, and to acquire the early habit of industry. A young man naturally conceives an aversion to labour when for a long time he receives no benefit from it".⁽⁴⁾

He defines the goal of political economy as being twofold, to provide revenue for the state and "to provide a plentiful revenue or subsistence for the people".⁽⁵⁾ He attacks mercantilism for aiming to maximise the stock of treasure rather than the stock of commodities, and for favouring the producer at the expense of the consumer:

"The interest of the producer ought to be attended to only in so far as it may be necessary for promoting that of the consumer. The maxim is so perfectly self-evident that it would be absurd to attempt to prove it".⁽⁶⁾

In his view, "wealth" has nothing to do with treasure or foreign

trade: "The riches of a country consist in the plenty and cheapness of provisions".⁽⁷⁾ Thus,

"Every man is rich or poor according to the degree in which he can afford to enjoy the necessities, conveniences and amusements of human life".⁽⁸⁾

Similarly, he attacks the monopolist because he raises prices and restricts commodity-consumption:

"The price of monopoly is upon every occasion the highest which can be got ... the highest which can be squeezed out of the buyers".⁽⁹⁾

In view of such arguments, it is no surprise that economists have tended to see Smith as a commodity-utilitarian who advocated economic growth as a means for raising personal commodity consumption. Professor Macfie, for example, writes:

"Utility is his inevitable starting point in the Wealth of Nations ... inevitable because economics is the science of scarce means and their most useful application".⁽¹⁰⁾

In this chapter we shall try to show that Adam Smith was not a commodity-utilitarian, and that he took a broad view of consuming as a social action. In section I we shall discuss the various reasons why commodities are consumed and consider the possibility that to Smith commodities were mainly status-objects. In section II we shall examine three examples of the social nature of consuming. In section III we shall consider the opportunity cost of ambition, tranquillity. In section IV we shall venture some conclusions about the role Smith desired consumption to play.

I

The "great wants of mankind" are food, clothing and lodging.⁽¹¹⁾
Most of all food:

"Among savage and barbarous nations, a hundredth or little more than a hundredth part of the labour of a whole year will be sufficient to provide them with such clothing and lodging as satisfy the greater part of the people. All the other ninety-nine parts are frequently no more than enough to provide them with food".⁽¹²⁾

Subsistence is of necessity prior to "conveniency and luxury". However, the division of labour in agriculture meant that "the labour of one family can provide food for two", and half the population "can be employed in providing other things, or in satisfying the other wants and fancies of mankind".⁽¹³⁾ An agricultural surplus is thus the precondition for industrialisation and urbanisation.

In all but the most primitive societies, it is not difficult to provide the "necessities and conveniences of the body".⁽¹⁴⁾ There is thus no physiological basis for a rising national income, no Hobbesian question of simple preservation:

"The whole industry of human life is employed not in procuring the supply of our three humble necessities, food, clothes and lodging, but in procuring the conveniences of it according to the nicety and delicacy of our taste".⁽¹⁵⁾

Thus, once the basic wants (the "three humble necessities") are satisfied, energy is diverted to satisfying "many insignificant demands".

which we by no means stand in need of".⁽¹⁶⁾ Marginal desires yield less pleasure and are without any limit:

"Those who have the command of more food than they themselves can consume are always willing to exchange the surplus or, what is the same thing, the price of it, for gratifications of this other kind. What is over and above satisfying the limited desire is given for the amusement of those desires which cannot be satisfied, but seem to be altogether endless".⁽¹⁷⁾

Thus, while the demand for food is limited by the capacity of the human stomach, "the desire of the conveniences and ornaments of building, dress, equipage and household furniture seems to have no certain limit or boundary".⁽¹⁸⁾

This means a continuing process of demand-led growth, and of national felicity, if growth in happiness is proportional to growth in consumption. But Smith refers to consumer goods as "baubles and trinkets",⁽¹⁹⁾ "trinketets of frivolous utility",⁽²⁰⁾ "a few trifling conveniences",⁽²¹⁾ which are "fitter to be the playthings of children than the serious pursuits of man".⁽²²⁾ Consumption is "the gratification of the most childish, the meanest and the most sordid of all vanities".⁽²³⁾

The belief that commodity-consumption promotes happiness is a "deception",⁽²⁴⁾

"To what purpose is all the toil and bustle of the world? ... Is it to supply the necessities of nature? The wages of the meanest

labourer can supply them. Do (the upper classes) imagine that their stomach is better in a palace than in a cottage? The contrary has been so often observed, and, indeed, is so very obvious ... that there is nobody ignorant of it".⁽²⁵⁾

The "deception" that "trifling and frivolous"⁽²⁶⁾ commodities yield utility is functionally necessary to stimulate production, growth and employment. It

"rouses and keeps in continual motion the industry of mankind. It is this which first prompted them to cultivate the ground, to build houses, to found cities and commonwealths, and to invent and improve all the sciences and arts which ennoble and embellish human life".⁽²⁷⁾

Hence, growth and progress result from greed. Moreover, high employment leads to high output, and a high level of consumption helps to dispose of the product.⁽²⁸⁾ But such greed is to Smith altogether a deplorable affair if one abstracts from the changes for which it serves as the motor:

"How many people ruin themselves by laying out money on trinkets of frivolous utility? What pleases these lovers of toys is not so much the utility as the aptness of the machines which are fitted to promote it. All their pockets are stuffed with little conveniences. They contrive new pockets, unknown in the clothes of other people, in order to carry a greater number. They walk about loaded with a multitude of bubles, in weight and sometimes in value not inferior to an ordinary Jew's box some of which may sometimes be of some little use, but all of which might at all times be very well spared,

and of which the whole utility is certainly not worth the fatigue of bearing the burden".⁽²⁹⁾

Once one has clothes to wear (absolute utility), buying still more clothes yields satisfaction not because they yield more protection against the elements, but because of ostentation and conspicuous consumption (relative utility). Smith was nearer to Veblen than to Bentham in this. Thus: "Happiness and misery ... reside chiefly in the mind".⁽³⁰⁾ And: "With the greater part of rich people the chief enjoyment consists in the parade of riches".⁽³¹⁾ And: "It is the vanity, not the ease or the pleasure which interests us".⁽³²⁾ Or: "the rich, not being able to distinguish themselves by the expense of any one dress, will naturally endeavour to do so by the multitude and variety of their dresses".⁽³³⁾

The rich may purchase an object because it is expensive:

"In their eyes the merit of an object ... is greatly enhanced by its scarcity or by the great labour which it requires to collect any considerable quantity of it, a labour which nobody can afford to pay but themselves".⁽³⁴⁾

Or elsewhere:

"The rich and the great, the proud and the vain, will not admit into their gardens an ornament which the meanest of the people can have as well as they".⁽³⁵⁾

Hence, the sculpture of trees, being inexpensive and therefore common, never became an accepted art form for the upper classes.

After all,

"in the cabbage-garden of a tallow-chandler we may sometimes

perhaps have seen as many columns and vases and other ornaments in yew as there are in marble and porphyry at Versailles; it is this vulgarity which has disgraced them". (36)

Smith's approach to the price-mechanism and the theory of value has similar overtones of his concern with social stratification and status-symbols. In the Lectures he relates value to utility and scarcity and resolves the diamonds/water paradox as follows:

"It is only on account of the plenty of water that it is so cheap as to be got for the lifting; and on account of the scarcity of diamonds ... that they are so dear". (37)

He then personifies the demand curve. High prices are paid by people with great fortunes and low prices by "the inferior ranks of people", (38) without great fortunes. Thus, the price of a given commodity depends not just on scarcity but on the distribution of income and on the tastes and preferences of buyers. A different distribution of wealth, a different evaluation of given goods in terms of status, would result in different market-values. In a dynamic economy, the pattern is continually being upset; and it is no surprise that in the Wealth of Nations Smith opted for a more durable and constant standard of value, labour-embodied.

In the Lectures he gives a clear picture of how the rich prove they are rich in the market-place:

"If two persons have an equal fondness for a book, he whose fortune is largest will carry it. Hence things that are very rare always go to rich countries ... Upon this principle, everything

is dearer or cheaper according as it is the purchase of a higher or a lower set of people. Utensils of gold are comestible only by persons in certain circumstances. Those of silver to another set of people, and their prices are regulated by what the majority can give".⁽³⁹⁾

We have already suggested that higher consumption to Smith has nothing to do with the struggle for existence, and have rejected Professor Cropsy's view of Smith as a Hobbesian. But Professor Macfie, in his review of Cropsy,⁽⁴⁰⁾ seems to have missed the spirit of Smith's theory of consumption when he says that Smith's stress on luxury goods shows self-preservation cannot be the motive of economic activity. To Smith, goods are badges of office. A man does not only want to exist, but to exist in a particular station of life. A Lord should look and act like a lord. Social preservation is as important as physical preservation. Consuming with propriety is a significant part of acting with propriety. Consider the contingency in Smith's social definition of necessities:

"By necessities I understand, not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without. A linen shirt, for example, is, strictly speaking, not a necessity of life. The Greeks and Romans lived, I suppose, very comfortably, though they had no linen. But in the present times, through the greater part of Europe, a creditable day-labourer would be ashamed to appear in public without a linen

shirt, the want of which would be supposed to denote that disagreeable degree of poverty which, it is presumed, nobody can well fall into without extreme bad conduct. Custom, in the same manner, has rendered leather shoes a necessary of life in England. The poorest creditable person of either sex would be ashamed to appear in public without them. In Scotland, custom has rendered them a necessary of life to the lowest order of men; but not to the same order of women, who may without any discredit, walk about bare-footed. In France they are necessities neither to men nor to women; the lowest rank of both sexes appearing there publicly without any discredit, sometimes in wooden shoes and sometimes bare-footed. Under necessities, therefore, I comprehend not only those things which nature, but also those things which the established rules of decency have rendered necessary to the lowest rank of people. All other things I call luxuries, without meaning by this appellation to throw the smallest degree of reproach upon the temperate use of them. Beer and ale, for example, in Great Britain, and wine in the wine countries, I call luxuries. A man of any rank may, without any reproach, abstain totally from tasting such liquor. Nature does not render them necessary for the support of life; custom nowhere, renders it indecent to live without them". (41)

Thus, a man's behaviour-patterns should be suitable and proper for his station in life:

"When we say that a man is worth fifty or a hundred pounds a year ... we mean commonly what is or ought to be his way of living, or the

quantity and quality of the necessities and conveniences of life in which he can with propriety indulge".⁽⁴²⁾

Or:

"It may indeed be doubted whether butchers' meat is any where a necessary of life ... Decency no where requires that any man should eat butchers' meat, as it in most places requires that he should wear a linen shirt or a pair of leather shoes".⁽⁴³⁾

There are thus socially-defined standards of propriety in consumption, and one is not free to consume what he likes. A person who consumes too little, relative to his station, whose "dress, equipage and way of living"⁽⁴⁴⁾ are not splendid enough, will be dismissed as an imposter: "Men of no more than ordinary discernment never rate any person higher than he seems to rate himself".⁽⁴⁵⁾

The king eating fish and chips in the East End would be as out of place as a sow in a drawing room:

"As in point of dignity a monarch is more raised above his subjects than the chief magistrate of any republic is ever supposed to be above his fellow-citizens; so a greater expense is necessary for supporting that higher dignity. We naturally expect more splendour in the court of a king than in the mansion-house of a doge or burgo-master".⁽⁴⁶⁾

Similarly, it would be improper and unseemly in England for a respectable family to live in a flat. The

"peculiar manners and customs of the people ... oblige every master of a family to hire a whole house from top to bottom. A dwelling-house in England means everything that is contained under the same roof. In France, Scotland, and many other parts of Europe,

it frequently means no more than a single story".⁽⁴⁷⁾

Thus rents in London are higher than on the Continent. The reason is scarcity of accommodation, but the scarcity is relative and social, not absolute. It is simply an aspect of role-playing in society.

Smith makes clear that consumption yields utility, like any other social action, because of its propriety, as seen by the spectator. For this reason, standards of consumption vary from society to society:

"To one who was to live alone on a desolate island, it might be a matter of doubt perhaps whether a palace or a collection of such small conveniences as are commonly contained in a tweezer-case would contribute most to his happiness and enjoyment. If he is to live in society, indeed, there can be no comparison, because in this, as in all other cases, we constantly pay more regard to the sentiments of the spectator than to those of the person principally concerned, and consider rather how his situation will appear to other people, than how it will appear to himself".⁽⁴⁸⁾

Wealth attracts respect, and an individual may desire to "better his condition",⁽⁴⁹⁾ not to enjoy more consumption, but because the impartial spectator may be more able to "sympathise" with success and comfort than with wretchedness and misery. The supreme goal is to attract "sympathy"; wealth, rank, power and reputation are just the means to this end. One's "external fortune" is inseparable from "rank and credit";

"Though it is in order to supply the necessities and conveniences of the body that the advantages of external fortune are originally recommended to us, yet we cannot live long in the world without perceiving that the respect of our equals, our credit and rank in the society we live in, depends very much upon the degree in which we possess or are supposed to possess those advantages. The desire of becoming the proper objects of this respect, of deserving and obtaining this credit and rank among our equals, is perhaps the strongest of all our desires; and our anxiety to obtain the advantages of fortune is, accordingly, much more excited and irritated by this desire than by that of supplying all the necessities and conveniences of the body, which are always very easily supplied".⁽⁵⁰⁾

To improve our standing, to win more respect and admiration, we must improve our fortune. Sympathy is morally neutral, and there is no reason to welcome the way it operates. It is easier to sympathize with the inhabitant of a palace than of a prison, but a prison is more useful than a palace to society.⁽⁵⁴⁾ We feel more "sympathy" towards a rich man than towards a poor man: "Our respect for the great ... is most apt to offend by its excess, our fellow-feeling for the miserable by its defect".⁽⁵²⁾ Indeed, this admiration of the rich and scorn for the poor may lead to a corruption of our moral sentiments, when we ignore the crimes of the great, so powerful is our sympathy with them⁽⁵³⁾

"It is chiefly from this regard to the sentiments of mankind that we pursue riches and avoid poverty ... what is the end of avarice

and ambition, of the pursuit of wealth, of power and pre eminence? ... To be observed, to be attended to, to be taken notice of with sympathy, complacency and approbation, are all the advantages which one can propose to derive from it. It is the vanity, not the ease or the pleasure, which interests us ... The rich man glories in his riches because he feels they naturally draw upon him the attention of the world ... The poor man, on the contrary, is ashamed of his poverty. He feels that it either places him out of the sight of mankind or that, if they take any notice of him, they have, however, scarce any fellow-feeling with the misery and distress which he suffers". (54)

Simply, it is easier for the spectator to sympathize with joy than with sorrow or poverty; (55) and one important reason for trying to improve one's economic position and to increase one's consumption of "trinkets" is to enjoy more sympathy from one's fellow creatures. The "rich consume little more than the "poor", (56) yet the "man of rank and distinction" is respected and his views are treated seriously. The poor man, although equally as virtuous and possibly even more so, is ignored: "When in the midst of a crowd, (he) is in the same obscurity as if shut up in his own house". (57)

The great are admired not so much because of their happiness as because of the propriety of means to the end of happiness. There is beauty in the fact that they have expensive country houses, servants, and all the other fittings of a perfectly-arranged machine, which is

admired for its own sake. This is a psychological obstacle to revolution: nature (via sympathy) supports the status quo even where reason teaches revolution is justifiable. The poor obey the rich, not out of fear or out of the hope of advancement, but simply out of admiration, out of a desire to "assist them in completing a system of happiness that approaches so near to perfection".⁽⁵⁸⁾

The rich are not thought to be happier, only the possessors of more means to happiness:

"It is the ingenious and artful adjustment of those means to the end for which they were intended that is the principal source of ... admiration".⁽⁵⁹⁾

The rich also enjoy power and "the desire of being believed, the desire of persuading, of leading and directing other people, seems to be one of the strongest of our natural desires".⁽⁶⁰⁾ Superior wealth, more than any other quality, confers authority,⁽⁶¹⁾ simply because it is a source of admiration. In some societies (e.g. the Middle Ages in Europe) wealth was directly a source of power: "Richard, Earl of Warwick, who was styled Make-King, maintained every day forty thousand people besides tenants".⁽⁶²⁾ Yet luxury (as a source of respect) allows the rich to have authority because of their wealth without actually having to waste wealth on retainers. A rich man enjoys respect through his consumption, since the more he consumes, the wealthier he is presumed to be, and thus the more deserving of "sympathy": "All the innocent blood that was shed in the civil wars provoked less indignation than the death of Charles I".⁽⁶³⁾

Perhaps the wise should be better respected than the rich; but Smith is simply reporting a scientific analysis. He feels that "the great mob of mankind" actually do admire wealth and greatness. (64) His account of popular admiration of the "man of rank and distinction" seems to be a simple description:

"Everybody is eager to look at him and to conceive, at least by sympathy, that joy and exaltation with which his circumstances naturally inspire him. Scarce a word, scarce a gesture, can fall from him that is altogether neglected". (65)

Indeed, when Smith comes to evaluate popular taste, he finds much to be desired. In the real world,

"the external graces, the frivolous accomplishments, of that impertinent and foolish thing called a man of fashion, are commonly more admired than the solid and masculine virtues of a warrior, a statesman, a philosopher or a legislator". (66)

The fact is that, in this world, "a campaign at Versailles or St. James is worth two in Germany or Flanders". (67) To be admired in this world, one needs to be rich and great and to behave accordingly. Wisdom is a superior quality, but it is hard to recognise a wise man (especially hard for the common people). It is easy to recognise the rich and powerful because they wear the badges of office. Moreover, since the prime role of the state is guaranteeing the sanctity of property, the upper classes are the natural rulers, having both means and incentive to preserve property rights. (69) Inequality of wealth becomes a source of social stability, not of discord.

Thus, consumption and wealth have social roles to play. The struggle for wealth is a struggle for position:

"Place, that great object which divides the wives of aldermen, is the end of half the labours of human life and is the cause of all the tumult and bustle, all the rapine and injustice, which avarice and ambition have introduced into this world".⁽⁷⁰⁾

It is also a struggle for sympathy: "Humanity does not desire to be great but to be beloved".⁽⁷¹⁾ Yet sometimes it is necessary to be great in order to be beloved, and in such a case one pursues riches to win approbation:

"To be observed, to be attended to, to be taken notice of with sympathy, complacency and approbation, are all the advantages which we can propose to derive from it".⁽⁷²⁾

The fact that men seek sympathy and approbation, that they want to be "trusted and believed",⁽⁷³⁾ that the worst of all misfortunes is "undeserved loss of reputation",⁽⁷⁴⁾ makes men fit for society. But the outward signs of who you are, how you dress and where you live. The rich lead in fashion. ("That is not the fashion which everybody wears, but which those wear who are of a high rank or character")⁽⁷⁵⁾ and, by association with themselves, make even aesthetically indifferent dress seem "genteel and magnificent". Similarly, also by association, if the same costume were worn by the "inferior ranks of people", it would seem "to have something of their meanness and awkwardness".⁽⁷⁶⁾ Thus, not only do clothes make the man (clothes as the badge of office), but the man makes the clothes (mutton dressed up as lamb is still mutton).

Other writers of the Scottish School were also aware of the role of consumption as a social action, of its importance for social stratification. Thus Adam Ferguson wrote in 1767:

"The sovereign himself owes great part of his authority to the sounding titles and the dazzling equipage which he exhibits in public. The subordinate ranks lay claim to importance by a like exhibition, and for that purpose carry in every instant the ensigns of their birth, or the ornaments of their fortunes. What else could mark out to the individual the relation in which he stands to his fellow-subjects, or distinguish the numberless ranks that fill up the interval between the state of the sovereign and that of the peasant? ... Every condition is possessed of peculiar dignity and points out a propriety of conduct which men of station are obliged to maintain".⁽⁷⁷⁾

II

We will now try to illustrate Adam Smith's theory of consumption with three examples:

(1) The theory of saving and investing. The Keynesian discovery that savings and investment are not simple functions of the rate of interest and are substantially influenced by sociological and psychological factors was only a rediscovery of a view often taken by earlier economists.⁽⁷⁸⁾ Smith too felt that the capitalist experiences a Faustian conflict between consuming his revenue and investing it.

One reason why a capitalist saves and invests is the temptation of deferred but increased consumption. Being prudent and having self-command, he can compare present and future consumer satisfactions. Accumulation means "a man grows rich"⁽⁷⁹⁾ if he is prepared to "postpone the present enjoyment for the sake of a greater income".⁽⁸⁰⁾

A second reason, however, is that the very definition of a capitalist is a man with capital. If the capitalist does not abstain from "the passion for present enjoyment", if he fritters away his capital on unproductive labourers (actors, hairdressers, and other services), and luxury goods, his capital will be exhausted and he will cease to be a capitalist. The upper classes, on the other hand, can afford to indulge their love of "extravagant vanity";⁽⁸¹⁾ their revenue comes from the rent of land farmed by others, and thus renews itself automatically. Moreover, in some aristocratic societies, "to trade was disgraceful to a gentleman".⁽⁸²⁾

Along with the aristocracy, there is at least one group within the middle classes which prefers extravagant consumption to parsimony and accumulation. This is the case of the wealthy tax-farmers, bankers and financiers, who have climbed as far as institutions permit up the social ladder.

"Such people are commonly men of mean birth, but of great wealth, and frequently of great pride. They are too proud to marry their equals, and women of quality disdain to marry them. They frequently resolve, therefore, to live bachelors, and having neither any families

of their own, nor much regard for those of their relations, whom they are not always very fond of acknowledging, they desire only to live in splendour during their own time, and are not unwilling that their fortunes should end with themselves".⁽⁸³⁾

Thirdly, the aristocracy is already admired and influential. The capitalist, however, must win by his function what he cannot win by status at birth. The wealthier he is, the more sympathy he will attract.

Fourthly, the wealthier he is, the more power he will have:

"The desire of being believed, the desire of persuading, of leading, and directing other people, seems to be one of the strongest of all our natural desires".⁽⁸⁴⁾

Ownership of capital gives him power, and "the pride of man makes him love to dominate".⁽⁸⁵⁾ It is analogous to slavery which exists not only because of the return on the investment but also because of "that tyrannic disposition which may almost be said to be natural to mankind".⁽⁸⁶⁾

Fifthly, simply, prudence is proper and a virtue in itself, along with some justice and some benevolence. The very act of saving (and abstention from consuming) attracts the approbation of the impartial spectator "as much under the aspect of propriety as under that of utility";⁽⁸⁷⁾

"In the steadiness of his industry and frugality, in his steadily sacrificing the ease and enjoyment of the present moment for the probable expectation of the still greater ease and enjoyment

of a more distant but more lasting period of time, the prudent man is always both supported and rewarded by the entire approbation of the impartial spectator". (85)

The upper classes do not suffer from a Faustian conflict since they do not accumulate capital. If there is to be accumulation, there must be a rising middle class willing to save out of profits. In short, a social revolution comes about (the precondition for, and the result of, accelerated economic growth) as the national income is redistributed away from dissolute landowners towards thrifty and industrious businessmen, who thus get more growth out of a given capital. For this reason, competition is to be welcomed as it keeps profits low. The supply-curve of capital is backward-bending with respect to returns; the higher the returns, the more dissolute and the less parsimonious the capitalist becomes, the more he behaves like a corrupt landowner. For maximum economic growth, the capitalist should not be allowed to become too rich lest he forgets his Faustian conflict.

It is important to remember that not only wealth (the end) but prudence (the means to the end) is a source of approbation. There are prizes for trying as well as succeeding. What matters most of all is propriety in playing the game:

"His parsimony today must not arise from a desire of the particular threepence which he will save by it, nor his attendance in his shop from a passion for the particular tenpence which he will

acquire by it: both the one and the other ought to proceed solely from a regard to the general rule, which prescribes, with the most unrelenting severity, this plan of conduct to all persons in his way of life. In this consists the difference between the character of a miser and that of a person of exact economy and assiduity. The one is anxious about small matters for their own sake; the other attends to them only in consequence of the scheme of life which he has laid down to himself".⁽⁸⁹⁾

(2) Smith is often described as a champion of consumer sovereignty. Although he clearly used the insatiable desires for "baubles and trinkets" of the consumers as a means for stimulating economic growth, he makes no secret of his scorn for the consumer's choices. Thus "a pair of diamond buckles" is "frivolous and useless".⁽⁹⁰⁾ The structure of consumer choices, the propriety assigned to given trinkets, is the product of the distribution of income, itself the result of the institutional arrangements in a given society. Different societies have different arrangements. As institutional reform was his aim, Smith was not reluctant to condemn those market choices he did not fancy and to scheme against them through his advocacy of economic growth.

It is sometimes said that the market is like an election in which the consumer "votes" for a commodity. If so, then Smith is like the absolute ruler described by Brecht who, displeased by the way his people voted, dissolved the people and elected another.

To Smith, all goods were clearly not equal in the sight of the market. He laughed at the "folly" of a "capricious man of fashion"

who preferred foreign goods "merely because they were foreign".⁽⁹¹⁾

Silver is dismissed as "one of the most proper subjects of taxation, a mere luxury and superfluity".⁽⁹²⁾ All goods are not of equal importance: "Corn is a necessity, silver is only a superfluity".⁽⁹³⁾ Thus disaggregation is a help in assessing how to treat a given group of commodities. Imports from America, for example, are clearly a mixed bag - some are "for convenience and use", others "for pleasure", still others "for ornament".⁽⁹⁴⁾

The pageantry of the court is "splendid but insignificant", involving as it does "costly trinkets" to satisfy "frivolous passions".⁽⁹⁵⁾

There are three reasons for the great demand for accommodation in London: "trade and business", "pleasure and society", and "mere vanity and fashion".⁽⁹⁶⁾ From this Smith concludes that, since the poor spend a smaller part of their incomes on housing than do the rich (the poor reserve their meager incomes mainly for subsistence), a tax on housing would be desirable. It would, after all, be progressive. Its justification lies precisely in the wilful distortion of the free market:

"The luxuries and vanities of life occasion the principal expense of the rich; and a magnificent house embellishes and sets off to the best advantage all the other luxuries and vanities which they possess. A tax upon house-rents, therefore, would in general fall heaviest upon the rich; and in this sort of inequality there would not, perhaps, be anything very unreasonable. It is not very

unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion".⁽⁹⁷⁾

In his discussion of China, he pointed out that the price of gold and silver was abnormally high there for institutional reasons. In a stationary economy, the incomes of the masses tend to the subsistence level. Wealth was thus concentrated in the hands of traditional aristocrats or "grandeos" with no desire to invest, and a vested interest in preventing others from doing so. These "grandeos" sought to distinguish themselves by their consumption patterns; and the precious metals, being "singular and rare", became "the great objects of the competition of the rich".⁽⁹⁸⁾

In general, the consumption of "all sorts of luxuries and curiosities"⁽⁹⁹⁾ is the way in which the rich prove they are rich. The Romans were willing to pay high prices for rare birds and fish in order to keep up with fashion.⁽¹⁰⁰⁾ In the case of China, however, Smith is disturbed by the news that while the upper classes squandered money on "conveniency and luxury",⁽¹⁰¹⁾ the masses were only enjoying "subsistence" by virtue of the fact that they dined off the carcasses of dogs. Of course, this was the verdict of the market; but Smith found it unacceptable. He called for a growing economy to replace a stationary economy, as it would, by redistributing the national income, create a new set of market decisions. He seems to feel that, in comparing positions of Farasian optimality, some positions are more optimal than others.

This is a value judgement. But Smith saw the need economic growth itself as a value judgement. After all, just as a progressive income tax or a discriminatory purchase tax penalise certain consumers and certain goods, so as an economy grows, certain sectors benefit more than others. The relationships between market prices are altered. Since the basic need for food has already been satisfied we must look elsewhere to see the effect of growth on the structure of total demand:

"As art and industry advance, the materials, of clothing and lodging, the useful fossils and minerals of the earth, precious metals and the precious stones should gradually come to be more and more in demand, should gradually exchange for a greater and greater quantity of food, or in other words, should gradually become dearer and dearer". (102)

Moreover, whereas most modern economists tend to take a rising standard of living as the goal and institutional change as the means, Smith dismisses a rising standard of living as a "deception". It is the means, and institutional change is the end. If economics is the science of choice, then Smith follows this to its logical conclusion by proposing to choose not only between goods in a given situation, but between different situations. This has distinct existentialist overtones, and it is no surprise to find Henri Bergson praising Smith at length in Les Hommes et Les Valeurs.

To take another example of Smith's rejection of market decisions: it came as a surprise to Bentham that Smith supported the usury laws.

Smith refused to let the market find its own level to prevent money from getting into the hands of "speculators, prodigals and spendthrifts".⁽¹⁰³⁾ These men would borrow at high rates of interest and squander the money on maintaining unproductive labourers. Natural equilibrium would not promote growth. The philosopher feels he knows better than the private investor what society needs.

Indeed, what society needs is to Smith more important than what society wants since effective demand is a function of the distribution of income, and is altered qualitatively as well as quantitatively by economic growth. Smith seems to regard wants as a static concept, (to be satisfied at a point in time or not at all), needs as a dynamic concept (to be satisfied via economic and social change).

Another example of this normative approach to market choices is Smith's account of the decline of feudalism. He recognises that the power of aristocracy and clergy was eroded by the development of markets, and welcomes their decision to trade their agricultural surplus rather than use it wastefully to maintain armies of retainers. He is scornful of their decision, of course:

"For the gratification of the most childish, the meanest and most morbid of all vanities, they gradually bartered their whole power and authority".⁽¹⁰⁴⁾

However he is pleased with the resultant decline in their power.

Nathan Rosenberg (105) has pointed out that to Smith, the more durable a commodity is, the less it is suspected of being wasteful of capital. Thus the services of unproductive labourers are used up and do not reproduce the capital. Nothing is produced "which could afterwards purchase or procure an equal quantity of labour", (106) a very serious defect if one's goal is growth and full employment. The work of unproductive labourers "perishes in the very instant of its production". (107) Thus productive labour is preferred to unproductive labour, goods to services.

Moreover, even among consumer goods, the more durable are preferred to the less durable. A "great wardrobe of fine clothes" is "the most trifling of all". (108) The reason is that it wears out in a short time:

"A stock of clothes may last several years, a stock of furniture half a century or a century, but a stock of houses, well built and properly taken care of, may last many centuries". (109)

Rosenberg argues:

"If we look upon economic growth as a matter of accumulating things which will provide a flow of useful services in the future, then it is clear that the greater the durability of an item, the more it approximates the characteristics of an investment good. A growing taste for durables is, therefore, favorable to economic growth". (110)

Even such durables can be frivolous, but at least they are durable. Smith, a conservative deeply concerned with continuity

and stability, probably attached social as well as economic meaning to durables (analogous to his approach to the theory of value).

The composition of demand affects the speed of growth, and Smith indicates that market preferences should if possible be directed so as not to waste precious capital.

(3) As for the labour-market, it too is social in its behaviour-patterns. Prestige is as important as income; since, indeed, income, consumption and investment are themselves aimed largely at prestige. Thus, a person may from the outset equally rationally choose a high-prestige, low-income occupation, and dispense with the attempt to win respect by consuming and investing. Thus, "The office of judge is in itself so very honourable that men are willing to accept of it, though accompanied with very small emoluments". (111)

Lawyers, knowing they have only a very small chance of success, still enter the profession. In the Wealth of Nations Smith attributes this to their conceit (each one thinks he will succeed where his predecessor had failed); but in the Lectures he says:

"It is the eminence of the profession and not the money made by it that is the temptation for applying to it, and the dignity of the rank is to be considered as a part of what is made by it". (112)

If social norms and the structure of prestige were to change, there would have to be a compensating pattern in remuneration to keep job choices constant. This assumes men can be induced at all to trade prestige for cash. As we have seen, in the Middle Ages,

"to trade was disgraceful to a gentleman".⁽¹¹³⁾ Similarly, even if rewards to farmers were unusually high, capitalists would be unwilling to move into agriculture;

"Through the greater part of Europe the Yeomanry are regarded as an inferior rank of people, even to the better sort of tradesmen and mechanics; and in all parts of Europe, to the great merchants and master manufacturers. It can seldom happen, therefore, that a man of any considerable stock should quit the superior in order to place himself in an inferior station".⁽¹¹⁴⁾

Similarly, since power is important as well as prestige, ambitious men are attracted to professions like politics.⁽¹¹⁵⁾

III

Production takes place at a psychological cost. To gain some benefits (i.e. commodities and status) one must incur some costs (i.e. loss of leisure and tranquillity). The philosopher, contemplating on the nature of true satisfaction, is in no doubt that the costs outweigh the benefits;

"In ease of the body and peace of the mind, all the different ranks of life are nearly upon a level, and the beggar who sits himself by the side of the highway possesses that security which kings are fighting for".⁽¹¹⁶⁾

The paradox of human society seems to be that each person is capable of happiness simply by restricting his demands. Just as

minimum standards of physical comfort are the precondition for tranquillity of body, so is satisfaction with one's lot the precondition for tranquillity of mind, "which is so necessary to happiness". (117)

"What can be added to the happiness of the man who is in health, who is out of debt and has a clear conscience? ... This situation, however, may very well be called the natural and ordinary state of mankind". (118)

"Avarice and ambition" upset one's equilibrium; they mean a loss of tranquillity. Smith accepts the Stoic view that there is only a small difference between one permanent situation and another, and that the security of having a permanent situation in itself yields satisfaction. In truth,

"Happiness consists in tranquillity and enjoyment. Without tranquillity there can be no enjoyment; and where there is perfect tranquillity there is scarcely anything which is not capable of amusing ... Examine the records of history, recall what has happened within the circle of your own experience, consider with attention what has been the conduct of almost all the greatly unfortunate, either in private or public life, whom you may either have read of, or heard of, or remember, and you will find that the misfortunes of by far the greater part of them have arisen from their not knowing when they were well, when it was proper for them to sit still and be contented". (119)

Ambition, the motor of economic change, is social; it derives from the desire to enjoy greater sympathy and from emulation of the rich. But it destroys tranquillity rather than restores it. The ambitious man despises what he has and envies his superiors.

"Through the whole of his life he pursues the idea of a certain artificial and elegant repose which he may never arrive at, for which he sacrifices a real tranquillity that is at all times in his power ... In his heart he curses ambition and vainly regrets the ease and the indolence of youth, pleasures which are fled for ever and which he has foolishly sacrificed for what, when he has got it, can afford him no real satisfaction". (120)

He finds in the end that:

"wealth and greatness are mere trinkets of frivolous utility, no more adapted for procuring ease of body or tranquillity of mind than the tweezer-cases of the lover of toys". (121)

Power and riches are ephemeral:

"They keep off the summer shower, not the winter storm, but leave him always as much, and sometimes more, exposed than before, to anxiety, to fear, and to sorrow, to diseases, to danger and to death". (122)

An ambitious man destroys his present tranquillity and will probably never be contented. Consumption goods, in terms of direct utility yielded, are "a deception". They are desired as status-

symbols in the struggle for prestige, sympathy and influence; but a poor man's son "whom Heaven in its anger has visited with ambition"⁽¹²³⁾ might as well not try to better his condition by an "augmentation of fortune",⁽¹²⁴⁾ since he will never rise high enough to command real respect. Nor would he be accepted socially if he did become very wealthy.⁽¹²⁵⁾

Moreover, ambition destroys the desirable social quality of humanity:

"In the mild sunshine of undisturbed tranquillity, in the calm retirement of undissipated and philosophical leisure, the soft virtue of humanity flourishes the most, and is capable of the highest improvement".⁽¹²⁶⁾

Moreover, ambition leads to economic and social changes, and these might upset the delicate social balance which is necessary for political stability. He makes it clear that, provided the government has shown itself capable of maintaining justice and security, "the support of the established government seems evidently the best expedient for maintaining the safe, respectable and happy situation of our fellow-citizens".⁽¹²⁷⁾

But the maintenance of the established political order depends on the maintenance of the established social order and the domestic balance of power:

"Upon the ability of each particular order of society to maintain its own powers, privileges and immunities against the encroachments of

every other, depends the stability of that particular constitution". (128)

But economic change means social change, and social change means political change:

"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". (129)

Moreover, a further reason why Smith would have welcomed tranquillity is that it is necessary for the moral sentiments. In the violence of passion, the impartial spectator is ignored and moral judgements are deformed. The insatiable drive for wealth might mean prudence swells until it leaves no room for the other virtues, justice and benevolence. Frenzied ambition can be compared with faction and fanaticism, of which Smith says:

"Of the corrupters of the moral sentiments ... faction and fanaticism have always been by far the greatest". (130)

In any case, if change is rapid, standards of propriety (and therefore of morality) change rapidly. Standards become blurred and people may become confused about what is proper (and moral) at a given point in time.

Finally, a last reason why Smith praises tranquillity is that it is aesthetically pleasing. Order is beautiful in itself:

"When a person comes into his chamber and finds the chairs all standing in the middle of the room, he is angry with his servant". (131)

The reason for his anger is not utility (he could have sat on one of the chairs) but aesthetics (he desires "arrangement"). For

the same aesthetic satisfaction, the "perfection of a well-oiled machine" is admired, regardless of what it produces.

In general, Smith seems sympathetic to anything that had continuity or duration, that was solid and not temporary. He uses this concept to explain the most diverse phenomena. Thus friendship "founded upon the love of virtue is ... the happiest, as well as the most permanent and secure".⁽¹³²⁾ Elsewhere he speaks of the political sacrifices the individual must make for "the stability and permanency of the whole system".⁽¹³³⁾

To some extent, Smith's ideal state is one of Stoic apathy. He praises "the man who struggles the least, who most readily acquiesces in the fortune which has fallen to him".⁽¹³⁴⁾ Yet, although material gains are a "deception" and true happiness consists in tranquillity, Smith nonetheless seeks to harness ambition and to provoke wide-ranging economic and social changes. This seems puzzling, in view of all that Smith says and of what we know about the simplicity of his life, of his own dislike of ostentation and advancement. The explanation might be as follows, however:

(1) Although tranquillity is a desirable goal, there already exist obstacles to it, such as the poverty of the lower classes, injustices perpetrated by the aristocracy and the state, false doctrines spread by the Church, social conflict. The revolutionary upheaval of the Wealth of Nations may be interpreted as a counter-revolution to restore tranquillity. This is why we earlier

argued that the unique connecting principle in Smith's economics and sociology is the doctrine of progress.

(2) Tranquillity need not be a state of rest; it could also mean smooth change, change taking place in a gradual and tranquil way without any sudden major disruption of the time-honoured patterns of activity. This is implicit in Smith's materialism: any changes in the ethical, intellectual or social superstructure must arise spontaneously from the economic and technological infra-structure.

(3) Tranquillity is related to ideas of proportion, moderation and balance. This means that some prudence (or self-love) is actually virtuous, if it is properly combined with justice and benevolence. This want of proper self-love would be "a failing",⁽¹³⁵⁾ just as excessive benevolence would be:

"Every affection is useful when it is confined to a certain degree of moderation, and every affection is disadvantageous when it exceeds the proper bounds".⁽¹³⁶⁾

The impartial spectator welcomes a certain amount of personal advancement and ambition, provided "the balance of the affections"⁽¹³⁷⁾ is respected. The mind is tranquil so long as it knows behaviour is proper. Moderation is the basis of sympathy and social intercourse.⁽¹³⁸⁾ The command of the passions, being proper and attracting sympathy, is a source of satisfaction quite apart from the material result of the exertions. Only when there is no command of the passions and exertions become improperly excessive does an individual experience loss of tranquillity. Propriety itself is thus a source of tranquillity.

IV

James Mill persuaded Ricardo to write his Principles of Political Economy, and that book may be regarded as the high-water mark of utilitarian economics. Some writers have attempted to interpret Smith as a utilitarian economist as well. Thus Flamenatz writes that "The classical economists, especially the three most famous of them, Adam Smith, Malthus and Ricardo, were Utilitarians. They believed that the proper end of government is the greatest happiness of the governed".⁽¹³⁹⁾ Moreover, if each man pursues his own self-interest, by an invisible hand "the natural harmony of interests is assured".⁽¹⁴⁰⁾

Campbell argues:

"Despite all that Smith has to say against utility as the explanation for the ordinary person's moral and political attitudes, his own normative moral and political philosophy turns out to be, in the end, a form of utilitarianism. It is because men, by following their spontaneous moral sentiments, play their part in a system which is conducive to the happiness of mankind that Smith recommends that these moral sentiments should continue to serve as guides for conduct".⁽¹⁴¹⁾

In other words, Hutcheson's criterion of "the greatest happiness of the greatest number" must be applied to determine if a given philosopher is a utilitarian. If so, then Smith must have been a utilitarian. Dugald Stewart says of him:

"The study of human nature in all its branches ... gratified his ruling passion of contributing to the happiness and the improvement

of society".(142)

Utility is the proof of the smooth functioning of the social machine. Even revolution is justifiable, according to Smith, where government is a hindrance to maximum happiness. Smith states clearly that:

"Pleasure and pain are the great objects of desire and aversion".(143)

"The happiness of mankind, as well as of all other rational creatures, seems to have been the original purpose intended by the author of nature when he brought them into existence".(144)

"All constitutions of government ... are valued only in proportion as they tend to promote the happiness of those who live under them".(145)

However this conceals the fact that although Smith and the utilitarian positivists agreed that the end result should be happiness, they disagreed on the means by which this was to be achieved. Hume and Bentham felt that man deliberately and rationally chooses objects and behaviour patterns which will directly increase his felicity. Smith, on the other hand, was too normative a thinker to believe that man consciously maximises utility in the real world. Utility is the result, but it is an unintended outcome of behaving with propriety.

Thus, Smith's conception of happiness was more complex than that of the utilitarians. It embraced three separate sources of satisfaction.

(1) Satisfaction is yielded by basic, necessary creature-comforts. Economic life thus becomes the pursuit of

"the means of gratifying those natural appetites, of procuring

pleasure and avoiding pain, of procuring the agreeable and avoiding the disagreeable temperature of heat and cold". (146)

(2) Satisfaction further results from the "sympathy" and approbation of the impartial spectator. Experience and observation cause one, by induction, to build up a code of propriety suitable in a given society, and to act accordingly since proper conduct is gratifying in itself:

"The love of just fame, of true glory, even for its own sake and independent of any advantage which he can derive from it, is not unworthy even of a wise man". (147)

As well as satisfying "the impartial spectator", "the man within the breast", conscience, one acts so as to win the approbation and sympathy of the real spectator, of one's fellow man. One plays one's assigned role so as to be accepted by others. Man is a social animal and conforms lest he become an outcast;

"Nature, when she formed man for society, endowed him with an original desire to please and an original aversion to offend his brethren. She taught him to feel pleasure in their favourable, and pain in their unfavourable regard". (148)

(3) The aesthetic pleasure of contemplating a smoothly-functioning social machine, regardless of what it produces. Once again it is propriety which is the source of happiness.

The important point to remember about Smith's theory of consuming is that once basic needs (for food, clothing and housing) have been

satisfied, commodity-consumption ceases to be positive and becomes normative. It becomes a social act in which goods yield utility because of their propriety or suitability in a given social context. All consumption is social, since goods are the symbols by which the King is distinguished from the pauper. The analogy to Veblen's *nouveaux riches* is plain.⁽¹⁴⁹⁾

The fact is that a good must not only be consumed; it must be seen to be consumed. In truth, "the rich consume little more than the poor".⁽¹⁵⁰⁾ The goods which they consume, however, are more expensive "trinkets", which command greater respect. The utility of consuming is indirect, through "vanity and ostentation".⁽¹⁵¹⁾ We have seen that "with the greater part of rich people the chief enjoyment consists in the parade of riches",⁽¹⁵²⁾ A man's "dress, equipage and way of living"⁽¹⁵³⁾ should be suitable to one of his station in life.

Goods must be seen as symbols in a social context. This is the basis of Hayek's disagreement with the absolutism of positivism.

"The objects of economic activity cannot be defined in objective terms but only with reference to a human purpose goes without saying. Neither a 'commodity' or an 'economic good', nor 'money' or 'food' can be defined in physical terms but only in terms of views people hold about things ... So far as human actions are concerned the things are what the acting people think they are".⁽¹⁵⁴⁾

And Polanyi points out:

"The outstanding discovery of recent historical and anthropological research is that man's economy, as a rule, is submerged in his social

relationships. He does not act so as to safeguard his individual interest in the possession of material goods; he acts so as to safeguard his social standing, his social claims, his social assets. He values material goods only in so far as they serve this end".⁽¹⁵⁵⁾

It is our opinion that Smith took a similarly normative view of commodity consumption. Sympathy and standing are the rewards of wealth and "it is chiefly from this regard to the sentiments of mankind that we pursue riches and avoid poverty".⁽¹⁵⁶⁾ Since sympathy and standing are thought to be very desirable, it is no surprise that a man "frequently has no bounds to his vanity"⁽¹⁵⁷⁾ and surrenders to "vain and insatiable desires"⁽¹⁵⁸⁾ which must in the long run cost him "the composure of the mind".⁽¹⁵⁹⁾

Eight years after Smith's Moral Sentiments, Adam Ferguson took a similar view of commodity-utilitarianism:

"We live in societies where men must be rich in order to be great; where pleasure itself is often pursued from vanity; where the desire of a supposed happiness serves to inflame the worst of passions and is itself the foundation of misery".⁽¹⁶⁰⁾

Smith was not troubled by the dangers of taste-manipulation. He felt that the possibility that the seller "may sometimes decoy a weak customer to buy what he has no occasion for" is "of too little importance to deserve the public attention".⁽¹⁶¹⁾ Of course, Smith did not foresee an advertising industry of Madison Avenue proportions; Also, as Galbraith points out, the world the early economists had in mind was characterized by "poverty, inequality and economic peril",⁽¹⁶²⁾ in which consuming meant physical survival and little more:

"One would not expect that the preoccupations of a poverty-ridden

world would be relevant in one where the ordinary individual has access to amenities - foods, entertainment, personal transportation and plumbing - in which not even the rich rejoiced a century ago. So great has been the change that many of the desires of the individual are no longer even evident to him. They became so only as they are synthesized, elaborated, and nurtured by advertising and salesmanship ... Few people at the beginning of the nineteenth century needed an ad-man to tell them what they wanted". (163)

It is more reasonable, however, to interpret Smith's dismissal of taste manipulation in another way, namely that each station of life has certain consumption norms associated with it. It is proper for a stockbroker to wear a bowler hat and for a cowboy to acquire a horse. Smith envisaged the sort of society where no individual was confused about the wherewithal necessary for his own role. The mirror of mankind, the impartial spectator, was the arbiter of propriety. Since (once basic needs for food, clothing and lodging have been satisfied) all needs are social, it is society, and not the advertising executive, which dictates what one consumes.

The role of society in shaping tastes has been neglected by economists. Yet if economics is the science of "scarce" means, then it is by its nature a social science, since "scarcity" is a highly subjective conception. Perhaps economics is no more than the "ideology" of scarce means, particularly if the satisfactions from Galbraith's toaster (which prints an inspirational message on each piece of toast) are social and not intrinsic, relative and not absolute.

Smith viewed consumption as one of the social actions which helps to define, to place an actor. Society is integrated by roles, not rules. To know who an actor is supposed to be, it helps to know what he consumes (where he lives, how he dresses, the school he went to, what car he drives). The consumer chooses certain "baubles and trinkets" (and rejects others) because these symbols help to define his status in a given social context. Money buys goods and goods buy sympathy, provided that they are proper in the situation. Consumption patterns are so predetermined that a man has little freedom of choice. Consuming becomes an act of Sartrean "mauvaise foi", an aspect of conformity to norms. Of course, in a rapidly changing society (especially where social change is the result of a rapidly changing economy), norms may be in a continual state of flux. Propriety may be in perpetual question. The ad-man is King, and freedom becomes so widespread that there is complete confusion as to what role each actor is playing (as Professor Berger puts it, Hamlet "may begin to do somersaults and sing dirty ditties").⁽¹⁰⁴⁾ This is in a sense the fundamental contradiction of Smith's theory of consumption. Choice is social, but society must change so as better to produce goods for the sovereign consumer. Stability of ends necessitates change of means.

In other words, Smith never resolved the contradiction between static and dynamic elements in his model. Need A is social (e.g. the village needs a new maypole). But economic change to satisfy Need A

revolutionises the social structure that gave rise to it (e.g. migration of half the villagers to towns to work in maypole factories). It may destroy Need A altogether, and create Need B (e.g. urban life with television and cinemas). The choice between two commodities is really a choice between two situations, two sets of institutions, two ways of life. The process of change from situation to situation acquires a momentum of its own. The eighteenth century villager wanted no more than a maypole; his descendents will be offered Sunday outings to the moon. New needs arise from the never-ending growth process itself, and are not intrinsic. To satisfy the new wants, new activities are necessary; hence other wants will arise. The science of economics merges with the philosophy of history. The ideological question arises of whether perpetual revolution by spontaneous combustion is good, bad or indifferent. Smith was not the sort of economist who could plead before some hypothetical Nuremberg that he was not responsible for institutional change; that he was only carrying out the orders of his superiors, the sovereign consumers, the kings. He believed he was responsible.

The utility of social institutions must be considered alongside that of goods, since it is only because of the value that a given society assigns to "baubles and trinkets" that they are consumed at all. Smith examined the utility of his creature, the new market society, with the scientific dedication of a Baron Frankenstein or a James Watt. As well as benefits, market society involved social costs. The social

cost of having more material goods is concentration in the anonymity and normlessness of industrial towns. Rapid economic and social change means a blurring of standards of propriety, and a resulting decay of morality and ethics. Traditional groups like the family become obsolete. Social conflict between workers and capitalists results as soon as the market mechanism is applied to factory labour. Social stability is sacrificed, and social change acquires a momentum of its own. Social solidarity disappears with the coming of unbridled competition and ambition. An ambitious man, in order to obtain wealth and greatness sacrifices his tranquillity and

"submits in the first year, nay, in the first month of his application, to more fatigue of body and more uneasiness of mind than he could have suffered through the whole of his life from the want of them". (165)

Moreover, on the shop floor, excessive division of labour leads to "alienation" of the operative.

In short, Smith considered the costs and benefits of a given social situation, of the very institutional infrastructure itself. He diagnosed the possibility of "moral pollution", especially if change were too rapid. Indeed, such an investigation was inevitable once he defined "scarcity" and "choice" as sociological and psychological, not physiological in origin. The fact that the utility or disutility of institutional arrangements cannot easily be quantified does not mean it does not (conceptually and empirically) exist.

A utilitarian positivist might have found such an approach multi-disciplinary; Smith, on the other hand, because of his belief in the circular flow of institutions, would no doubt have found utilitarian positivism demi-disciplinary. Fortunately for the evolution of social sciences, in the eighteenth century such demarcation disputes were rare. This allowed Smith to take an organic, synthetic, general equilibrium view of social phenomena, to study problems and not disciplines. In the theory of consuming, this meant studying the origin of consumer preferences as well as the way in which they were expressed in the marketplace.

For the very poor, consuming can be a life-and-death affair. Above the level of physical survival, however, economics is about social survival. Smith is pointing out that, in a materially rich world with superabundant means and socially-determined, non-random ends, the discipline must recognise ever more the interdependence of needs as between individuals. Words such as "emulation", "status symbol", "conspicuous consumption", "the relative income hypothesis" become de rigueur once wants are no longer defined to be exogenous. Perhaps the contemporary economist who comes closest to the methodology of Adam Smith is James Duesenberry. Duesenberry's questions are Smithian through-and-through:

"Are we justified in taking tastes as data at all? Are changes in tastes due to autonomic factors or are they (at least partly) due to economic events? In particular are the preferences of one individual affected by the actual behaviour of others? If that is so, the

preference systems in existence at one moment are the consequence of actual purchases in the past. We cannot say that our problem is to find how the system adapts to the data if the data are changing with the adaption". (166)

Notes

- (1) WN II Book V.
- (2) LJ p. 199.
- (3) WN II p. 179.
- (4) WN I p. 137. Italics mine.
- (5) WN I p. 449.
- (6) WN II p. 179.
- (7) L.J. p. 130.
- (8) WN I p. 34.
- (9) WN I p. 69.
- (10) A.L. Macfie, op. cit., p. 45.
- (11) WN I p. 180.
- (12) WN I p. 182.
- (13) idem.
- (14) MS, p. 311.
- (15) LJ, p. 160. Cf: "The necessities of man are not so great but that they can be supplied by the unassisted labour of the individual. All the above necessities everyone can provide for himself, such as animals and fruits for his food and skins for his clothing". ibid., p. 157. Reference should also be made to J.S. Davis, "Adam Smith and the Human Stomach", Quarterly Journal of Economics, May 1954.
- (16) LJ, p. 160.

- (17) WN I p. 183. (See also MS p. 349).
- (18) idem.
- (19) WN I p. 439.
- (20) MS, p. 259. Cf. WN I p. 368, II p. 443.
- (21) MS, p. 262.
- (22) WN I p. 439.
- (23) WN I p. 437.
- (24) MS, p. 263.
- (25) ibid., pp. 70-71.
- (26) WN I p. 368.
- (27) MS, p. 263.
- (28) See WN I, pp. 394-5, 451, 456, 458, 460, 462, 466, 515; II p.199.
- (29) MS, p. 259.
- (30) WN, II, p. 308.
- (31) WN, I, p.192.
- (32) MS, p. 71.
- (33) WN II p.207.
- (34) WN, I, p. 192.
- (35) "Of the Imitative Arts", loc. cit., p. 145.
- (36) ibid., pp. 144-5.
- (37) LJ, p. 157.
- (38) ibid., p. 178.
- (39) ibid., p. 177.

- (40) Macfie, op. cit., ch. 7.
- (41) WN II pp. 399-400.
- (42) WN, I p. 307. Italics mine.
- (43) WN II p. 405. See also I pp. 208-9.
- (44) MS, p. 375.
- (45) ibid., p. 381.
- (46) WN II p. 338.
- (47) WN I p. 132.
- (48) MS, pp. 261-2.
- (49) WN I p. 362.
- (50) MS, p. 311.
- (51) ibid., pp. 46-7.
- (52) ibid., p. 332.
- (53) See the title of Section III, chapter 3, of the Moral Sentiments.
- (54) MS, pp. 70-71. Italics mine.
- (55) ibid., p. 264. cf. pp. 260-5.
- (56) ibid., p. 264.
- (57) ibid., p. 71. cf. pp. 202-332-3.
- (58) ibid., p. 73.
- (59) ibid., p. 262.
- (60) ibid., p. 495.

- (61) LJ, pp. 9, 16.
- (62) ibid., p. 42.
- (63) MS, p. 73.
- (64) ibid., pp. 84-5. In Athens, where one man was thought of as the equal of any other, men were expected not to dress ostentatiously: "All appearance of pride, extraordinary authority or presumption of any sort was looked on at Athens with a jealous eye. The people were offended with Alcibiades, their greatest favourite, for wearing a dress somewhat more splendid than was ordinarily worn by the citizens. But the luxury of Lucullus, or the splendour of Pompey, were not objects of jealousy to the Romans". LRBE, p. 152. This was because Rome was a highly stratified society whereas Athens was egalitarian.
- (65) ibid., p. 72. Cf. pp. 85, 291.
- (66) ibid., p. 87.
- (67) ibid., p. 188.
- (68) Smith quotes Cicero: "There is nothing so absurd which has not sometimes been asserted by some philosophers". VN II p. 405. This reminds us how much philosophers disagree among themselves as to who is wise.
- (69) MS, p. 352.
- (70) ibid., p. 80. Cf. "Necessities and conveniences" of the body are secondary to "deserving and obtaining this credit and rank among our equals", which is "the strongest of our desires". MS, pp. 310-311. Also: "It is not ease or pleasure but always

honour ... that the ambitious man really pursues". MS, p.89.

Also: "Compared with the contempt of mankind, all other external evils are easily supported". MS, p. 83. Cf. p. 79.

(71) ibid., p. 236.

(72) ibid., pp. 70-71.

(73) ibid., p. 236.

(74) ibid., pp. 170-2, 202.

(75) ibid., p. 282.

(76) ibid., p. 283.

(77) A. Ferguson, An Essay on the History of Civil Society,
(ed. D. Forbes) (Edinburgh: Edinburgh University Press, 1966),
pp. 69-70. Cf. pp. 145, 161-2.

(78) E.g. P.A. Sreezy, The Theory of Capitalist Development (New York:
Oxford University Press, 1942), p. 82, on Marx;
T. Parsons, The Structure of Social Action (New York: The Free
Press, 1937), pp. 145-6 on Marshall.

(79) WN I p. 351. See also pp. 294, 301, 353, 362-3.

(80) MS, p. 434.

(81) WN I p. 468. Cf. I p. 178.

(82) WN II p. 442.

(83) WN II p. 455.

(84) MS p. 495.

(85) WN I p. 412.

- (86) LJ p. 96.
- (87) MS pp. 272-3.
- (88) ibid., p. 314.
- (89) ibid., p. 246. See also p. 77, and WN I p. 433-4.
- (90) WN I p. 437. He did not always reject market choices, of course
See I p. 517 for a defence of alehouses, for example.
- (91) WK I p. 492.
- (92) WN I p. 238.
- (93) WN I p. 212.
- (94) WN I p. 104.
- (95) WN II pp. 442-3.
- (96) WN II p. 367.
- (97) WN II p. 368.
- (98) WN I p. 228. See also p. 264.
- (99) WN I p. 240.
- (100) WN I p. 242.
- (101) WN I p. 462.
- (102) WN I p. 195.
- (103) WN I pp. 372, 379.
- (104) WN, I. p. 437.
- (105) N. Rosenberg, "Adam Smith, Consumer Tastes, and Economic Growth"
Journal of Political Economy, June 1968.

- (106) WN I p. 352.
- (107) idem.
- (108) WN , I. p. 368.
- (109) WN, I, p. 297. See also pp. 353, 363-70, 384-5.
- (110) Rosenberg, op. cit., p. 372.
- (111) WN II p. 240.
- (112) LJ, p. 175.
- (113) WN II p. 442.
- (114) WN I, p. 418.
- (115) WN, I, pp. 136-7.
- (116) MS, p. 265.
- (117) ibid., p. 49.
- (118) ibid., pp. 62-3. Cf. H.A., p. 20.
- (119) MS, pp. 209-211.
- (120) ibid., p. 262.
- (121) ibid., p. 201.
- (122) ibid., p. 263.
- (123) ibid., p. 259.
- (124) WN, I, pp. 362-3.
- (125) If previously "his family was dependent upon my family" MS.
- (126) MS, p. 215.
- (127) ibid., p. 340. Cf. p. 210.
- (128) ibid., p. 339.

- (129) idem.
- (130) ibid., p. 220. See also pp. 220-3.
- (131) ibid., p. 258.
- (132) ibid., p. 350.
- (133) ibid., p. 339.
- (134) ibid., p. 213. Cf. p. 371.
- (135) ibid., p. 446.
- (136) ibid., p. 448. Dr. West points out ("Adam Smith's Philosophy of Riches", Philosophy, March - April 1969, p. 115) that in the often-quoted passage: "Every man lives by exchanging or becomes, in some measure, a merchant", (WN I p.26), Smith qualifies his view with the words "in some measure". In other words, a balance of virtues is still needed.
- (137) ibid., p. 449. See also pp. 31, 207, 350-1, 448.
- (138) ibid., p. 400.
- (139) J. Plamenatz, The English Utilitarians 2nd ed. (Oxford: Blackwell 1958), pp. 111.
- (140) idem.
- (141) T.D. Campbell, op. cit., p. 205.
- (142) D. Stewart, loc. cit., p. xii.
- (143) MS p. 471.

- (144) ibid., p. 235.
- (145) ibid., p. 266.
- (146) ibid., p. 310.
- (147) ibid., p. 171.
- (148) ibid., p. 170.
- (149) T. Veblen, The Theory of the Leisure Class (New York: Modern Library, 1951)
- (150) MS pp. 263-4. See also WN I p. 183.
- (151) WN I p. 210. See also pp. 240-2.
- (152) WN I p. 192.
- (153) MS p. 381.
- (154) F.A. von Hayek, The Counter-Revolution of Science (New York: The Free Press, 1955), pp. 31, 27.
- (155) K. Polanyi, Origins of Our Time: the Great Transformation (London: Victor Gollanz Ltd., 1945), p. 53.
- (156) MS p. 70. Even Lindgren seems to make the mistake of treating Smith as a commodity-utilitarian. Thus, discussing the alleged differences of approach between the first edition of the Moral Sentiments (1759) and the Wealth of Nations (1776) he says: "Perhaps (Smith) realized during the intervening years that his former view of the pursuit of wealth as basically a quest of status governed by fashion was faulty and settled in the later period for the more reasonable view that it is motivated and governed by self-interest".

(Lindgren, *op. cit.*, pp. 910-911). First of all we have illustrated our view that consumption is mainly to obtain status with quotations from all Smith's main works (MS, LJ, LR, and VN). Secondly, self-love to Smith never means simply commodity-consumption; he never loses sight of the social context, and never asserts that most commodities yield much utility in themselves independent of societal propriety. Thirdly, to say commodity-utilitarianism (which is what Lindgren seems to understand by "self-love") is more "reasonable" is to indicate a fundamental lack of appreciation of the sociological nature of Smith's economics. What is "reasonable" to Lindgren might not have been "reasonable to Smith.

(157) VN I p. 440.

(158) MS p. 264.

(159) ibid., p. 360.

(160) D. Ferguson, *op. cit.*, pp. 161-2.

(161) VN I p. 383.

(162) T.K. Gelbraith, The Affluent Society, (Harmondsworth: Penguin Books, 1962), p. 14.

(163) idem. _____

(164) P. Berger, Invitation to Sociology, (Harmondsworth: Penguin Books, 1960), p. 157.

(165) MS p. 260.

(166) J. Buesenberry, Income, Saving and the Theory of Consumer

Chapter 6. PRODUCTION.

Man is a social animal and "can subsist only in society".⁽¹⁾

Moreover, going beyond mere existence, or a Hobbesian contract, man is emotionally bound to society. Simply, he has

"a natural love for society, and desires that the union of mankind should be preserved for its own sake, and though he himself was to derive no benefit from it. The orderly and flourishing state of society is agreeable to him, and he takes delight in contemplating it".⁽²⁾

We have already seen that consuming is a social act, to win the sympathy of the impartial spectator. But, more generally, to Smith all action is social since the by far the strongest human drive is to win approbation:

"The chief part of human happiness arises from the consciousness of being beloved".⁽³⁾

"As to be the object of hatred and indignation gives more pain than all the evil which a brave man can fear from his enemies, so there is a satisfaction in the consciousness of being beloved which, to a person of delicacy and sensibility, is of more importance to happiness than all the advantage which he can expect to derive from it".⁽⁴⁾

"It is not the ease or pleasure but always honour of one kind or another, though frequently an honour very ill understood, that the ambitious man really pursues".⁽⁵⁾

The "original passions" (the "unalterable passions of human nature")⁽⁶⁾ are the fundamental bodily instincts (food, clothing, lodging) plus fundamental social needs (the desire to win approval

and avoid disapproval; the desire for company). The "secondary passions" are the concrete passions which, in a given social context, help man to satisfy the original passions. (For example, self-love is a secondary passion. Egoism had to be moderated when man entered society, since otherwise he would soon have been excluded from society and unable to satisfy the original passions). Each society lays down norms concerning the propriety of each type of action.

A society could exist without mutual love, provided there were justice. In such a case there would simply be a "mercenary exchange of good offices at an agreed valuation".⁽⁷⁾ Smith, however, envisages a much more cohesive community linked by ties of sympathy. Sympathy is based on propriety of motivation, and the standard of propriety is social. But to Smith the form of a society is an artifact, the product of its economic infrastructure. In this chapter, therefore, we will study production - how economics produces society and how the ethical superstructure is related to it. In discussing Adam Smith's theory of the relationship between economy, social action, ethics and utility, we shall stress the interrelation between the following three concepts:

(1) "Sympathy". Man in society derives pleasure from discovering that his sentiments are identical to, or congruent with, the sentiments of his fellow man. He

"longs for that relief which nothing can afford him but the entire concord of the affections of the spectators with his own".⁽⁸⁾

Moreover, he can only hope to secure this concord by acting moderately, in the socially-approved manner,

"by lowering his passion to that pitch in which the spectators are capable of going along with him. He must flatten ... the sharpness of its natural tone in order to reduce it to harmony and concord with the emotions of those who are about him".⁽⁹⁾

Sympathy is used in its literal sense of congruence of sentiments, i.e. empathy.

(2) "The Spectator". There are two kinds of spectators. As we have seen, a man moderates his passions until they correspond to or coincide with those of the real spectators of his action. Thus one will avoid "clamorous grief" after noting that it is too exaggerated to attract the sympathy of the spectator.⁽¹⁰⁾

"Compared with the contempt of mankind, all other external evils are easily supported".⁽¹¹⁾

However, there is a second kind of spectator, the "impartial spectator". In contrast to the real spectator, he is both impartial and well-informed.⁽¹²⁾ His judgements do not vary with his moods and are not distorted by temporary passions.⁽¹³⁾ Indeed, although the applause of the real spectator is welcome, a virtuous man will persevere in an unpopular course of action if only the impartial spectator (as represented by "the man within the breast", conscience) approves. The spectator bases his judgements of right and wrong on accepted social patterns of behaviour, i.e. on induction and not on a Moral Sense (a propensity sensually to perceive right and wrong) of the type postulated by Hutcheson and Shaftesbury. There is to Smith no absolute standard of morality over and above the impartial spectator in a given situation.

(3) "Propriety". The definition of propriety cannot be found in systems of philosophy or in revealed religion, since what is proper is relative to the individual, society and the material infrastructure. In evaluating the propriety of conduct, the only sounding-board is "the sympathetic feelings of the impartial and well-informed spectator".⁽¹⁴⁾ Different situations produce different judgements, and hence Smith could not possibly have been a natural law philosopher: there is no one unique standard of propriety or set of rules. Virtue is empirical: what is defined as moral by the majority is moral, and no further evaluation of these sentiments is necessary. Having determined what is proper, one does the right thing because it is right, not for a reward. Although utility might be the result of action, propriety is the immediate cause.

In section I we will consider sympathy, in section II the spectator, in section III propriety. In section IV we will consider two examples of this approach, Smith's theories of punishment and of benevolence. In section V we will point out the implications of Smith's approach.

I

Sympathy, the simple concord or agreements of sentiments, is the cement of society. The harmony of sentiments also yields utility in itself. It is unselfish and unHobbesian in that a man does not moderate his sentiments in order to obtain wealth and power.⁽¹⁵⁾ Even the process of instinctive identification is unselfish: "my grief is entirely upon your account and not in the least upon my own".⁽¹⁶⁾ Thus a man can sympathize with a woman in

childbirth, although it is impossible for him ever to share such an experience. He can sympathise with the dead (by putting himself in his imagination in the position of the dead man) even though he is not the person affected and though his sympathy is with shadow-feelings which the dead person does not in fact feel. He can sympathise with a madman insensible to his condition:

"The anguish which humanity feels, therefore, at the sight of such an object cannot be the reflection of any sentiment of the sufferer. The compassion of the spectator must arise altogether from the consideration of what he himself would feel if he was reduced to the same unhappy situation and, what perhaps is impossible, was at the same time able to regard it with his present reason and judgement".⁽¹⁷⁾

Sympathy is simply a technique of perception. It is morally neutral. We perceive the congruence of sentiments and discover that this creates fellow-feeling, "the best and most comfortable of all social enjoyments".⁽¹⁸⁾ The happiness of others is thus desired, although a man derives nothing from it except the pleasure of seeing others happy; and the misery of others is feared as it is miserable to behold:

"However selfish every man may be supposed, there are some principles in his nature which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it".⁽¹⁹⁾

In other words, one man's gain is not another man's loss. Your gain is my gain, since I have the pleasure of sympathising with (and sharing) your happiness (so long as it is proper). We like to share a joke or a book with a friend since his pleasure corresponds to our pleasure, and this yields further pleasure (pleasure from the book plus pleasure from sympathy with our friend's pleasure);

"Sympathy enlivens joy and alleviates grief. It enlivens joy by presenting another source of satisfaction; and it alleviates grief by insinuating into the heart almost the only agreeable sensation which it is at that time capable of receiving".⁽²⁰⁾

However, according to Smith it is more difficult to "enter into" the feelings of those who are unhappy than of those who are happy. This is simply a scientific observation about the way in which sentiments are communicated, and he admits it may lead to a "corruption" of our moral sentiments.⁽²¹⁾ This asymmetry becomes the basis of property rights for Smith, however: the poor sympathise with the rich, who have all the proper means to the end of happiness. This sympathy is a bulwark against revolution (even in cases where Smith feels it might rationally be justified), a guarantee of political continuity, and the basis of the distinction of ranks. Inequality of fortunes is thus a source of stability, not discord. This psychological explanation of property-rights takes the place of Locke's attempt to trace property back to labour-embodied (making such rights "natural").

In the Lectures on Justice Smith provides an elaborate account of the acquisition of property, and, in almost every case he examines, decides that the only justification for the existence of property-rights is psychological, the sympathy of the spectator:

(1) acquisition by occupation ("the taking possession of what formerly belonged to nobody"):

"Occupation seems to be well founded when the spectator can go along with my possession of the object and approve me when I defend my possession by force. If I have gathered some wild fruit, it will appear reasonable to the spectator that I should dispose of it as I please".⁽²²⁾

Occupation is justified because the spectator sympathises. He does not trouble to explain the reason for the sympathy - is it because one has mixed one's labour with the fruit (Locke's explanation of property rights)⁽²³⁾ or simply because one is so rich already that the masses sympathise with anything that makes one richer?

(2) acquisition by accession ("when a man has a right to one thing in consequence of another, as of a horse's shoes along with the horse"):

"the right of accession is not so much founded in its utility as in the impropriety of not joining to it that object on which it has a dependence".⁽²⁴⁾

In other words, Human association of ideas becomes the basis of property rights, since such association is habitual, accepted and proper.

(3) acquisition by prescription ("a right to a thing belonging to another arising from long and uninterrupted possession"):

"Prescription is founded on the supposed attachment of the possessor to what he has long been possessed of, and the supposed detachment of affection in the old possessor to what has long been out of his possession". (25)

In other words, familiarity with the object breeds affection, and this affection is enough to cause the spectator to sympathise with continued possession of it.

(4) acquisition by succession (from ancestors or others). This is partly a matter of utility:

"as the father and son lived together and were joint acquirers of any property they had, when the father died the children had a joint right to the goods, not so much on account of their relation to the father, as on account of the labour they had bestowed on acquiring them". (26)

But largely it too is psychological. Thus wills are respected not just because of their legal significance but

"as from a kind of piety for the dead. We naturally find a pleasure in remembering the last words of a friend and in executing his last injunctions". (27)

However, human emotions are transient, and it would be absurd for a man in his will to try to entail land in perpetuity:

"Piety to the dead can only take place when their memory is fresh in the minds of men; a power to dispose of estates for ever is manifestly absurd".⁽²⁸⁾

It is doubtful if Smith's account of the origin of property rights tells us anything about history, but it does tell us a great deal about how seriously Smith took his theory of sympathy.

Passions exist in a social context; and we sympathise not just with a passion but with the suitability or fitness of a passion in a given situation. We cannot therefore sympathise with a passion until we know its motivation, to see if the reaction is appropriate to the stimulus. We would not be able to sympathise if the reaction were excessive or deficient in terms of accepted social behaviour in such situations. There is no absolute standard of sympathy, and a savage might sympathise with behaviour which a Scotsman would find repulsive. Sympathy can be felt for almost anything if one is conditioned by society to do so. We are back to Hume's theory of habitual association.

An individual is aware that sympathy promotes social cohesion, that it provides the "bonds of love and affection"⁽²⁹⁾ that draw men together. Yet an individual knows he must "become the natural object of the joyous congratulations and sympathetic attentions of mankind".⁽³⁰⁾ One way to do this is to avoid excess - to maintain a proper balance between the virtues of prudence, justice and benevolence; to moderate excessive anger, grief or other passions to a level such that the spectator can sympathise with them. Moderation leads to a concentratio

of ethical judgements around the mean. As Dr. West points out,

"Whereas Aristotle presented the 'Golden mean' as an ideal to be striven for, Smith goes further and suggest that the mean will be reached in fact". (31)

Finally, let us quote Dugald Stewart's summary of Smith's theory of sympathy:

"It is from our own experience alone that we can form any idea of what passes in the mind of another person on any particular occasion; and the only way in which we can form this idea is by supposing ourselves in the same circumstances with him and conceiving how we should be affected if we were so situated. It is impossible for us, however, to conceive ourselves placed in any situation, whether agreeable or otherwise, without feeling an effect of the same kind with what would be produced by the situation itself; and of consequence the attention we give at any time to the circumstances of our neighbour must affect us somewhat in the same manner, although by no means in the same degree, as if these circumstances were our own .. To this principle of our nature which leads us to enter into the situation of other men and to partake with them in the passions which these situations have a tendency to excite, Mr. Smith gives the name of sympathy or fellow-feeling ... A sympathy or fellow-feeling between different persons is always agreeable to both. When I am in a situation which excites any passion, it is pleasant for me to know th the spectators of my situation enter with me into all its various

circumstances and are affected with them in the same manner as I am myself. On the other hand, it is pleasant to the spectator to observe this correspondence of his emotions with mine".⁽³²⁾

II

Robinson Crusoe could have had no moral sentiments since he had no standards of comparison. In society, however, a man guides his behaviour by the desire to win the approval and sympathy of his fellow-men. Self-love will be moderated, since one knows by experience what others will approve of. Similarly, one's fellow men can expect a certain degree of benevolence (for example, towards one's family) and justice (fair-play). He will moderate his grief lest it be so excessive as to attract no sympathy at all,⁽³³⁾ and will conform to accepted social practices (e.g. it ill becomes a brave man to weep on the scaffold, and this way disgrace his memory).⁽³⁴⁾

Artists, poets, the young, are most uncertain of their value and most sensitive to the opinion of the real spectator.⁽³⁵⁾ Mathematicians on the other hand, are least in need of encouragement from the public as they are more certain of the value of their work. It is easier for a mathematician to know he is praiseworthy (even if not praised) than for a creative artist.

More important than the real spectator, however, is the impartial spectator. Unlike the real spectator, the impartial spectator is well-informed and not temporarily blinded by "enthusiasm". A man

does not strive simply for approval, but to be worthy of approval; and the impartial spectator knows if a man is being praised for an act he never performed:

"Man naturally desires, not only to be loved, but to be lovely; or to be that thing which is the natural and proper object of love. He naturally dreads, not only to be hated but to be hateful; or to be that that thing which is the natural and proper object of hatred. He desires not only praise but praiseworthiness; or to be that which, though it should be praised by nobody is, however, the natural and proper object of praise ... A woman who paints could derive, one should imagine, but little vanity from the compliments that are paid to her complexion". (36)

In short, one wants not just applause but to "deserve applause".⁽³⁾ A man thus tries to act with propriety in order to earn the approval of the impartial spectator (reflected in his own conscience). Of course, he is even more pleased if the real spectator also approves; but virtue is not indulged in to please others, simply to please the impartial spectator, the only index we have of the propriety of our conduct. Thus, although esteem may result from propriety of behaviour the goal is propriety (to satisfy the impartial spectator) and not esteem (from the real spectator). Once again utility is the unintended outcome: proper behaviour is not the result of self-love (we do not act properly so as to win applause from our acquaintances); but in the end self-love is gratified by it. (38)

This is in essence Smith's reply to Mandeville's view that all behaviour can be traced back to self-love; if one satisfies the impartial spectator, it is "true glory" resulting from propriety, whereas if one satisfies the real spectator alone it is mere "vanity". This is similar to Smith's theory of value, where there is objective value (labour-embodied) and subjective value (the value the market chooses to assign to a commodity). Having abandoned any belief in absolute, immutable standards, either in ethics or in economics, Smith was faced with the problem of restricting relativism and libertinage. In his ethics he did this by saying that, although neither Reason nor Revelation can provide an absolute standard and although ethics are social in origin, nonetheless one can only hope to act morally by reference to the social sounding board, the unique social index of right and wrong, the impartial spectator. In his economics he ultimately opted for a labour theory of value independent of demand.

In short, satisfaction arises when our sentiments are in harmony with those of the impartial spectator. It is this sympathy which is the unique measure of propriety in a given social context. It is also the unique means of defining right and wrong. Whatever the spectator approves of (in other words, whatever is universally approved in the long-run) becomes "right" by definition. This sympathy does not just indicate something is proper, it makes it proper. The material conditions cause matter to have its own motion independent of human decision, independent of idealist schemes with no empirical content, an

independent of the way in which real spectators (who are possibly ill-informed or prejudiced) do in fact react in the short-run.

A man who has behaved properly "applauds himself by sympathy with the approbation of this supposed impartial judge".⁽³⁹⁾ Consider the case of a soldier who marches to certain death in a battle "with shouts of the most joyful exultation",⁽⁴⁰⁾ since he knows he has done the right and proper thing and pleased the impartial spectator:

"The wise and virtuous man is at all times willing that his own private interest should be sacrificed to the public interest of his own particular order or society".⁽⁴¹⁾

Society has an existence independent of that of each individual in it; and it may be proper for a man to die defending society's right to live. Thus Brutus pleased the impartial spectator by sacrificing his sons, regarding them as a Roman and not as a father.⁽⁴²⁾ Propriety was the basis of his action. Utility certainly was not.

At the same time, such proper actions also attract the approbation of the real spectator. A soldier who refused to sacrifice his life in battle for his country would be scorned as a coward; he makes himself "the proper object of the contempt and indignation of (his) brethren".⁽⁴³⁾ by valuing himself too highly. He desires "credit and rank"⁽⁴⁴⁾ and is willing to sacrifice his life for a good reputation (or to avoid a bad reputation).⁽⁴⁵⁾ Similarly, Brutus, although he acted in the way he did simply because it was proper, nonetheless was admired as result.⁽⁴⁶⁾

A man who has behaved improperly, on the other hand, will be reprimanded by the "man within the breast":

"When the happiness or misery of others depends in any respect upon our conduct, we dare not, as self-love might suggest to us, prefer the interest of one to that of many. The man within immediately calls to us that we value ourselves too much, and other people too little, and that by so doing we render ourselves the proper object of the contempt and indignation of our brethren". (47)

Consider the case of a criminal who alone knows of his own guilt. He is aware that the impartial spectator disapproves, and that the real spectator would disapprove if only the crime were known. The criminal feels cut off from fellow-feeling. He can neither live in society (which "he dares no longer look in the face") nor outside of society ("solitude is still more dreadful"), and is forced in this way by remorse to confess his crime. He seeks punishment to satisfy the proper resentment which society would feel if only it knew of his crime, since he himself shares that same resentment:

"By sympathizing with the hatred and abhorrence which other men must entertain for him, he becomes in some measure the object of his own hatred and abhorrence". (48)

The existence of a disinterested spectator moderates aggression. If a person has been injured, feels resentment and seeks revenge, the spectator sympathizes with his proper resentment, but also with the fears of the offender. As result, revenge will have to be moderated to be proper, since the spectator sympathizes with both parties.

Smith argues that ethical judgements are relative, delimited by time and place. Virtue and vice do not exist where the individual lives alone, outside of society. He also argues that it is the sympathy of the impartial spectator, not that of the real spectator, which is the unique and unambiguous test of propriety. Smith advises us to depend on

"the man within the breast, the supposed impartial spectator, the great judge and arbiter of our conduct. If we place ourselves completely in his situation, if we really view ourselves with his eyes and as he views us, and listen with diligent and reverential attention to what he suggests to us, his voice will never deceive us. We shall stand in need of no casuistic rules to direct our conduct".⁽⁴⁹⁾

Yet if ethical sentiments are relative, how can we have recourse to an impartial spectator who, unlike the real spectator, does not physically exist? Does this mean that Smith once again has brought in an absolute *deus ex machina*? Adam Ferguson reproached Smith for contradicting his view that morality is relative to the individual, his situation and his society, by then asserting that "there is some previous standard of estimation by which to select the judge of our actions".⁽⁵⁰⁾ If we must compare the real sentiments of real spectators against the ethical absolute of an impartial spectator, then what is the justification for saying that Smith's moral theory was empirical?

In our view, however, there is no contradiction, as the impartial spectator is himself relative and not absolute.

An individual, when entering society, is a tabula rasa in matters of propriety. He then slowly builds up a code of moral judgements in his mind based on his many experiences. The continuous process of judging and being judged produces a series of behavioural norms which have been tried and tested in a social context. This is an empirical approach to ethical judgements: what is usually felt to be correct is correct. It is based on "what is", not on "what ought to be", since one cannot impose spurious ideal ethical judgements on a society. Ethical judgements must grow out of the conditions of the society.

In the case of each experience, the individual mentally records the social reaction to a stimulus. Eventually, by induction, a code of rules emerges of what is proper and suitable in each of the situations that is likely to confront us:

"The general maxims of morality are formed, like all other maxims, from experience and induction". (51)

This means little dispersion of behaviour around the mean, since each person becomes aware of what is proper and strives to emulate it. Extremes are avoided. Moderation is not just an ideal but a fact of life in such a system. Moreover, it is conservative: whatever is, is all that is good in questions of morality, and apart from social approval over time "right" has no meaning.

We judge the behaviour of others by this code, by the standard of how society habitually reacts, based on our observation of a multitude of situations. We judge ourselves in the same way:

"We suppose ourselves the spectators of our own behaviour, and endeavour to imagine what effect it would, in this light, produce upon us. This is the only looking glass by which we can, in some measure, with the eyes of other people, scrutinize the propriety of our own conduct. If in this view it pleases us, we are tolerably satisfied. We can be more indifferent about the applause and, in some measure, despise the censure of the world; secure that, however misunderstood or misrepresented, we are the natural and proper objects of approbation" (52)

On the basis of the reaction of the real spectator in a given situation observed many times, we build up a picture or image of how the real spectator is likely to react. This is similar to the theory of probability: if in 95 cases out of 100 we observed our friends and associates praise a man willing to sacrifice his life for his country, we will conclude that such an action is proper, and failure to perform such an action is improper:

"Our continual observations upon the conduct of others insensibly lead us to form to ourselves certain general rules concerning what is fit and proper either to be done or to be avoided". (53)

From the flow of reactions to a given stimulus in a given society at a given time, we distill a stock of images. This stock is the impartial spectator mechanism. If we perform an action we know to be proper (because in 95 cases out of 100 observed, it was the object of approbation) and the real spectator is displeased with it, we can

ignore his criticism. Perhaps he has a vested interest (i.e. is not impartial) or is reacting in the heat of passion. He might not be fully informed about the facts of the case. Of course, if in our next 100 experiences with the same action, 95 of the real spectators condemn us in the same way, we have no choice but to think that conditions have changed. What used to be proper is no longer proper. Our view of the judgements of the impartial spectator is out of date. A new stock of reactions has been built up, and has caused us to switch to a new image of what the impartial spectator should sympathise with and approve of. There are no moral absolutes; but in their absence there is the empirical concept of statistical probability.

Smith was so convinced of the empirical nature of morality (once he had given precision to propriety through the impartial spectator mechanism) that he argued that it is easier to make "logico-experimental" (or "positive") statements about morality than about natural phenomena. After all, morality is so much more familiar.

"An author who pretends to account for the origin of our moral sentiments cannot deceive us so grossly, nor depart so very far from all resemblance to the truth ... The author who should assign, as the cause of any natural sentiment, some principle which neither had any connexion with it nor resembled any other principle which had some such connexion, would appear absurd and ridiculous to the most injudicious and inexperienced reader".⁽⁵⁴⁾

By introspection one can consult the "man within the breast" and thus verify the truth of a theory. Smith felt that all men are nearly equal in potential and perception (at least when taken in peer-groups: Although a porter has the same ability as a philosopher when both are children, the same will not be true once they have been conditioned by their work-function). Thus they will converge on similar moral judgements,⁽⁵⁵⁾ and there will be regularity of moral behaviour at all levels of society. Without this assumption of democracy in perception, Smith's inductive approach to social cohesion would break down. (Shaftesbury, for example, said virtue could only be perceived by a small minority of highly-educated "virtuosi" who had time and skill for contemplation). One reason that Smith was able to assume uniformity of moral perception is that these perceptions are sensual, not rational: one does not need to be very clever to discover by experience what most other people will approve of. Morality is nothing more than conditioned reflexes. Man is a social animal and seeks approval. Society is not held together by exchange or contract (as Spencer, the extreme individualist, felt it was) but by the desire for sympathy and approbation which causes men to strive for propriety in their conduct, as determined with reference to the impartial spectator.

Nature does not rely on "humanity" or "benevolence" to counteract self-love, but on the "man within" and the impartial spectator. This makes man fit for society. Man is made of "coarse clay": an individual would be more upset at the loss of his little finger than

at the destruction of "a hundred millions of his brethren" in China.⁽⁵⁶⁾ Yet because he does not want to be a social outcast, because of his natural love for society, he tries to regulate his behaviour so as to act with propriety. In his imagination he transposes himself outside himself and tries to see himself as others see him (or, at least, as they would see him if they were impartial, well-informed, and able to regard the situation with proper detachment.)⁽⁵⁸⁾ He becomes the detached spectator of his own conduct, evaluates it by trying to determine how far he can sympathise with his own reactions, and then moderates his behaviour accordingly.⁽⁵⁸⁾

Smith feels the impartial spectator mechanism operates in almost all societies (albeit not with equal sensitivity). Concrete judgements do vary, of course. Different material circumstances produce different conventions. The same consensus does not apply in all conditions. There is no reason why it should since, in the absence of an absolute standard of morality (from either reason or revelation), moral norms arise out of what a given society chooses to call moral at a given time in its history. Moralists may disagree about the source of morality, Smith argues, but they cannot deny the existence of a consensus about what conduct is moral in a given society.

It is sometimes said that Smith provides no definition of what is moral, no evaluation of morality, no universal and invariable standard of moral law.⁽⁵⁷⁾ Other writers assert that Smith's aim

was purely psychological, to investigate the communication of the moral sentiments, whatever their origin.⁽⁶⁰⁾ Still others maintain that Smith was concerned with ethics after all. For example, West argues:

"The convention that Smith does not contribute to ethics but only to psychology is wrong. Man is motivated, certainly, by the search for approbation of his fellows; but he desires not only praise but praiseworthiness".⁽⁶¹⁾

It should be clear from the foregoing discussion that we regard these three views as identical. It is true that there is no universal moral standard discussed by Smith, but this is because he did not believe one could exist which would be applicable to all societies at all stages in their development. He was concerned with the communication of sentiments, but also with their origin. But their origin is social. Praiseworthiness is just as relative as praise. The impartial spectator, codes and rules, all arise inductively out of experience in a given context. Moral rules, like any other part of the institutional superstructure, can quickly become obsolete in a changing society. Much of the confusion about Smith's ethics disappears when one remembers that to Smith morality is a branch of sociology, not philosophy.

III

We experience sympathy when we find a person's reactions to be proper with respect to the stimulus. Complete sympathy ("that perfect

harmony and correspondence of sentiments which constitutes approbation")⁽⁶²⁾ depends on the propriety of the reaction,⁽⁶³⁾ as evaluated by the impartial spectator. Different countries have different standards of propriety:

"What would hold good in any one case would scarce do so in any other, and what constitutes the happiness and propriety of behaviour varies in every case with the smallest variety of situation".⁽⁶⁴⁾

Thus casuistry is valueless, as are all idealist explanations (such as revelation), since no two situations are ever alike. Propriety is a social concept, relative to "the time or to the place, to the age or the situation of the person".⁽⁶⁵⁾ It grows out of our observation of behaviour around us; a man's ideas of propriety are "gradually formed from his observations upon the character and conduct both of himself and of other people".⁽⁶⁶⁾

Propriety is the basis of morality, and thus moral judgements are not transferable from one society to another (or between different stages in the development of one society). The key is the idea of propriety in a given situation:

"In general, the style of manners which takes place in any nation may commonly, upon the whole, be said to be that which is most suitable to its situation".⁽⁶⁷⁾

Or elsewhere:

"The different situations of different ages and countries are apt... to give different characters to the generality of those who

live in them, and their sentiments concerning the particular degree of each quality that is either blameable or praiseworthy vary, according to that degree which is usual in their own country and in their own times. That degree of politeness which would be highly esteemed, perhaps would be thought effeminate adulation, in Russia, would be regarded as rudeness and barbarism at the court of France. That degree of order and frugality which, in a Polish nobleman, would be considered as excessive parsimony, would be regarded as extravagance in a citizen of Amsterdam. Every age and country look upon that degree of each quality which is commonly to be met with in those who are esteemed, among themselves, as the golden mean of that particular talent or virtue; and as this varies according to their different circumstances render different qualities more or less habitual to them, their sentiments concerning the exact propriety of character and behaviour vary accordingly". (68)

By the situation, Smith means the economic situation. Character is determined largely by one's employment:

"The objects with which men in the different professions and state of life are conversant being very different and habituating them to very different passions, naturally form in them very different characters and manners". (69)

And elsewhere:

"The understandings of the greater part of men are necessarily formed by their employments". (70)

There are two possible reasons for this:

(1) traditional standards of propriety:

"We expect in each rank and profession a degree of those manners which, experience has taught us, belong to it ... A man should look like his trade and profession".⁽⁷¹⁾

The spectator approves of fitting conduct. For example, "people of fashion" can indulge in the "loose system of morality" ("festivity, vanity and dissipation") while the common people should confine themselves to the "austere system" ("patience in labour ... superior industry ... prudence, probity, generosity, frankness").⁽⁷²⁾

Hence, out of one's experience has grown up a series of images of how each type of person should behave. One perceives these images and tries to act accordingly.

(2) the actual results of work-activity:

"Every man naturally, or rather necessarily, familiarises his imagination with the distresses to which he foresees that his situation may frequently expose him. It is impossible that a sailor should not frequently think of storms and shipwrecks".⁽⁷³⁾

Similarly, customs officials develop a "hardness of character" since their

"duty obliges them to be frequently very troublesome to some of their neighbours".⁽⁷⁴⁾

Or elsewhere:

"We cannot expect the same sensibility to the gay pleasures and amusements of life in a clergyman which we lay our account with in an officer".⁽⁷⁵⁾

The soldier himself is not naturally dissolute. He is made so by his need to forget the hazardous nature of his profession, and by the fact that he is paid by the week and not by the job. A manufacturer cannot afford to be dissolute:

"The manufacturer has always been accustomed to look for his subsistence from his labour only; the soldier to expect it from his pay. Application and industry have been familiar to the one; idleness and dissipation to the other". (76)

On the other hand, the clergyman is grave because of his preoccupation with "the awful futurity" awaiting mankind, and because he feels himself professionally obliged to set a good example to his flock by avoiding triviality, frivolity and dissipation. By altering the way of life either of the soldier or the clergyman, therefore, we alter the behaviour which an impartial spectator would regard as proper (taking into account other relevant information, albeit of a secondary nature, such as age, sex, locality, class).

To take another example, civil servants are inefficient, not because a guaranteed salary regardless of work performed tends to attract inefficient and lazy persons, but because the lack of incentive to be efficient renders hard-working clerks lazy. It is the fault of the situation, not of the clerks:

"It is the system of government, the situation in which they are placed, that I mean to censure; not the character of those who have acted in it. They acted as their situation naturally directed". (7)

A merchant's character is different from that of a landowner:

"A merchant is commonly a bold, a country gentleman, a timid undertaker ... The habits of order, economy and attention to which mercantile business naturally forms a merchant render him much fitter to execute, with profits and success, any project of improvement". (78)

In a rich country like Holland, where the rate of interest was so low that only the wealthiest people can live as rentiers, almost everyone has some sort of trade:

"It is there unfashionable not to be a man of business. Necessity makes it usual for almost every man to be so, and custom everywhere regulates fashion. As it is ridiculous not to dress, so it is, in some measure, not to be employed like other people". (79)

But business, as we have just seen, creates habits of thrift and industry. Otherwise the business man would ruin himself and go out of business: Smith argues that the Dutch merchant is frugal because he is a merchant, and not a merchant because of some inborn talent to trade:

"Whenever commerce is introduced into any country, probity and punctuality always accompany it. These virtues in a rude and barbarous country are almost unknown. Of all the nations in Europe, the Dutch, the most commercial, are the most faithful to their word. The English are more so than the Scotch, but much inferior to the Dutch ... This is not all to be imputed to national character, as some pretend; there is no natural reason why an Englishman or a Scotchman should not be as punctual in performing agreements as a Dutchman". (80)

It must be traced back to self-interest. A businessman who is dishonest would be ostracized from the business community since no one would trust him; at all times "a dealer is afraid of losing his character"; (81)

"When the greater part of the people are merchants, they always bring probity and punctuality into fashion; and these therefore, are the principal virtues of a commercial nation". (82)

Smith totally ignores (here and elsewhere) the influence of climate which Adam Ferguson, following Montesquieu, used to explain the personality of the Dutch:

"Fire and exercise are the remedies of cold; repose and shade the securities from heat. The Hollander is laborious and industrious in Europe; he becomes more languid and slothful in India". (83)

Consider the case of the "prudent man" who in Smith's description seems to be a sort of ideal type of the businessman. He is practical and down-to-earth, dependent for reputation upon his own abilities rather than ostentation. He avoids gay and riotous gatherings which "might too often interfere with the regularity of his temperance, might interrupt the steadiness of his industry, or break in upon the strictness of his frugality". (84)

Similarly, because he is a businessman, he must plough back his profits, and thus he must be able to weigh future pleasure (following upon frugality and industry) against present pleasure. For the same reason he must be able to evaluate projects carefully:

"If he enters into any new projects or enterprises, they are likely to be well-concerted and well prepared".⁽⁸⁵⁾

He avoids responsibilities outside business, does not mix in politics, and lives modestly. Moreover, all these features of his personality are not the reasons why he chose to be a businessman; they are the result of his activity as a businessman. As Smith indicates in his porter/philosopher example,

"The difference of natural talents in different men is in reality much less than we are aware of and ... is not upon many occasions so much the cause as the effect of the division of labour".⁽⁸⁶⁾

Even the vices of the prudent man arise from his work-function. For one thing, since merchants and manufacturers have the single goal of profit-maximisation, they may collude or combine to raise prices and reduce wages. They have a natural tendency to "deceive and even to oppress the public".⁽⁸⁷⁾ They do not hesitate to use "sneaking arts"⁽⁸⁸⁾ to realise their "peddler principle of turning a penny wherever a penny was to be got".⁽⁸⁹⁾ The businessman is known for his "man rapacity",⁽⁹⁰⁾ for his "avarice and ambition".⁽⁹¹⁾

Moreover, although his "industry, frugality and attention"⁽⁹²⁾ lead him to accumulate wealth, his character becomes unstable at high altitudes. The wealthier he becomes, the less he is motivated by prudence. If profits are high, the capitalist may substitute luxury and leisure for parsimony and application:

"The high rate of profit seems everywhere to destroy that parsimony which in other circumstances is natural to the character of the merchant. When profits are high, that sober virtue seems to

be superfluous, and expensive luxury to suit better the affluence of his situation".⁽⁹³⁾

The character of the prudent man is poised on a razor's edge. If he were richer, he would substitute luxury for prudence. If he were poorer, he would recognise the impossibility of altering his status by prudence, and would spend and consume. The poor do not suffer from a Faustian conflict, since they are too far down the income ladder.⁽⁹⁴⁾ In short, it is only possible to experience the virtue of prudence within a narrow income band.

The virtues of the prudent man are precisely those one would expect in the middle classes who, unlike the upper classes, have no recurring revenue independent of their exertions, and who suffer from a constant urge to better their condition. This drive is the motor of economic change. It is the source of the virtues discussed above - patience, frugality, reasoning, industry. These virtues the aristocracy has lost, since, like other vestigial organs, they had no need of them:

"These virtues are hardly ever to be met with in men who are born to those high stations. In all governments, accordingly, even in monarchies, the highest offices are generally possessed ... of men who were educated in the middle and inferior ranks of life".⁽⁹⁵⁾

The landlord's revenue accrues to him automatically year after year and is thus independent of his effort or outlay. The aristocracy traditionally has used land as a source of power and prestige, not as an investment on which to maximise returns. They lack skill and

inclination to treat land-owning as a business. After all, they are in absolute terms quite wealthy; and their social position is secure and independent of their prudence. It is to be expected that the landowner becomes "indolent" and "incapable of that application of mind which is necessary to foresee and understand the consequences of any public regulation". (96)

A "man born to a great fortune" is seldom frugal. He is not conditioned to frugality and sees no reason to depart from his proper role:

"The situation of such a person naturally disposes him to attend rather to ornament which pleases his fancy, than to profit, for which he has so little occasion. The elegance of his dress, of his equipage, of his house, and household furniture, are objects which from his infancy he has been accustomed to have some anxiety about". (97)

Economic growth has far-reaching sociological consequences. It redistributes the national income, reduces the demand for un-productive labour, increases the demand for productive labour, and thereby causes a small revolution in national character:

"The proportion between those different funds necessarily determines in every country the general character of the inhabitants, as to industry or idleness. We are more industrious than our forefathers; because in the present times the funds destined for the maintenance of industry are much greater in proportion to those which are likely to be employed in the maintenance of idleness, than they were two or three centuries ago". (98)

In England and Holland the workers are "industrious, sober and thriving"; in towns such as Rome or Versailles, where they are unproductive rather than productive, they are "idle, dissolute and poor".⁽⁹⁹⁾ What matters is not just the size of the funds destined to maintain labour but its source. Workers tend to be more industrious if employed by "prudent" businessmen rather than by "indolent" aristocrats:

"If the employer is attentive and parsimonious, the workman is very likely to be so too; but if the master is dissolute and disorderly, the servant who shapes his work according to the pattern which his master prescribes him, will shape his life too according to the example which he sets him".⁽¹⁰⁰⁾

Thus, what is proper is what is fitting; and what fits in one material situation may be totally improper in another. In highly belligerent savage societies the virtues of "civility and politeness" and "humanity" serve no function. What is needed for the preservation of life is "contempt of danger, patience in enduring labour, hunger, pain", i.e. "self-denial".⁽¹⁰¹⁾ In each case the key to propriety is not just the situation but the specifically economic aspects of the situation. The Highlanders of Scotland were less warlike than the Arabs or the Tartars since they were "stationary shepherds". They lacked exercise and had no practice in following a leader. The Arabs and Tartars, however, were nomads.⁽¹⁰²⁾ Conditions "breed and form" men.⁽¹⁰³⁾

Economic change thus causes a change in character and personality. Whereas some economists tend to argue, particularly with reference to

underdeveloped countries today, that changes in mentality are desirable as they bring about economic growth. Smith sometimes speaks as if economic growth is only desirable because it brings about a change in mentality. In a given case, one and only one mentality is appropriate to a given infrastructure. If one does not like that mentality, the solution is not idealist (e.g. to preach to the savages that their standard of propriety is nasty) but materialist (choose a new material infrastructure which generates proper behaviour one can approve of). We shall examine this aspect of Smith's thought further in the next chapter. For the moment, in the context of our present discussion of how propriety of conduct arises from the material infrastructure, it is worth considering three examples of propriety which Smith personally finds questionable and possibly undesirable:

First, the prudence of the businessman "commands a certain cold esteem but seems not entitled to any very ardent love or admiration".⁽¹⁰⁴⁾ Yet such prudence is totally proper to the businessman, since if he were too generous he would have to shut his shop and cease to be what he is (a businessman). By instinct, he gravitates to the proper behaviour in the situation. Proper prudence should be combined with proper justice and proper benevolence, but the proportions are not always the same in all situations:

"All the members of human society stand in need of each other's assistance, and are likewise exposed to mutual injuries. Where the necessary assistance is reciprocally afforded from love, from

gratitude, from friendship and esteem, the society flourishes and his happy. All the different members of it are bound together by the agreeable bonds of love and affection, and are, as it were, drawn to one common centre of mutual good offices ... But though the necessary assistance should not be afforded from such generous and disinterested motives, though among the different members of the society there should be no mutual love and affection, the society, though less happy and agreeable will not necessarily be dissolved. Society may subsist among different men, as among different merchants, from a sense of its utility, without any mutual love or affection; and though no man in it should owe any obligation, or be bound in gratitude to any other, it may still be upheld by a mercenary exchange of good offices according to an agreed valuation". (105)

Mercantile justice and cohesion by contract are proper in commercial society, and arise automatically in mercantile conditions. By choosing a mercantile society, one chooses the virtues that go along with it. Smith does not seem convinced that such virtues are superior to "the agreeable bonds of love and affection", but he knows that "love and affection" would be superfluous and ridiculous in the High Street. Smith selected wealth as the goal, but remained suspicious of the inevitable social concomitants of commercialism. Consider the following:

"Nations ... which, like France or England, consist in a great measure of proprietors and cultivators, can be enriched by industry

and enjoyment. Nations, on the contrary, which, like Holland and
Hamburgh, are composed chiefly of merchants, artificers and
manufacturers, can grow rich only through parsimony and privation.
As the interest of nations so differently circumstanced is very
different, so is likewise the common character of the people. In
those of the former kind, liberality, frankness and good fellowship
naturally make a part of that common character. In the latter,
narrowness, meanness and a selfish disposition, averse to all social
pleasure and enjoyment". (106)

The price of wealth thus seems a sort of relapse into cultural
barbarism caused by the very process of wealth-generation. It is
not impossible that there was a fundamental contradiction between
two aspects of Smith's humanism - his desire to raise the living
standards of the masses (through continuous capital accumulation) and
his desire to improve the level of culture and morals through change
of the material basis.

Second, Smith felt that the work-function of the masses under the
division of labour caused them to become "stupid and ignorant"; (107)

"When the mind is employed about a variety of objects, it is
somehow expanded and enlarged, and on this account a country artist
is generally acknowledged to have a range of thoughts much above a
city one ... (the latter), as he has not an opportunity of comparing
a number of objects, his view of things beyond his own trade are by
no means so extensive as those of the former ... It is remarkable that
in every commercial nation the low people are exceedingly stupid". (108)

Third, martial virtues. In a wealthy commercial society, division of labour, preoccupation with one's job, lack of experience in following leaders, lack of practice in the arts of war, physical deterioration due to lack of exercise in the open air, mental deterioration due to diminished opportunities for inventiveness at work, all mean that "the natural habits of the people render them altogether incapable of defending themselves".⁽¹⁰⁹⁾ In a direct reference to consuming he says: "By having their minds constantly employed on the arts of luxury, they grow effeminate and dastardly".⁽¹¹⁰⁾ The conditions of consuming and producing in industrial society breed cowardice. On the other hand, martial virtues flourish in savage societies, particularly among shepherds (as they have property to defend), and least among hunters.⁽¹¹¹⁾

Smith uses the concept of propriety with respect to a given economic situation to explain a wide range of phenomena:

(1) ethics. As we have already seen, even in morals, the student argues *ex post* by observing what most people think to be proper in a context. Wisdom is thus reduced to observation of propriety, and a *priori* generalisation is arid and lifeless. Since propriety is an action concept, we cannot avoid the conclusion that to Smith the "truth" meant no more than "proper behaviour". This is simply human association (the idea of a businessman is associated with the idea of frugality) with a materialist slant.

Propriety is defined with respect to the situation. Our perception of this propriety results from our noticing how most people react. When we hear spectators express their disapproval of improper conduct, it gives us a foretaste of what they would say about us if we were to

behave in the same manner. Rules of propriety arise inductively in a given situation and a given society; so thus do the moral sentiments. The congruence of sentiments is the proof of propriety. The goal is propriety itself (and thus sympathy). Possibly utility will result, but

"the utility of all qualities ... is plainly an afterthought, and not what first recommends them to our approbation. Originally we approve of another man's judgement not as something useful but as right ... because we find that it agrees with our own". (112)

To Smith, the concept of propriety in ethical behaviour refers to motives, not effects. Propriety refers to the fittingness of reaction to stimulus, to the suitability of an act to its cause. Sympathy arises in cases of propriety, and the absence of sympathy is the sanction for impropriety. One acts with propriety because it is the right thing to do; the unintended (but desirable) outcome is sympathy. The results of the action are irrelevant for the theory of propriety. Hence Smith discusses in his theory of merit and demerit, of rewards and punishments. To Bentham and the Utilitarians, the consequences of action were far more interesting than the motives of the agent. They were interested in results, not intentions. (113) But, as we have seen above, Smith considered the love of approbation (and desire to avoid disapprobation) to be far more important for a theory of action than mere utility (to gain rewards and avoid punishments).

Different societies have different customs. In Italy "an Italian expresses more emotion on being condemned in a fine of twenty shillings than an Englishman on receiving the sentence of death". (114)

This is because such "passionate behaviour" is socially acceptable in Italy. In England, on the other hand, even if one should experience "sympathetic sorrow" while watching the performance of a tragedy in the theatre, one should hide one's feelings.

"If we shed any tears, we carefully conceal them, and are afraid lest the spectators, not entering into this excessive tenderness, should regard it as effeminacy and weakness". (115)

Or in another place Smith warns:

"To talk to a woman as we should to a man is improper. It is expected that their company should inspire us with more gaiety, more pleasantry and more attention". (116)

This clearly refers to the custom Smith had observed in the Scotland of his time, and is meant to. His own experience in the Parisian salons of Madame de Malesherbes or the Comtesse de Bouffler must have shown him a totally different breed of woman. Smith's comparative method means he was aware other cultures had other customs, and other standards of proper behaviour.

On occasion in his ethical theory, as in his aesthetic theory, Smith makes statements which suggest he may have secretly have had an absolute standard of values. For example, material conditions in savage society make infanticide not only socially acceptable but also inevitable. Nevertheless Smith is offended:

"When custom can give sanction to so detestful a violation of humanity, we may well imagine that there is scarce any particular practice so gross which it cannot authorize". (117)

This implies an ideal, absolute external standard independent of propriety. Indeed, Smith reproaches philosophers for recognising that infanticide was proper in the material situation; their views should

have been "more just and accurate".⁽¹¹⁸⁾ Smith is thus rejecting the testimony of the impartial spectator. He is refusing his own social definition of propriety; which is:

"There exists in the mind of every man an idea (of exact propriety and perfection), gradually formed from his observations upon the character and conduct both of himself and of other people".⁽¹¹⁹⁾

Smith was a materialist and determinist. Human relationships, manners and character, he believed, were related in the main to the concrete conditions of the situation:

"The style of manners which takes place in any nation may commonly, upon the whole, be said to be that which is most suitable to its situation".⁽¹²⁰⁾

By "situation", Smith means "economic situation". Opulence (the aggregate of all "bubbles and trinkets") is not an end in itself. It is, however, the precondition for culture and humanity. A threshold of consumption must be reached such as to free man from material cares. At such a point man's character will change, and he will become more sensitive to the feelings of others:

"Before we can feel much for others, we must in some measure be at ease ourselves. If our own misery pinches us very severely, we have no leisure to attend to that of our neighbour; and all savages are too much occupied with their own wants and necessities to give much attention to those of another person".⁽¹²¹⁾

Savages (like the poor in China) practice infanticide. The reason for what Smith calls "this barbarous prerogative ... (and) horrible abuse"⁽¹²²⁾ is economic:

"It is frequently impossible for (a savage) to support both himself and his child". (123)

The solution must be economic as well. It is pointless to send out missionaries (even if they are not of the "stupid and lying" variety) to inform the savages that their behaviour is not decent; or to pass laws against practices such as infanticide; or to use education to condition men's reflexes along socially acceptable lines (Smith does say that education should "direct vanity to proper objects", (124) but he realised the limitations of education's propaganda function). These would be spurious idealistic solutions that would not get at the heart of the problem - hunger. It would be highly improper to expect a savage to act in a way that is contradictory to the demands of his material environment. In a richer community, of course, the luxury of treating defenceless children with humanity is possible.

Smith the sociologist thus identified the various associations between manners and character, and the economic basis to which they were uniquely related; Smith the philosopher selected one ideal situation and discarded the others; Smith the economist recommended policies to change the material environment so as to establish his ideal, humanity and sympathy.

A savage, living from hand to mouth in a world characterised by the "bellum omnium contra omnes", needs virtues such as self-denial and abstinence from pleasure in order to survive. Without toughness and self-sufficiency he would die. Such qualities are proper to the material conditions of his existence.

In a civilised and opulent society, abundance, justice and security of contract and property⁽¹²⁵⁾ mean that one need not continually be on one's guard against danger. Humanity and sympathy become more proper than they were in savage society, whereas

"the weakness love is regarded among savages as the most unpardonable effeminacy",⁽¹²⁶⁾

as society progresses

"love, which was formerly a ridiculous passion, became more grave and respectable".⁽¹²⁷⁾

Smith clearly prefers more opulent societies, since the character of their citizens is more cultured. Sincerity, humanity, sensitivity and moderation are the preconditions for interaction and cohesion, since both are founded, far more than on the simple exchange of equivalents, on sympathy and the moral sentiments:

"In the mild sunshine of undisturbed tranquillity, in the calm retirement of undisciplined and philosophical leisure, the soft virtue of humanity flourishes the most and is capable of the highest improvement".⁽¹²⁸⁾

Economic progress is welcomed precisely because it leads to cultural progress which alone is the summit of the intellectual pyramid Smith was trying to build. Far from being the "stopkeepers' philosopher", the ideologist of the emergent bourgeoisie, Smith was interested primarily in making men more refined:

"A polished people ... become frank, open and sincere. Barbarians on the contrary, being obliged to smother and conceal the appearance

every passion, necessarily acquire the habits of falsehood and dissimulation ... In civilised nations the passions of men are not commonly so furious or so desperate". (129)

So much for the myth of the Noble Savage!

In conclusion, Smith's case for economic growth was largely ethical. Given that any argument for change is based on value judgements, he seemed to want that sort of economic change which would create an economic basis capable of generating a specific moral superstructure. Economic change is the means to the (ethical) end; "baubles and trinkets" are not an end in themselves. (130)

Civilisation results from opulence, and opulence from commerce. A civilised society is characterized by sincerity and humanity; a commercial society by "mean rapacity", a "base and selfish disposition", vanity and ambition. Possibly opulence breeds "love .. gratitude ... friendship and esteem", but the means of attaining opulence is clearly based on no more than "a mercenary exchange of good offices according to an agreed valuation". (131) Smith was unwittingly involved in a basic dilemma - the only way to construct a society based on "mutual love and affection" was by means of its negation, the merchant-customer relationship and the worship of the quid pro quo. The virtues associated with the economic basis were, in short, contradictory to the virtues associated with changes in that basis. Not only is this confusing to an individual actor, it is worrying to the philosopher if the virtues associated with commerce vanquish those associated with civilisation, then the whole exercise will have been meaningless.

(2) social stratification. A man is defined not by who he is known to be but by what he consumes and how he behaves. A nobleman must act as a nobleman. He must not just be a nobleman but be seen to be a nobleman:

"His air, his manner, his deportment, all mark that elegant and graceful sense of his own superiority which those who are born to inferior stations can hardly ever arrive at. These are the arts by which he proposes to make mankind more easily submit to his authority. These arts, supported by rank and pre-eminence, are upon ordinary occasions sufficient to govern the world".⁽¹³³⁾

His motivation is the desire to act with propriety; but an important utilitarian side effect is the sympathy of the masses with a man who looks and acts like a nobleman, which means they will accept him as a natural leader. The masses might be less willing to accept him as a nobleman if he wore a cloth cap, worked on the shop-floor, and went for a drink in the public bar, no matter how wealthy he was, no matter how immaculate his pedigree. His power rests on his ability to play the role assigned to him with propriety.

(3) law. Consider the example of primogeniture. Where land is nothing more than a means of subsistence, there is no reason why it should not be divided among all the heirs (as was the case in Roman times). When, however, land becomes the source of power, estates must be kept intact and primogeniture is introduced (in the Middle Ages, in the absence of strong government, "every great landlord was a sort of prince").⁽¹³⁴⁾ Law was the result of necessity: to divide the estate was to leave it open to aggression from stronger

neighbours. Feudal law was not imposed but grew up out of concrete material conditions and needs.⁽¹³⁵⁾ The clear parallel with the Marxian approach to the evolution of social institutions has been pointed out by Professor Mack.⁽¹³⁶⁾

Yet laws, like outdated ideas and ideologies, can hang on as the vestiges of past economic conditions which no longer obtain. This is the case with primogeniture:

"Laws frequently continue in force long after the circumstances which first gave occasion to them and which should alone render them reasonable are no more. In the present state of Europe, the proprietor of a single acre is as perfectly secure of his possession as the proprietor of a hundred thousand. The right of primogeniture, however, still continues to be respected".⁽¹³⁷⁾

Thus, although institutions arise out of natural conditions, the institutions may be left behind when the conditions recede. The institutions become anachronistic and vestigial and need to be abolished so that new institutions, appropriate to the new conditions, can develop. It is not just misguided legislators who champion outdated ideas and laws.

The universities are

"the sanctuaries in which exploded systems and absolute prejudices found shelter and protection after they had been hunted out of every corner of the world".⁽¹³⁸⁾

In general, rules and laws are a function of "interests, prejudice.

and the temper of the times".⁽¹³⁹⁾ The best laws are not those which prevent criminals from acting but those which create a society without criminals:

In Paris the regulations concerning police are so numerous as not to be comprehended in several volumes; in London there are only two or three simple regulations. Yet in Paris scarce a night passes without someone being killed, while in London, which is a larger city, there are scarce three or four in a year".⁽¹⁴⁰⁾

The reason is economic. In France there is a surplus of unproductive labourers:

"In England as well as in France, during the time of the feudal government and as late as Queen Elizabeth's reign, great numbers of retainers were kept idle about the noblemen's houses to keep the tenants in awe. These retainers, when turned out, had no other way of getting their subsistence but by committing robberies, and living on plunder, which occasioned the greatest disorder. A remnant of the feudal manners, still preserved in France, gives occasion to the difference ... It is not so much the police that prevents the commission of crimes as the having as few persons as possible to live upon others. Nothing tends so much to corrupt mankind as dependency, while independency still increases the honesty of the people".⁽¹⁴¹⁾

The solution to the problem of crime is economic:

"The establishment of commerce and manufactures, which brings about this independency, is the best police for preventing crimes. The common people have better wages in this way than in any other, and

in consequence of this a general probity of manners takes place through the whole country". (142)

(4) biology. Even physical characteristics are the product of a man's work-environment. Sight, for example, depends not just on man's natural endowments but

"seems frequently to arise altogether from the different customs and habits which (men's respective occupations have led them to contract. Men of letters who live very much in their closets and have seldom occasion to look at very distant objects are seldom far-sighted. Mariners, on the contrary, almost always are; those especially who have made many distant voyages in which they have been the greater part of their time out of sight of land, and have in the day-light been constantly looking out towards the horizon for the appearance of some ship or of some distant shore". (145)

In concluding our discussion of propriety, it is therefore important to stress that Smith was thinking at all times of propriety in a material context. Matter has a momentum of its own, and the social scientist must have a healthy respect for spontaneous movement caused by the material infrastructure itself:

"The reasonings of philosophy, though they may confound and perplex the understanding, can never break down the necessary connection which nature has established between causes and their effects". (144)

IV

We can now illustrate the three key concepts (sympathy, the impartial spectator and propriety) we have just discussed with two examples, Smith's theory of punishment and his theory of benevolence.

(1) The origins of Smith's theory of punishment lie not in a utilitarian evaluation of the consequences of the action (the immediate cause of the punishment) but in the psychology of the person who has suffered the wrong. To Smith, the primary function of punishment is to gratify proper resentment which we feel when a genuine offence has been committed against us, and where every impartial spectator enters into our sense of injury:

"That action must appear to deserve reward which everybody who knows of it would wish to reward, and therefore delights to see rewarded; and that action must as surely appear to deserve punishment which everybody who hears of it is angry with, and upon that account rejoices to see punished". (145)

The first cause of punishment is thus to satisfy proper resentment, and even the guilty person is aware of this resentment. The fact that a murderer is haunted by ghosts proves that, in his imagination, he is able to share the shadow-resentment of the slain.

The impartial spectator sympathises with the feelings of the sufferer; he puts himself in the sufferer's place and thus measures the propriety of the sufferer's reaction in his imagination. The reason for punishment is not the utilitarian pleasure/pain principle but sympathy with proper resentment;

"Injury naturally excites the resentment of the spectator, and the punishment of the offender is reasonable as far as the independent spectator can go along with it. This is the natural source of punishment. It is to be observed that our first approbation of punishment is not founded upon the regard to public utility which is commonly taken to be the foundation of it. It is our sympathy with the resentment of the sufferer which is the real principle". (146)

Thus, it is instinct and not reason which directs punishment:

"Nature, antecedent to all reflections upon the utility of punishment, has in this manner stamped upon the human heart, in the strongest and most indelible characters, an immediate and instinctive approbation of the law of retaliation". (147)

The Sovereign has "naturally no more right to pardon a crime than to discharge an unpaid debt", (148) since he has no right to deprive the sufferer of retaliation in discharge of his resentment.

Smith then illustrates this theory with evidence. For example, in some societies inanimate objects were punishable, since they could be the cause of injury and thus resentment:

"Our resentment naturally falls upon inanimate as well as animate objects, and in many cases the sword or instrument that had killed any person was considered as execrable, and accordingly was destroyed, particularly among the Athenians. By the English law if a man fell from a house and was killed, the house was forfeited". (149)

A dog that bites is punished, not as an example to other dogs, but to revenge injuries done and to satisfy proper resentment. (150) War and peace between nations is based on the same principle:

-249-

"Suppose a subject of any government is injured, they who have injured him become natural objects of resentment". (151)

Criminal cases are always decided more quickly than civil cases, and this is further proof that punishment exists to satisfy resentment, not because it serves a utilitarian end:

"One would indeed think that when a person's life is at stake the debate should be longer than in any other case; but resentment is roused in these cases and precipitates to punish". (152)

Moreover, in Sparta and Rome, criminals caught in the act or with stolen goods on their person were punished more severely than other criminals, since in such cases resentment was greater.

Similarly, in Smith's own time, if many years elapsed between the commission of the crime and the apprehension of the offender, the crime was not punished. Resentment had died down.

Only secondarily does punishment have the clearly utilitarian role of providing an example to the public such that

"Others, through fear of the like punishment, may be terrified from being guilty of the like offence". (153)

The "terrors of merited punishment" (154) cause men to respect the rules of justice and to prevent their self-love from becoming excessive. If the rules of justice were not backed by positive sanctions, "a man would enter an assembly of men as he enters a den of lions". (155)

"Men, though naturally sympathetic, feel so little for another with whom they have no particular connection, in comparison of what they feel for themselves". (156)

This utilitarian function of punishment (as a secondary sanction to the somewhat fragile mechanism of sympathy) is an unintended outcome.

The punishment of crimes does not result rationally from man's desire to preserve society, but from his sympathy with proper resentment. The mechanism is instinctual. Reason cannot be trusted to suit the punishment to the crime, as the crime is perceived subjectively (through sympathy with proper resentment).

Smith does not deny, however, that punishment can have a utilitarian role to play. In one case he defends a rational punishment meted out to a sentinel who falls asleep on duty or leaves his post, although there is no general resentment of the sentinel:

"If a sentinel be put to death for leaving his post, though the punishment be just and the injury that might have ensued be very great, yet mankind can never enter into this punishment as if it had been a thief or a robber". (157)

Elsewhere, describing legislation introduced as feudalism was dying out, he gives another exceptional example of how punishment had a deterrent effect:

"The vassals of great lords were continually making incursions into the neighbouring territories and carrying off booty. When government came to be established, it naturally punished most severely those crimes to which men had the greatest propensity, and consequently endeavoured to restrain this practice ... When (government) acquired more strength, it made punishments severe that it might restrict the licentiousness of manners which lax discipline had introduced". (158)

And elsewhere:

"It was anciently capital to steal anything from the plough, as it was so much exposed". (159)

-221-

Smith does not deny that the government could make laws with utilitarian objectives. After all, "the king prosecutes for public security and not to gratify private resentment".⁽¹⁶⁰⁾ But if punishment were based on resentment, the same utilitarian result would be a by-product; and punishment would be more proper if based on ex post instinct than on a priori prescription. Smith did not have much faith in the wisdom of lawgivers or in reason. His theory of justice is negative, expressed in terms of rights rather than duties, and amounting to no more than an obligation not to harm others.⁽¹⁶¹⁾ He rejects the view that justice should promote benevolence or generosity. Benevolence can only be depended on when it arises spontaneously and voluntarily. Its absence injures no one, and is sanctioned by loss of approbation (due to absence of propriety) but not by an actual punishment (there is no demerit). Generosity is not necessary: just as the blood does not circulate in order to keep the body alive, man can further goals that are socially-desirable while only trying to gratify his instinctual self-love.⁽¹⁶²⁾ The outcome need not be related to the intention. Latent and manifest functions are distinct and separate.

Smith feels that the source of law is not rational but instinctual. Moral codes arise out of reflexes conditioned in given situations. Similarly, he believes that the basis of punishment is instinct and not rational calculation. He is not a penal reformer but an observer, and his analysis is positive, not involving value judgements:

"We are not at present examining upon what principles a perfect being would approve of the punishment of bad actions, but upon what

principles so weak. (163) set a creature as man actually and in fact approves of it". (163)

Instinctual resentment as the basis of punishment may seem a flimsy foundation. But, as we have seen, Smith justifies it by pointing out that:

(a) if punishment is based on resentment, then the code is flexible and the punishment will fit the crime. What attracts reward in some societies attracts punishment in others, because material conditions differ. Consider the definition of crime in primitive society:

"Cowardice and treason were the first crimes punished, for cowardice among hunters is considered as treason, because when they went out in small numbers, if their enemy attacked them and some of their party deserted them, the rest might suffer by it, and therefore they who deserted were punished for treason". (164)

(b) if punishment is based on resentment, the result is the same as if it were based on utility; since resentment itself may have utilitarian overtones. A hunter who deserts imperils the lives of the others, and thus they may have very concrete reasons to be resentful. Similarly, crimes are not punished many years after their commission, not only because the sense of resentment has cooled, but because in the meanwhile the former offender may have shown himself to be a good citizen (otherwise there would be new resentment caused by his latest offences):

"Resentment wears out in a few years, and a person who has behaved well for 20 years, the time fixed by our law, cannot be very dangerous to the public". (165)

(2) Unlike Hutcheson, Smith refused to define virtue solely in terms of benevolence. Unlike Mandeville, he did not regard self-love as a vice (the sub-title of The Fable of the Bees is "private vices, public virtues"). To Smith, virtue consists in moderation, in the proper balance between prudence, justice and benevolence, all of which can be virtuous (if proper proportion is respected) or vicious (if excessive). (166)

Smith defines prudence as the promotion of one's own happiness (self-love); justice as the abstention from hurting others; benevolence as the promotion of the happiness of others (by generosity and charity, without expecting a utilitarian equivalent in exchange).

In the late nineteenth and early twentieth centuries, there was considerable discussion (mainly in Germany) about the Wealth of Nations. It was asserted that the earlier work stressed benevolence and harmony, the latter self-love and conflict, and this meant the two books were contradictory (the "Adam-Smith-Problem"). This view has not been taken since 1926. (167) It rested upon a misunderstanding of Smith's view that virtue is a bundle of three qualities, not one quality alone. Even benevolence can be a vice if excessive.

It is useful to think of benevolence in terms of four concentric circles. As one moves further from the nucleus, passions become weaker and weaker. The innermost circle is oneself, and then come family and friends, country and humanity as a whole.

(a) every man is his own best friend, and prudence or self-love is simply benevolence to oneself:

"Every man, as the Stoics used to say, is first and principally

recommended to his own care, and every man is certainly in every respect fitter and abler to take care of himself than of any other person. Every man feels his own pleasures and his own pains more sensibly than those of any other person". (168)

Self-love is a "secondary", not an "original" passion. One could imagine societies without it. It exists because man has discovered that it is approved of in moderation as a means to satisfy the original passions. It is in many cases completely proper (its absence would be "a failing") (169) because nature has left "the care of the health, of the fortune, of the rank and reputation of the individual" (170) to his own prudence:

"Regard to our own private happiness and interest ... appear upon many occasions very laudable principles of action. The habits of economy, industry, discretion, attention and application of thought, are generally supposed to be cultivated from self-interested motives, and at the same time are apprehended to be very praiseworthy qualities which deserve the esteem and approbation of everybody". (171)

Every man should show proper benevolence to himself. He should eat when he is hungry and drink when he is thirsty. It is the passions and not reason which will direct him. But he should show self-command, as excessive self-love could become antisocial. An obsession with wealth could become "the great and universal cause of the corruption of our moral sentiments". (172) It could lead to overwork. It could cause a man to neglect the rules of justice and fair-play, and to "jostle" his competitors (173) in the race for wealth and honour. Otherwise society would degenerate to a Hobbesian Darwinian struggle for existence based on survival of the fittest. For this reason, self-love

must be moderate, balanced by justice and benevolence. The standard of propriety is the sympathy of the impartial spectator, which makes the concept empirical and inductive. Smith did not assume an a priori principle, self-love, from which his theory of economic activity proceeded; it is rather proper self-love that is defined by the society that economic activity creates.

In the Wealth of Nations Smith says that every man is "in some measure a merchant". (174) This does not mean every man is in every respect a merchant. Self-seeking attracts sympathy so long as it is proper and moderate. We have no sense of the propriety or impropriety of our self-love independent of social approbation or disapprobation.

"As to love our neighbour as we love ourselves is the great law of Christianity, so it is the great precept of nature to love ourselves only as we love our neighbour or, what comes to the same thing, as our neighbour is capable of loving us". (175)

Dugald Stewart explains very clearly how to Smith self-love was tempered by sympathy:

"When I attend to the feelings of my own breast, my own happiness appears to me of far greater consequence than that of all the world besides. But I am conscious that in this excessive preference, other men cannot possibly sympathize with me ... If I wish, therefore, to secure their sympathy and approbation (which, according to Mr. Smith, are the objects of the strongest desire of my nature), it is necessary for me to regard my happiness, not in that light in which it appears to myself, but in that light in which it appears to mankind in general ... If I injure the interests of another, who never injured me, merely because they stand in the way of my own, I perceive evidently that

society will sympathize with his resentment, and that I shall become the object of general indignation". (176)

(b) the second circle embraces family and friends. These ties are not based on consanguinity but contiguity, and in any case the feeling of benevolence is weaker than in the previous case:

"After himself, the members of his own family, those who usually live in the same house with him ... are naturally the objects of his warmest affections". (177)

This is not the Christian idea of benevolence as a desirable goal, but a simple positive statement that regular contact and thus "habitual sympathy" lead to affection. In such cases there is not simply "mutual exchange of all essential good offices at an agreed valuation" (178) but such richer relationships of "that cordial satisfaction, that delicious sympathy, that confidential openness and ease, which naturally takes place in the conversation of those who have lived long and familiarly with one another". (179)

Benevolence towards the members of one's family is not a function of kinship ("the force of blood ... exists nowhere but in tragedies and romances"). (180) Children educated away from home may cease to experience feelings of benevolence towards their parents, while colleagues at work know one another well, feel benevolent towards one another, and even call one another brother. Benevolence seems to arise out of intense relationships and close contacts within a stable, intimate sub-society. The reason for this is twofold:

First, because close contact means the parties are well acquainted with one another and can understand one another's feelings with the

greatest delicacy. A man's sympathy with close associates

"is more precise and determinate than it can be with the greater part of other people. It approaches nearer, in short, to what he can feel for himself". (181)

Second, the desire for sympathy causes us to moderate our various personal characteristics so as to make ourselves acceptable to those with whom we most often come into contact. Sympathy (congruence of feelings) is greatest where there is the greatest assimilation of personalities:

"The similarity of family characters which we so frequently all transmitted through several successive generations may perhaps be partly owing to this disposition to assimilate ourselves to those whom we are obliged to live and converse a great deal with". (182)

"A natural disposition to accommodate and assimilate, as much as we can, our own sentiments, principles and feelings, to those which we see fixed and rooted in the persons whom we are obliged to live and converse a great deal with". (183)

Benevolence thus becomes a special topic in the theory of sympathy: "What is called affection is in reality nothing but habitual sympathy". (184)

Benevolence thus arises spontaneously. It is a feeling. Yet the unintended outcome of benevolent action could be utilitarian. Because of close association, it turns out that we feel most benevolent towards those over whom we have the greatest influence and power, those whom we are most likely to affect by our actions. We are most likely to be able to imagine their feelings and to share them. Parents feel benevolent towards their children because of habitual sympathy. The unintended outcome is that they take good care of their children (a

social duty which willy nilly they must perform anyway). Similarly, frequent disagreements could destroy the peace of any intimate community (tribe, family, office, or whatever), but it is precisely in such small groups that ties of benevolence are strongest.

The Tartar tribe is held together by sympathy, but an unintended outcome is mutual protection. In modern commercial society, the state and justice replace the need for mutual defence, and close contacts may cease to be enforced by external pressures. This means ties of sympathy within the tribe break down, and possibly the mixture of virtue in society is slanted away from benevolence towards prudence and justice.

Moreover, although benevolence arises spontaneously from sympathy, the outcome may not be totally without advantage in return. "Kindness is the parent of kindness", ⁽¹⁸⁵⁾ and "no benevolent man ever lost altogether the fruits of his benevolence". ⁽¹⁸⁶⁾ In any case, proper benevolence, like any other kind of propriety, attracts the sympathy of the impartial spectator. Unselfish behaviour is rewarded by the approbation of one's fellow men. Of course, if the action is performed solely for applause, it becomes a prudent act, and cannot be considered benevolent. The results are the same (i.e. deserving of merit) but the motivation is different (it is not ex ante proper benevolence):

"When he appears to sacrifice his own interest to that of his companions, he knows that this conduct will be highly agreeable to their self-love, and that they will not fail to express their satisfaction by bestowing on him the most extravagant praises. The pleasure which he expects from this overbalances, in his opinion, the interest which he abandons in order to procure it". ⁽¹⁸⁷⁾

Finally, benevolence, like prudence and justice, is a necessary ingredient for the beauty and perfection of society. The smooth functioning of the social machine yields utility of an aesthetic sort:

"Man has a natural love for society and desires that the union of mankind should be preserved for its own sake and though he himself was to derive no benefit from it. The orderly and flourishing state of society is agreeable to him and he takes delight in contemplating it".⁽¹⁰⁸⁾

(c) the third circle brings in all our fellow-citizens. Once again benevolence arises out of contiguity and sympathy. Our fellow citizens have the same culture and problems, and speak the same language. These similarities indicate assimilation, and stimulate a sense of identification with the group. Patriotism may have been to Smith a second-best solution:

"We do not love our country merely as a part of the great society of mankind -- we love it for its own sake and independently of any such considerations. That wisdom which contrived the system of human affections, as well as that of every other part of nature, seems to have judged that the interest of the great society of mankind would be best promoted by directing the principal attention of each individual to that particular portion of it which was most within the sphere both of his abilities and of his understanding".⁽¹⁰⁹⁾

Thus, Smith is making a positive statement of how patriotism (benevolence towards one's country) develops because of contiguity and sympathy and the feelings they engender. Love of mankind as a whole is simply not practical. Man's fantasy does not extend that far.

Patriotism does have utilitarian side-effects. The fact that people predictably identify with their group helps maintain the domestic and international balance of power. The prosperity and safety of the individual, moreover, depends on the prosperity and safety of the country. Also, by identifying himself with his country, the individual can vicariously bask in its glory, can enjoy reflected admiration:

"Upon account of our own connection with (our country), its prosperity and glory seem to reflect some sort of honour upon ourselves. When we compare it with other societies of the same kind, we are proud of its superiority". (190)

(d) the fourth concentric circle is mankind as a whole; but here, since there is no contiguity, there is little or no sympathy. A man's sense of involvement with complete strangers is small indeed. He would be more upset by the loss of a finger than if

"the great empire of China, with all the myriads of inhabitants, was suddenly swallowed up by an earthquake". (191)

Smith feels it is natural that

"We should be little interested in the fortune of those whom we can neither serve nor hurt, and who are in every respect so very remote from us". (192)

God alone can remain equally benevolent in each of the successive concentric circles. Man is an imperfect creature, however, and his benevolence weakens as he moves out from the nucleus. Perhaps this is regrettable; but in a scientific analysis Smith is concerned to state how the mechanism does operate, not how it should operate. He decides that man should not try to implement elaborate schemes for changing the universe (since man is made of "coarse clay"):

"To man is allotted a much humbler department, but one much more suitable to the weakness of his powers and to the narrowness of his comprehension - the care of his own happiness, of that of his family, his friends, his country". (193)

The outlook for the future is optimistic, however. Trade would bring nations closer together, and their relations would be determined by exchange and emulation, not jealousy. (194) In any case, merchants are more honest and punctual than ambassadors. (195) Mercantile nations will thus be honest and punctual in their dealings with one another:

"If states were obliged to treat once or twice a day, as merchants do, it would be necessary to be more precise, in order to preserve their character. Whenever dealings are frequent, a man does not expect to gain so much by any one contract, as by probity and punctuality in the whole". (196)

Trade cordialises relations between nations. A more friendly spirit, greater interdependence, more frequent contacts, will generate relationships based on sympathy. There is no reason why this should not lead to benevolence.

It should be clear from the above account of Smith's theory of benevolence that it is in no way contradictory to his theory of self-love:

First, benevolence, justice and prudence are all virtues. In a given person's behaviour patterns we should expect to observe all three in their proper proportions. The mixture varies from society to society, and is defined in each case by the sympathy of the impartial spectator. It is impossible to provide more detailed guidelines on propriety of behaviour.

"The rules of justice may be compared to the rules of grammar, the rules of the other virtues to the rules which critics lay down for the attainment of what is sublime and elegant in composition. The one are precise, accurate and indispensable. The other are loose, vague and indeterminate".⁽¹⁹⁷⁾

Second, society cannot exist without justice, which Smith defines as abstention from injuring others. Moreover, self-love can usually be depended on as a source of action. However, much action prompted by the instincts has highly desirable but unintended social outcomes:

"It has not been entrusted to the slow and uncertain determinations of our reason to find out the proper means of bringing (socially-desirable goals) about. Nature has directed us to the greater part of these by original and immediate instincts. Hunger, thirst, the passion which unites the two sexes, the love of pleasure and the dread of pain, prompts us to apply those means for their own sakes and without any consideration of their tendency to those beneficent ends which the great Director of nature intended to produce by them".⁽¹⁹⁸⁾

Nonetheless, the motivation of these socially-desirable ends is individual self-interest (which can mean consumption, but also tranquillity, prestige, and many other concrete goals).

Benevolence is neither as necessary as justice nor as dependable as self-love. It is "an ornament which embellishes, not the foundation which supports the building."⁽¹⁹⁹⁾ The want of it "tends to do no real positive evil",⁽²⁰⁰⁾ and it does not need to be made compulsory by law. It is clear that benevolence is "the perfection of human nature",⁽²⁰¹⁾ but society could exist in a second-best sort of way without it.

Third, Smith derives benevolence scientifically from sympathy. To win the sympathy of the spectator, the actor tries to be proper in his actions, and this means that he will aim too at proper benevolence. This is a weaker approach to benevolence than the Christian one, since to Smith one exchanges benevolence for approbation (there is a consideration, and thus a contract has been made). It may, of course, be no more than self-approbation. Even benevolence is practised out of a sort of self-interest, since no one wants to be excluded "from the friendship of all the world ... from the best and most comfortable of all social enjoyments".⁽²⁰²⁾ Sensibility to the feelings of others, and the desire to win their approbation, causes us to moderate our emotions to the correct social pitch. Even in his discussion of benevolence, Smith did not place much emphasis on love of neighbour or feelings of humanity.

Fourth, benevolent feelings are directed mainly towards other members of our sub-group (e.g. family, neighbourhood, office, clan). Where, however, the field of activity is broader and contacts less intimate, there will be no network of sympathy and thus no benevolence. In such cases (for example, the economy), self-love moderated by justice may produce desirable results even if the motivation is not altruistic. There are desirable actions "to which self-love alone ought to be sufficient to prompt us".⁽²⁰³⁾ Benevolence is simply not needed:

"It is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their self-interest ... Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow citizens".⁽²⁰⁴⁾

Even in the Moral Sentiments, self-love is taken as the motive of economic actions. The landlord is "proud and unfeeling ... without a thought to the wants of his brethren"; the rich man suffers from "natural selfishness and rapacity". (205) A tradesman

"is thought a poor-spirited fellow among his neighbours who does not bestir himself to get what they call an extraordinary job, or some uncommon advantage. This spirit and keenness constitutes the difference between the man of enterprise and the man of dull regularity". (206)

In the economic sphere, self-interest is the basis of activity:

"The uniform, constant and uninterrupted effort of every man to better his condition (is) the principle from which public and national, as well as private opulence is originally derived". (207)

Both the division of labour and the accumulation of capital (the main causes of growth) depend on self-love, the former on a propensity to maximise welfare by exchanging, the latter on the desire to raise one's social status. Self-love is also the basis of market price ("the bidding of the market"), competition, and the distribution of the national product among classes.

Whether or not economic affairs should be ruled by prudence is a meaningless question. As a materialist, Smith felt that sensations grow out of situations. Benevolence cannot be ordered and cannot be enforced by law (if it were, it would cease to be benevolence and become prudence). It should be welcomed in those situations where it arises spontaneously (e.g. the family). In other situations (e.g. the economy) substitutes will be found. The fact that self-interest is the pre-dominant motive in the economic sphere does not mean there are no other spheres, with their own corresponding motives. Smith's approach

was highly intellectual, and he was aware that man is a social animal acting simultaneously in several spheres at once.

Fifth, we have already pointed out that Smith's theory of proper benevolence may be interpreted as an indirect theory of self-love, since proper benevolence is the means to approbation. But even if it were true that the Moral Sentiments placed weight chiefly on benevolence, and the Wealth of Nations chiefly on self-love, as we have seen, they may have been referring to different spheres of activity. There is evidence to think Smith intended a more ambitious programme of research than he actually completed, and at his death destroyed a number of manuscripts.

John Miller, who attended Smith's lectures at Glasgow College, says that Smith divided his course into four parts⁽²⁰⁸⁾ - theology, ethics, justice and wealth. The section on ethics gave rise to the Moral Sentiments, the section on wealth to the Wealth of Nations. Possibly, had Smith lived to write the book on "law and government" that he promises on the last page of Moral Sentiments,⁽²⁰⁹⁾ he would there have chosen to concentrate most heavily on justice, to neglect prudence and benevolence for the moment. Smith's genius for abstraction should not blind us to the need to reconstruct his total view of man.

This need has been stated, with respect to the role that Smith intended to assign to self-love, by Professor Morrov as follows:

"The 'economic man' is an individual who acts purely as an individual, without explicit recognition of his social relationships .. The conception of society which considers individuals as only thus

mechanically related cannot be said to have grasped the most significant elements in the social experience ... Since the economic theory deals only with the material aspect of human life, it is clearly a technological inquiry and subordinate to a philosophy of values: if the increase of national wealth is the end desired, then the economic theory can point out the means. But whether this end is as valuable as other possible ends, the economic theory does not answer. The Wealth of Nations recognises ... not only that there are other and higher values than wealth, but also that the pursuit of wealth often threatens the destruction of these higher values. Moreover, the Wealth of Nations does not fail to recognise that the abstract order of isolated individuals is not a true picture of human society". (210)

Mrs. Bryson too assumes the unity of Smith's totalwork, and his tendency to make different abstractions in different contexts:

"He writes as the moral philosopher he was who, at a definite point in his discussion, has come to make an abstraction of the economic motive in human activity whenever and wherever found, just as at an earlier point he had made an abstraction of the specifically ethical motives or the religious". (211)

V

Society is a looking-glass. If there were no society, there would be no standard or sense of right and wrong:

"were it possible that a human creature could grow up to manhood

in some solitary place, without any communication from his own species, he could no more think of his own character, of the propriety or demerit of his own sentiments and conduct, of the beauty or deformity of his own mind, than of the beauty or deformity of his own face.

All these are objects which he cannot easily see, which naturally he does not look at, and with regard to which he is provided with no mirror which can present them to his view. Bring him into society and he is immediately provided with the mirror which he wanted before.

It is placed in the countenance and behaviour of those he lives with, which always mark when they enter into and when they disapprove his sentiments; and it is here that he first views the propriety and impropriety of his own passions, the beauty and deformity of his own mind. To a man, who from his birth was a stranger to society, the external bodies which either pleased or hurt him, would occupy his whole attention ... Bring him into society and all his own passions immediately become the causes of new passions. He will observe that mankind approve of some of them and are disgusted by others. He will be elevated in the one case, and cast down in the other ... It is evident that we are anxious about our own beauty and deformity only on account of its effect upon others. If we had no connection with society, we should be altogether indifferent about either". (212)

Sympathy is the basis of society; and man tailors his behaviour so as to act with propriety and win the respect of the impartial spectator. This is the cement of human society.

But propriety is not imposed by extraneous rules. It arises spontaneously from the situation. Different situations create different standards of propriety, and scientifically one is as good as

another in promoting social cohesion by conformity of sentiments. Action is in each case social action. Propriety is in each case the goal and utility the unintended outcome.

Moreover, propriety arises specifically from the material infrastructure of society. Standards of right and wrong, social and political structure, law, ideas themselves all vary with the economic basis. A decision to advocate economic growth is equally a decision to change the institutional appearance of a society and the personality of the citizens.

It is doubtful if Smith would have advocated increased production of "bubbles and trinkets" if he had not been optimistic about the accompanying social and psychological changes. In short, to Smith the theory of production is less about the production of commodities than about the production of man himself.

-207-

Notes

- (1) MS, p. 124.
- (2) ibid., p. 127.
- (3) ibid., p. 56. At its lowest level, such approbation is symbolized by "prizes and illustration" (II, p.307) or "reputation" (I, p.119).
- (4) ibid., p. 52. See also p. 10.
- (5) ibid., p. 89.
- (6) ibid., p. 290.
- (7) ibid., p. 124. Reference should also be made to W.F. Campbell, "Adam Smith's Theory of Justice, Prudence and Beneficence", American Economic Review (May, 1967).
- (8) MS, p. 25.
- (9) idem.
- (10) ibid., p. 27.
- (11) ibid., p. 83.
- (12) ibid., p. 456.
- (13) Dugald Stewart describes the inappropriety of violent emotions as follows: "When my passion is gratified and I begin to reflect coolly on my conduct, I can no longer enter into the motives from which it proceeded; it appears as improper to me as to the rest of the world; I lament the effects it has produced; I pity the unhappy sufferer whom I have injured; and I feel myself a just object of indignation to mankind". D. Stewart, op. cit., p. xxvi.

- (14) MS, p. 429.
- (15) ibid., p. 10.
- (16) ibid., p. 466.
- (17) ibid., p. 8.
- (18) ibid., p. 357.
- (19) ibid., p. 3.
- (20) ibid., p. 11.
- (21) ibid., p. 64.
- (22) LJ, p. 108.
- (23) "Whatsoever then, he removes out of the state that nature hath provided and left it in, he hath mixed his labour with it, and joined to it something that is his own, and thereby makes it his property". J. Locke, "Second Treatise", paragraph 27.
- (24) LJ, p. 110.
- (25) ibid., p. 111.
- (26) ibid., p. 113-4.
- (27) ibid., p. 121.
- (28) ibid., p. 124.
- (29) MS, p. 124.
- (30) ibid., p. 81. This is "the circumstance which gives to prosperity all its dazzling splendour".
- (31) H.C. West, "Adam Smith's Philosophy of Riches", Philosophy March-April 1969, p. 208.

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- (32) D. Stewart, op. cit., pp. xxiv-xxvi.
- (33) MS, p. 52.
- (34) ibid., pp. 62-9.
- (35) ibid., pp. 180, 203.
- (36) ibid., p. 167.
- (37) ibid., p. 275.
- (38) ibid., pp. 452-6.
- (39) ibid., p. 123.
- (40) ibid., p. 347.
- (41) ibid., p. 346.
- (42) ibid., p. 276. See also p. 420.
- (43) ibid., p. 194. See also p. 195, ("the scorn of his companions")
- (44) ibid., p. 510-511.
- (45) See ibid., pp. 202, 436-7.
- (46) ibid., p. 276.
- (47) ibid., p. 194.
- (48) ibid., pp. 121-2. See also p. 177. Note also that the
"all-seeing Judge of the World" is aware of the crime even if
the real spectator is not. ibid., pp. 176, 187-8.
- (49) ibid., p. 533. See also pp. 33, 110.
- (50) Quoted in L. Schneider, op. cit., p. 27.
- (51) MS, p. 469. See also p. 17, on spurious ideas. Smith also ex:
"When these general rules ... have been formed, when they are

universally acknowledge and established, we frequently appeal to them". p. 226.

(52) ibid., p. 164.

(53) ibid., p. 224.

(54) ibid., pp. 459-60.

(55) ibid., p. 21.

(56) ibid., p. 192-3.

(57) ibid., p. 456.

(58) ibid., pp. 222-3.

(59) See L. Stephen, English Thought in the Eighteenth Century, (London: Smith, Elder, 1876), Vol. II, pp. 74 et seq.

(60) See T.D. Campbell, op. cit., and G.R. Morrow, The Ethical and Economic Theories of Adam Smith (New York: Augustus Kelley, 1969)

(61) See E.G. West, Adam Smith, p. 108.

(62) MS, p. 61.

(63) ibid., p. 66.

(64) ibid., p. 500.

(65) ibid., p. 301.

(66) ibid., p. 363.

(67) ibid., p. 303.

(68) ibid., pp. 296-7. See also p. 216.

(69) ibid., p. 298.

(70) MS, II, p. 302.

- (71) MS, p. 292.
- (72) WH, II, pp. 316, 358. See also MS, pp. 80-84.
- (73) MS, p. 414.
- (74) WH, II, p. 431.
- (75) MS, p. 294. See also p. 361.
- (76) WH, I, p. 492-3.
- (77) WH, II, p. 158.
- (78) WH, I, p. 433. See also I, p. 410.
- (79) WH, I, p. 108.
- (80) IJ, p. 252.
- (81) idem.
- (82) ibid., p. 255.
- (83) A. Ferguson, op. cit., p. 118.
- (84) MS, p. 313.
- (85) ibid., p. 315.
- (86) WH, I, p. 19.
- (87) WH, I, p. 278.
- (88) WH, I, p. 518.
- (89) WH, I, p. 440.
- (90) WH, I, p. 519.
- (91) WH, II, p. 232.
- (92) WH, I, p. 127.

- (93) HN, II, pp. 127-8.
- (94) HN, I, pp. 294-7.
- (95) MS, p. 78. See also HN, II, p. 188.
- (96) HN, I, p. 277. See also I, p. 484.
- (97) HN, I, p. 410. Hence small property is the most likely to be improved.
- (98) HN, I, p. 356.
- (99) HN, I, p. 357.
- (100) HN, II, p. 128.
- (101) MS, p. 297.
- (102) HN, II, p. 223.
- (103) HN, II, p. 103.
- (104) MS, p. 316. Habits of business affect "tempers and disposition"
HN, I, p. 433.
- (105) MS, p. 124.
- (106) HN, II, p. 188.
- (107) HN, II, p. 304. See also I, p. 277.
- (108) LJ, pp. 255-6. See also HN, II, pp. 302-3.
- (109) HN, II, p. 220.
- (110) LJ, p. 257.
- (111) HN, II, p. 151.
- (112) MS, p. 21.
- (113) ibid., pp. 17, 305, 134, 153.

(114) ibid., p. 301.

(115) ibid., p. 64.

(116) ibid., p. 34. See also p. 27. Another example of the social contingency of propriety is the case of a man who promises a sum of money to a highwayman in exchange for his life. In some situations he is bound in propriety to pay the money, but not in others. Ibid., pp. 489-9. Elsewhere he points out that it is improper to weep when one is about to be executed: "How did it disgrace the memory of the intrepid Duke of Birón, who had so often braved death in the field, that he wept upon the scaffold". ibid., p. 69. In fact, he disgraced himself forever "in the opinion of all the gallant and generous part of mankind". Ibid., p. 63.

(117) ibid., p. 305.

(118) idem.

(119) ibid., p. 363.

(120) MS. p. 303.

(121) MS. p. 297.

(122) MS. p. 305.

(123) idem.

(124) MS. p. 300.

(125) MS. p. 302.

(126) MS. p. 297.

(127) LI. p. 80.

(128) MS. p. 215.

(129) MS, p. 302.

(130) H.J. Thomson takes a similar view: "the passions of ordinary life which dominate the thought of The Wealth of Nations are pictured, not as vehicles of intellectual progress, but only as forces contributing to progress in opulence. Subsequently, when the increment in opulence has been employed to support a more numerous leisured class, philosophy may also become a beneficiary ... self-interest is not extolled for its own sake but is considered as a powerful human sentiment which might be more effectively harnessed as an instrument of economic progress. And the goal of the economic system is regarded more as progress in refinement and in creative activity than as maximizing utility in a material sense".
H.J. Thomson, loc. cit., pp. 217, 227.

(131) WN, I, p. 371. See also pp. 437, 440.

(132) MS, p. 124.

(133) MS, p. 75. See also p. 87; IJ, pp. 107-27; WN, I, p. 136.

(134) WN, I, p. 408.

(135) WN, I, p. 435. See also IJ, p. 118.

(136) R. Meek, "The Scottish Contribution to Marxist Sociology", in Economics and Ideology and Other Essays (London: Chapman and Hall, 1967).

(137) WN, I, p. 408.

(138) WN, II, p. 294.

- (139) IN, II, p. 52.
- (140) LJ, p. 155.
- (141) idem.
- (142) idem.
- (143) "Of the External Senses", loc. cit., p. 221.
- (144) MS, p. 428. Men have "a principle of motion of their own", p. 34
- (145) ibid., p. 97.
- (146) LJ, p. 136.
- (147) MS, p. 99. See also p. 122.
- (148) LJ, p. 158.
- (149) ibid., p. 141.
- (150) MS, p. 237.
- (151) LJ, p. 268.
- (152) LJ, p. 47.
- (153) MS, p. 96.
- (154) ibid., p. 125.
- (155) ibid., p. 126.
- (156) ibid., p. 125.
- (157) LJ, p. 136. See also MS, pp. 83, 151.
- (158) LJ, pp. 148-9.
- (159) ibid., p. 150.
- (160) ibid., p. 151.

- (161) MS. p. 117. See also pp. 398-9.
- (162) ibid., pp. 126, 302.
- (163) ibid., p. 109.
- (164) LJ. p. 17.
- (165) ibid., pp. 155-6.
- (166) MS. p. 446. See also p. 441.
- (167) By Jacob Viner, "Adam Smith and Laissez-faire", loc. cit.,
p. 120 et seq.
- (168) MS. p. 321.
- (169) ibid., p. 446. See also p. 359.
- (170) ibid., p. 311.
- (171) ibid., p. 445.
- (172) ibid., p. 82.
- (173) ibid., p. 120.
- (174) MS. I, p. 26.
- (175) MS. pp. 27-8.
- (176) D. Stewart, op. cit., p. xxxi.
- (177) MS. p. 321. Italics mine.
- (178) ibid., p. 325.
- (179) idem.
- (180) ibid., p. 320.
- (181) ibid., p. 321.
- (182) ibid., p. 329.

- (183) idem.
- (184) ibid., p. 323.
- (185) ibid., p. 331.
- (186) idem.
- (187) ibid., p. 452.
- (188) ibid., p. 127.
- (189) ibid., p. 337.
- (190) ibid., p. 334.
- (191) ibid., p. 192.
- (192) ibid., p. 197.
- (193) ibid., p. 348.
- (194) ibid., p. 336.
- (195) Id., pp. 252-5.
- (196) ibid., p. 255.
- (197) MS. p. 290. See also: "Every man, so long as he does not violate the laws of justice, is left perfectly free to pursue his own interest in his own way". EN. II, p. 208.
- (198) MS. p. 110.
- (199) MS
- (200) MS
- (201) ibid., p. 27. The standard of propriety is the spectator.
See also MS. pp. 51, 207, 448.
- (202) ibid., p. 357.

- (203) ibid., p. 446.
- (204) WN, I, p. 13.
- (205) MS, p. 264.
- (206) ibid., p. 247.
- (207) WN, I, p. 325.
- (208) Quoted by D. Stewart, op. cit., p. xvii.
- (209) "I shall, in another discourse, endeavour to give an account of the general principles of law and government, and of the different revolutions they have undergone in the different ages and periods of society". MS, p. 505.
- (210) G.R. Morrow, The Ethical and Economic Theories of Adam Smith, 1923 (New York: Augustus Kelley, 1969) p. 85. Of: self-interest and benevolence "represent, not different kinds of actions, but different levels of the social consciousness", p. 5
- (211) C. Bryson, op. cit., p. 207. Dr. West writes that the Wealth of Nations "is only the component of a larger and more comprehensive investigation of man in society ... His total work looks at man in all his dimensions". E.C. West, Adam Smith, pp. 81-82.
- (212) MS, pp. 162-3. See also p. 277. Dr. West has thus completely missed the point when he writes: "It is a striking fact that whereas Karl Marx was later to admonish Smithian capitalism for causing people to lose their identities in the pursuit of wealth, it was Smith's claim that it was only within its dynamic setting that man could successfully discover themselves". E.C. West, Philosophy, p. 114. The point is that to a Lockean determinist like Smith, there was no identity to discover; men have different identities in different situations. One identity cannot be more authentic than another.

PART THREE:

INSTITUTIONAL CHANGE

Chapter 7: THE STATE

Adam Smith believed that to each economic infrastructure there corresponded a unique type of government. As a materialist, he was convinced that the progress of industry and trade would lead to freedom from despotic authority:

"Commerce and manufactures gradually introduced order and good government, and with them, the liberty and security of individuals, among the inhabitants of the country, who had before lived almost in a continual state of war with their neighbours, and of servile depending upon their superiors".⁽¹⁾

Since he also believed in the reciprocal interaction of institutions, it is no contradiction to add that he was equally convinced that freedom from despotic authority is a precondition for industry and trade:

"Order and good government, and along with them the liberty and security of individuals, were ... established in cities, at a time when the occupiers of land in the country were exposed to every sort of violence. But men in this defenceless state naturally content themselves with their necessary subsistence; because to acquire more might only tempt the injustice of their oppressors. On the contrary, when they are secure of enjoying the fruits of their industry, they naturally exert it to better their condition and to acquire not only the necessaries, but the conveniences and elegancies of life".⁽²⁾

In this chapter we will argue that one of the main reasons why Adam Smith advocated economic growth was that it must lead to good

government and thus to further economic growth. In section I we will discuss his four-stage model of economic history; in sections II, III and IV his three main objections to government interference in the economy (that the government is respectively corrupt, misguided and wasteful); and in section V his recommendations for ideal state action.

I

Professor Rostow argues that all societies lie, economically speaking, in one of five stages (traditional society with its pre-Newtonian scientific method and technology, the transitional period, characterized by modern science, improved communication, widened scope for commerce; the take-off into self-sustained growth; the drive to maturity; and the age of high mass consumption). But he warns that the stages are economic and "in no sense imply that the worlds of politics, social organization, and of culture are a mere superstructure built upon and derived uniquely from the economy".⁽³⁾

Adam Smith, in common with the other Scottish historians of his time, identified four stages of growth: hunting, pasturage, farming and commerce.⁽⁴⁾ The motive for change is men's "insatiable" which "rouse and keep in continual motion the industry of mankind".⁽⁵⁾ Moreover, each stage has a characteristic political, social and intellectual superstructure which is the inevitable concomitant of its economy. This can be seen by examining the nature of government in each of the four stages:

(1) hunting. Societies are small, and based primarily on the extended family. This is no surprise:

"The precarious subsistence which the chase affords could seldom allow a greater number to keep together for any considerable time".⁽⁶⁾

Such societies do not need formal government, as their small size ("an army of hunters can seldom exceed two or three hundred men"⁽⁷⁾) allows them to debate collectively in a general assembly. Subordination, where it exists, is based on personal qualities (of body and mind) and especially on age:

"Among nations of hunters, such as the native tribes of North America, age is the sole foundation of rank and precedence".⁽⁸⁾

Moreover, in such societies private property is insignificant, and "universal poverty establishes there universal equality".⁽⁹⁾ There is thus less need to protect one member of society from the oppression of others:

"Among nations of hunters, as there is scarce any poverty, or at least none that exceeds the value of two or three days labour, so there is seldom any established magistrate or any regular administration of justice ... where there is no property, or at least none that exceeds the value of two or three days labour, civil government is not so necessary".⁽¹⁰⁾

Thus, tribal society was accephalous among hunters, since all were "upon the same level" and "their common cause was so well discerned".⁽¹¹⁾

(2) pasturage. The rise of private property (herds) which can be accumulated means inequality of fortune, social tension, and the need for government:

"Whenever there is great property, there is great inequality. For one very rich man, there must be at least five hundred poor, and the affluence of the few surpasses the indigence of the many. The affluence of the rich excites the indignation of the poor, who are often both driven by want and prompted by envy to invade his possessions. It is only under the shelter of the civil magistrate that the owner of that valuable property which is acquired by the labour of many years or perhaps of many successive generations can sleep a single night in security The acquisition of valuable and extensive property, therefore, necessarily requires the establishment of civil government". (12)

Thus, it is the hierarchy of wealth among shepherds that leads to a hierarchy of power. In the absence of a market economy among the Tartars or the Arabs, wealth is used to maintain retainers. It is no surprise the Old Testament patriarchs became "like petty princes". (13)

"The authority of riches ... though great in every age of society, is perhaps greatest in the rudest age of society which admits of any considerable inequality of fortune. A Tartar chief, the increase of whose herds and flocks is sufficient to maintain a thousand men, cannot well employ that increase in any other way than in maintaining a thousand men. The rude state of his society does not afford him any manufactured produce, any trinkets or baubles of any kind, for which

he can exchange that part of his rude produce which is over and above his own consumption. The thousand men whom he thus maintains, depending entirely on him for their subsistence, must obey his orders in war and submit to his jurisdiction in peace. He is necessarily both their general and their judge, and his chieftainship is the necessary effect of the superiority of his fortune. In an opulent and civilised society, a man may possess a much greater fortune and yet not be able to command a dozen of people... The authority of an Arabian scharif is very great; that of a Tartar Khan altogether despotical".⁽¹⁴⁾

Chieftainship becomes hereditary, and nobleness of birth joins greatness of wealth as a basis for authority. Presents to the ruler increase his opulence;⁽¹⁵⁾ and upward mobility is no threat since the rich control all existing flocks.

Smith is convinced that this form of economic and social organisation is dangerous to its neighbours:

"The most barbarous nations either of Africa or of the East Indies were shepherds ... These nations were by no means so weak and defenceless as the miserable and helpless Americans ... In Africa and the East Indies, therefore, it was more difficult to displace the natives".⁽¹⁶⁾

Employment forms character. Shepherds are dangerous because, hunters, they have substantial property to defend. Inequalities of fortune give rise to a hierarchy of command, and dependence means the poor have no choice but to follow the rich (just as, in the absence of a market, the rich have no choice but to support the poor as

retainers). Shepherds are nomads without any attachment to the soil, and thus there is a constant threat that they will take the offensive. As nomads, they have acquired the habit of following a leader even in peacetime; they are ready to follow the same chief when he becomes their general in wartime.⁽¹⁷⁾ This habit the Highlanders lost when they became stationary rather than nomadic shepherds.⁽¹⁸⁾ Shepherds are further a threat because social units are large. Whereas hunters travel in small bands so as not to exhaust the game, shepherds can travel as a nation, herding their flocks before them.

"An army of shepherds ... may sometimes amount to two or three hundred thousand ... There seems to be scarce any limit to the number who can march together".⁽¹⁹⁾

(3) Farming. In the confusion following the fall of Rome, great proprietors engrossed land and formed great landed estates. Land became the "means of power and protection",⁽²⁰⁾ estates were "a sort of principalities",⁽²¹⁾ and the King was unable to impose his laws on the barons. The power of the barons was strengthened by the law of primogeniture and the practice of entailing (which prevented the break-up of great estates); and by the absence of a market (which meant the agricultural surplus could be spent on nothing but the maintenance of retainers, a potential private army of dependents). Thus, in the Middle Ages,

"Every great landlord was a sort of petty prince. His tenants were his subjects. He was their judge, and in some respects their

legislator in peace and their leader in war. He made war according to his own discretion, frequently against his neighbours and sometimes against his sovereign".⁽²²⁾

Power, like property, was hereditary and based on the possession of land. Power was arbitrary, and its source was not law but "the state of property and manners",⁽²³⁾ from which the law itself arose. The only way to institute good government thus seemed to be economic.

(4) Commerce. Meanwhile, tradesmen had congregated in towns:

"The towns were chiefly inhabited by tradesmen and mechanics ... They seem to have been a very poor, mean set of people who used to travel about with their goods from place to place, and from fair to fair".⁽²⁴⁾

The King nevertheless made considerable concessions to them. The towns were given their freedom in exchange for "a rent certain never afterwards to be augmented",⁽²⁵⁾ and were allowed to be self-governing through a town council as if they were "independent republics".⁽²⁶⁾ Commerce flourished, since the townspeople were free from arbitrary power either of the barons or of the King, and could institute the rule of law.

The King sought in this way to make an alliance between himself and the burghers against their common enemy, the barons.

"Mutual interest, therefore, disposed (the burghers) to support the king, and the king to support them against the lords. They were the enemies of his enemies".⁽²⁷⁾

Security encouraged trade and industry. At first the market was foreign trade; but soon it became domestic, as the great proprietors

became aware of the existence of manufactured luxuries for which they could exchange their agricultural surplus;

"The inhabitants of trading cities, by importing the improved manufactures and expensive luxuries of richer countries, afforded some food to the vanity of the great proprietors, who eagerly purchased them with great quantities of the rude produce of their own lands."(28)

Encouraged by the growth of a domestic market, some merchants became manufacturers and endeavoured to produce in the towns the sort of goods they used to import.

The exchange of agricultural produce for manufactured goods had far-reaching political and social consequences:

(a) as the agricultural surplus came to be exchanged more and more for manufactures, so it was less and less able to maintain retainers. The lords were obliged by greed to dismiss their private armies and dependents, and thereby lost their political domination;

(b) to maximise revenues, the landlords sought to maximise rents; but farmers were only willing to pay higher rents if leases were long and tenure secure. Farming became a business, and the landlord could not expect from the farmer "even the most trifling service beyond what is expressly stipulated in the lease ... The pecuniary advantages which they receive from one another are mutual and equal, and such a tenant will expose neither his life nor his fortune in the service of the proprietor".(29) This tendency might

be accelerated by the desire of merchants to buy land (as an investment or for prestige; but no longer for power).

(c) slavery was abolished since it was not the optimal means to revenue:

"The labour of a slave proceeds from no other motive but the dread of punishment, and if he could escape this he would work none at all ... when lands, therefore, are cultivated by slaves, they cannot be greatly improved as they have no motive to industry."⁽³⁰⁾

The fact is that freemen are more productive to the landlord than are slaves; this is an important reason why "this species of servitude (became) altogether inconvenient."⁽³¹⁾ He dismisses the idealistic explanation that slavery was abolished out of a sense of humanity:

"The late resolution of the Quakers in Pennsylvania to set at liberty all their negro slaves may satisfy us that their number cannot be very great."⁽³²⁾

The net result of these three changes that followed the development of the market was that the barons lost their feudal power. Economic change led to political change:

"The tenants having in this manner become independent, and the retainers being dismissed, the great proprietors were no longer capable of interrupting the regular execution of justice, or of disturbing the peace of the country. Having sold their birth-right, not like Esau, for a mess of pottage in time of hunger and necessity, but in the wantonness of plenty, for trinkets and baubles, fitted to be the

playthings of children than the serious pursuits of men, they became as insignificant as any substantial burgher or tradesman in a city. A regular government was established in the country as well as in the city, nobody having sufficient power to disturb its operations in the one any more than in the other."⁽³³⁾

Thus, increasingly political power was coming to arise from utility (the guarantee of peace and justice) rather than simple authority (respect for superiors, as in the parent-child relationship). The existence of impartial judges meant that "the poorest way to get redress of injuries from the wealthiest and most powerful";⁽³⁴⁾ and this makes capital accumulation possible. In savage society, on the other hand,

"there could be little accumulation of stock because the indolent, which would be the greatest number, would live upon the industrious and spend whatever they produce."⁽³⁵⁾

The Middle Ages were not much better:

"Under the feudal constitution there could be very little accumulation of stock, which will appear from considering the situation of those three orders of men which make up the whole body of the people: the peasants, the landlords, and the merchants. The peasants had leases which depended upon the caprice of their masters; they could never increase in wealth because the landlord was ready to squeeze it all from them, and therefore they had no motive to acquire it. As little could the landlords increase their wealth, as they lived so indolent a life and were involved in perpetual wars. The merchants

again were oppressed by all ranks, and were not able to secure the produce of their industry from rapine and violence. Thus there could be little accumulation of wealth at all; but after the fall of the feudal government these obstacles to industry were removed, and the stock of commodities began gradually to increase."⁽³⁶⁾

The process of economic change generated two further changes in the institutional superstructure of society which were favourable to further industrialisation:

First, it generated a business mentality. Even the landlords came to think in terms of markets and the law of contract. Businessmen were, in pre-industrial society, treated with contempt;

"In this country, a small retailer is even in some degree odious at this day. When the trade of a merchant or mechanic was thus depreciated, in the beginnings of society, no wonder that it was confined to the lowest ranks of people ... This mean and despicable idea which they had of merchants greatly obstructed the progress of commerce."⁽³⁷⁾

Secondly, the dispersion of wealth and the growth of multiple fortunes meant no single magnate could be so "distinguished above others" as to assert despotic authority:

"The citizens gradually increase in riches and, coming nearer the level of the chieftan, become jealous of his authority."⁽³⁸⁾

Dispersion of wealth (among social classes) meant dispersion of political power (among groups of individuals with similar interests.) In Britain the burghers acquired political power because of their opulence as well as to counter balance the power of the lords. The

King, needing finance, appealed to Parliament, and in return had to give the House of Commons more power. A mixed constitution with balance of powers was the result:

"The King, on account of his urgent necessities, was forced to grant whatever they asked, and thus the authority of the Parliament established itself ... The Parliament consists of about 200 peers and 500 commoners. The Commons, in a great measure, manage all public affairs, as no money bill can take its rise except in that House. Here is a happy mixture of all the different forms of government properly restrained, and a perfect security to life and property."⁽³⁹⁾

In concluding our discussion of Adam Smith's four-stage growth path, it is necessary to note that, like so much of eighteenth century French and British conjectural history, it is lacking in empirical content. It would be possible to reproach Adam Smith with rejecting natural law only to replace it with the Spencerian straight jacket of a virginal evolutionary process if one felt that this was indeed Smith's intention. However it seems that Smith did not conceive the path to be either inevitable or complete:

It was not inevitable, since not all societies followed this path. Some (such as the inland parts of Africa or Siberia) "seem in all ages of the world to have been in the same barbarous and uncivilized state in which we find them at present"⁽⁴⁰⁾ because of poor water communications. Others (such as China), because of their "laws and institutions",⁽⁴¹⁾ had become stationary at a pre-industrial stage; and still others were actually regressing (such as Bengal).⁽⁴²⁾ Unlike Montesquieu or

-277-

Ferguson, Smith's growth-path is consistently upward, each successive stage being characterised by higher national income and greater civilisation of institutions. At the same time, Smith's tantalising asides (such as his reference to decay in Bengal) suggest he may have been more influenced than would appear from his writings by ideas of a rise-and-fall in social life, of a social cycle, and of the possibility of decadence before the fourth stage of the path has been reached. Speaking of Cromwell, he describes

"how this military monarchy came to share that fated dissolution that awaits every state and constitution whatever." (43)

And elsewhere:

"It is now more than two hundred years since the beginning of the reign of Elizabeth, a period as long as the course of human prosperity usually endures." (44)

Dugald Stewart reminds us that human action can alter the direction of change:

"The real progress is not always the most natural. It may have been determined by particular accidents, which are not likely again to occur." (45)

It might be argued that the fall of Rome was a once-for-all occurrence, and that the "agricultural" stage is thus no more than an accident of European history. It is not inevitable, and the growth path lacks generality.

Moreover, the path is incomplete. Economically it stops with small-scale commerce and manufacturing, and politically it stops with

balance of powers and rule by "aristocracy" (including the mercantile plutocracy). Perhaps this is the ideal world envisaged by Smith, for whom history seems to stand still at the instant of the industrial revolution just as for Marx time stopped at the proletarian revolution. It is, however, far from the scientific approach of nineteenth century positivist evolutionism. It is more an expression of belief. Perhaps Bagehot was not far from the target when he commented that Smith's aim was no more than to show "how from being a savage man rose to be a Scotchman."⁽⁴⁶⁾

II

Smith was convinced that the State should be impartial as between groups of citizens and should never sacrifice justice to interest:

"To hurt in any degree the interest of any one order of citizens, for no other purpose but to promote that of some other order, is evidently contrary to that justice and equality of treatment which the sovereign owes to all the different orders of his subjects."⁽⁴⁷⁾

Equally, however, Smith was aware that vested interests exerted considerable influence on the state. Civil government arose in the first place, after all, out of social division and the need to protect one group against another:

"Till there be property there can be no government, the very end of which is to secure wealth and to defend the rich from the poor."⁽⁴⁸⁾

And elsewhere:

"Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all."⁽⁴⁹⁾

Property is not a natural right, nor does it have its origins in labour-embodied or in inequality of natural endowments. The justification of property is that the masses feel "sympathy" with the wealthy, and wealth thus becomes its own justification for being. In other words, the state defends property owners simply because they are a vested interest.

Other social groups too, having economic power, succeeded in acquiring political power and in using the state to favour their own supposed interests. Thus in 1688 Parliament was persuaded to grant a bounty on the export of corn:

"The country gentlemen, who then comprised a still greater proportion of the legislature than they do at present, had felt the money price of corn was falling ... The government of King William was not then fully settled. It was in no condition to refuse any thing to the country gentlemen, from whom it was at that very time soliciting the first establishment of the annual land-tax."⁽⁵⁰⁾

To make matters worse, the country gentlemen, who Smith did not credit with much intelligence at the best of times,⁽⁵¹⁾ turned out to have acted without "that complete comprehension of their own interest which commonly directs the conduct of those two other orders of people ... They discouraged, in some degree, the general industry of the country and, instead of advancing, retarded more or less the improvement of their own lands."⁽⁵²⁾

The mercantile lobby was probably better informed as to its own interest. Merchants, after all, were masters of "the peddler" principle of turning a penny wherever a penny was to be got."⁽⁵³⁾ Thus they succeeded in convincing Parliament that the welfare of the nation lay in protection of trade, not promotion of industry. The idea of founding an Empire in order to have a monopoly of trade with it is a devious means of expanding commerce. It is

"a project altogether unfit for a nation of shopkeepers; but extremely fit for a nation whose government is influenced by shopkeepers."⁽⁵⁴⁾

The state bears the cost and the merchants reap the benefits. The interest of the consumer is sacrificed to that of the producer.

Manufacturers too have succeeded in convincing the state of the urgency of their particular needs:

"When manufactures have advanced to a certain pitch of greatness, the fabrication of the instruments of trade became itself the object of a great number of very important manufactures. To give any particular encouragement to the importation of such instruments would interfere too much with the interest of those manufactures. Such importation, therefore, instead of being encouraged, has frequently been prohibited ... It is the industry which is carried on for the benefit of the rich and powerful that is principally encouraged by our mercantile system. That which is carried on for the benefit of the poor and the indigent is too often either neglected or oppressed."⁽⁵⁵⁾

Merchants and manufacturers were able to persuade the state to introduce very severe penalties for illegal exportation and importation;

"The cruellest of our revenue laws, I will venture to affirm, are mild and gentle, in comparison of some of those which the clamour of our merchants and manufacturers has extorted from the legislature, for the support of their own absurd and oppressive monopolies. Like the laws of Draco, these laws may be said to be all written in blood."(56)

The whole mercantile system arose because merchants and manufacturers succeeded in persuading the government that their class interest was the national interest. This was, of course, not the case:

"It cannot be very difficult to determine who have been the contrivers of this whole mercantile system; not the consumers, we may believe, whose interest has been entirely neglected, but the producers, whose interest has been so carefully attended to."(57)

Even smugglers were a successful pressure group. Sir Robert Walpole was forced to drop his excise scheme at least partly because of their lobby:

"Faction, combined with the interest of smuggling merchants, raised so violent, though so unjust, a clamour against that bill, that the minister thought proper to drop it; and from a dread of exciting a clamour of the same kind none of his successors have dared to resume the project."(58)

Each trade has sought to influence government policy in its favour. For example:

"Our tanners have not been quite so successful as our clothiers in convincing the wisdom of the nation that the safety of the commonwealth

-298-

depends upon the prosperity of their particular manufacture. They have accordingly been much less favoured."⁽⁵⁹⁾

French mercantilise were just as persistent as their English counterparts. Thus Colbert,

"notwithstanding his great abilities, seems in this case to have been imposed upon by the sophistry of merchants and manufacturers, who are always demanding a monopoly against their countrymen."⁽⁶⁰⁾

Excessive particularism means that government has favoured some groups unduly, and at the expense of others. Thus Smith points out that there were laws to repress combination on the part of employees but not on the part of employers. The two classes are always in potential conflict, and the "poor and indigent" on all occasions are less able to influence the legislature than the "rich and powerful."⁽⁶¹⁾

"Whenever the legislature attempts to regulate the differences between masters and their workmen, its counsellors are always the masters."⁽⁶²⁾

The state has thus received biased advice, for the employers "are silent with regard to the pernicious effects of their own gains. They complain only of those of other people."⁽⁶³⁾

Similarly, the social and economic balance between town and country has been upset by the vested interests of merchants and manufacturers in the towns, who sought to use restrictive practices to shift the domestic terms of trade in their favour:

-277-

"The government of towns corporate was altogether in the hands of traders and artificers, and it was the manifest interest of every particular class of them to prevent the market from being overstocked, as they commonly express it, with their own particular species of industry, which is in reality to keep it always understocked ...

(Such measures) give the traders and artificers in the town an advantage over the landlords, farmers and labourers in the country, and break down that natural equality which would otherwise take place in the commerce which is carried on between them."⁽⁶⁴⁾

After all, combination in towns is easier to bring about than in the countryside, where the population is scattered and there is less specialisation or opportunity for restrictive practices such as apprenticeship. Smith is disturbed by the lack of elemental fairness in exchanging goods between urban and rural groups

"The whole annual produce of the labour of the society is annually divided between those two different sets of people. By means of those regulations a greater share of it is given to the inhabitants of the town than would otherwise fall to them; and a less to those of the country."⁽⁶⁵⁾

It is interesting to note Smith's use of personification in the above passages. He speaks of "the landlords, farmers and labourers in the country" and "the traders and artificers in the town", rather than simply "the country" or "the town". This avoidance of reification is a common feature of his work, and illustrates his concern with the personal relationships underlying economic phenomena.

It would be foolish to see Smith as the prophet of the emergent bourgeoisie. He makes clear that even in a landlord-dominated society, merchants and manufacturers had succeeded far too often in misleading government. The middle classes are

"an order of men whose interest is never exactly the same with the public, who have generally an interest to deceive and even to oppress the public, who accordingly have, upon many occasions, both deceived and oppressed it." (66)

He warns against "the sneaking arts of underlining tradesmen" (67) and "the mean rapacity, the monopolizing of merchants and manufacturers, who neither are nor ought to be the rulers of mankind", (68) and who are obsessed with limiting competition to raise prices and thereby "levy, for their own benefit, an absurd tax upon the rest of their fellow-citizens." (69) Clearly, "their interest is, in this respect, directly opposite to that of the great body of the people." (70) Writing of the East India Company, he says: "No two characters seem more inconsistent than those of trader and sovereign." (71)

Smith was detached and objective, not favouring any single class (and, as an academic, not suspected by his contemporaries of doing so). Professor Letwin argues that this was the reason that Smith succeeded where Josiah Child failed, in advocating laissez-faire: "(Child) was an advocate rather than a theorist, a purveyor of patent remedies, an interested party vainly asserting his objectivity." (72) Smith seems

to have had little faith in human nature and to have distrusted most classes equally (except the masses, whom he distrusted slightly more). He seems obsessed with "the passionate confidence of interested falsehood"⁽⁷⁵⁾ and warns:

"Such, it seems, is the natural insolence of man that he almost always disdains to use the good instrument except when he cannot or dare not use the bad one."⁽⁷⁴⁾

Smith did not put complete faith in any single group. An absolute monarch is open to persuasion from vested interests and could give in to the temptation to become a despot. Even under the best monarchs of ancient times, the administration of justice was corrupt.⁽⁷⁵⁾ The landowners were ignorant and insolent, the workers ignorant and volatile, and the clergy factious and superstitious. Smith's solution to the problem of political power was economic. We have already seen how dispersion of wealth leads to dispersion of power. Smith stressed balance, not just of virtues (in his ethical theory) but of orders in society (in his political theory):

"Upon the ability of each particular order of society to maintain its own powers, privileges and immunities against the encroachments of every other, depends the stability of that particular constitution."⁽⁷⁶⁾

This should be backed up by balance of powers and a mixed constitution, which he called

"a happy mixture of all the different forms of government properly restrained, and a perfect security to liberty and property."⁽⁷⁷⁾

Thus judges should be appointed for life and independent of the King; there should be habeas corpus; there should be a jury system (a "friend of liberty"⁽⁷⁷⁾); finance bills should originate in the House of Commons. Internationally too, Smith seems to have thought the balance of powers would lead to peace and stability. The mechanism was to be

"that equality of courage and force which, by inspiring mutual fear, can alone overcome the injustice of independent nations into some sort of respect for the rights of one another."⁽⁷⁸⁾

Smith seems to have had in mind a parallelogram of forces in society whereby one vested interest (potentially an order of men who "tyrannize the Government (and) warp the positive laws of the country from what natural justice would prescribe,"⁽⁷⁹⁾) neutralizes another. Thus he advocates "the balance of the constitution as opposed to increasing "either the influence of the Crown on the one hand, or the force of democracy on the other."⁽⁸⁰⁾

However, Smith also reserves some of his warmest praise for "republics". Thus in his discussion of the American colonies he points out that the colonial assemblies, although "not always a very equal representation of the people, yet ... approach more nearly to that character."⁽⁸¹⁾ There is no taxation without representation.⁽⁸²⁾ There is security, guaranteed to all by the check the elected assembly exercises over the executive:

"The authority of this assembly over-awes the executive power, and neither the meanest nor the most obnoxious colonist, as long as

he obeys the law, has nothing to fear from the resentment, either of the governor, or of any other civil or military officer in the province."(83)

In the upper houses, members are sometimes selected by the lower houses, by the "representatives of the people"; and there are no hereditary aristocrats to make nuisances of themselves;

"In none of the English colonies is there any hereditary nobility. In all of them, indeed, as in all other free countries, the descendant of an old colony family is more respected than an upstart of equal merit and fortune; but he is only more respected, and he has no privileges by which he can be troublesome to his neighbours ... There is more equality, therefore, among the English colonists than among the inhabitants of the mother country."(84)

It is no surprise that security has been rewarded;

"It is in the progress of the North American colonies, however, that the superiority of the English policy chiefly appears."(85)

This idyll Smith attributes to republican manners and customs among the colonists.(86) No less is flourishing trade and industry in Holland to be attributed to the same cause;

"The republican form of government seems to be the principal support of the present grandeur of Holland. The owners of great capitals, the great mercantile families, have generally some direct share, or some indirect influence, in the administration of that

government. For the sake of the respect and authority which they derive from this situation, they are willing to live in a country where their capital, if they employ it themselves, will bring them less profit ... than in any other part of Europe."⁽⁸⁷⁾

In short, the sense of participating in government, security, contract, "respect and authority", all keep Dutch capitals employed at home, providing work for Dutch labour. This does not appear to Smith a misallocation of resources since, although pecuniary returns are low, non-pecuniary returns are high. It is clear that Dutch prosperity depends directly on the republican form of government:

"Any public calamity which should destroy the republican form of government, which should throw the whole administration into the hands of nobles and of soldiers, which should annihilate altogether the importance of those wealthy merchants, would soon render it disagreeable to them to live in a country where they were no longer likely to be much respected. They would remove both their residence and their capital to some other country, and the industry and commerce of Holland would soon follow the capitals which supported them."⁽⁸⁸⁾

Elsewhere he praises good government in republics or quasi-republics, such as Geneva, Berne, Hamburg and Venice. It is certainly possible that at heart Smith was a republican, and only disguised his feelings when discussing the British constitution so as to please his readers and avoid prosecution for sedition.⁽⁸⁹⁾ However, it is important to remember two things: First, that by "republic", Smith meant rule by the aristocracy and meritocracy. There was never any

question of including the masses. He praises "the orderly, vigilant and parsimonious administration of such aristocracies as those of Venice and Amsterdam", (90) warns against the "thoughtless extravagance" (91) of democracies, and reminds us that the masses want good government, not representative government;

"In Venice the people freely gave up the government, as they also did in Holland, because they could not support the trouble which it gave them." (92)

Second, we must remember that Smith's ideal republic did not exclude the King. The fact that Smith wanted to curb the powers of the monarch does not mean he sought to abolish him. On the contrary, the King was necessary to ensure continuity in government, as Smith's pupil, the Earl of Buchan, pointed out:

"(Adam Smith) approached to republicanism in his political principles ... hereditary succession in the chief magistrate being necessary only to prevent the Commonwealth from being shaken by ambition, or absolute dominion introduced by the consequences of contending factions." (93)

We will now consider these two points in greater detail;

(1) Smith had an almost Shakespearean distrust of the masses, and did not consider seriously the possibility of democracy. After all the common people are "incapable of comprehending (society's) interest" or of understanding its connection with (their) own," (94) and are dazzled by the most ignorant quacks and imposters, both civil and religious". (95) They are "so jealous of their liberty ... never

rightly understanding wherein it consists." (96)

The worker is ignorant because of his material environment, and because of the routine work he performs:

"The torpor of his mind renders him, not only incapable of relishing or bearing a part in any rational conversation, but of conceiving any generous, noble or tender sentiment ... of the great and extensive interests of his country he is altogether incapable of judging." (97)

Education, as we shall see, cannot seriously combat the influence of the work function, particularly as Smith envisages mass education as professionally-oriented and not liberal. In any case, as a materialist he felt that "the understandings of the greater part of men are necessarily formed by their ordinary employments." (98)

If one studies the perceptions of all men in a given economic situation, one will find that they are remarkably similar. The line of causation being from economic basis to ideational superstructure, a unique average set of perceptions emerges and becomes a sort of "class ideology". Moreover, insofar as the lower classes are free to choose between alternative sets of perceptions or courses of action (i.e. where "propriety" is not unambiguous), they will tend to let themselves be influenced by their superiors. The mechanism of sympathy (for wealth and greatness), far more than control over the means of compulsion and propaganda, ensures the continued influence of the upper and middle classes. In other words, the class which has economic power (particularly if it also has political power, since this makes it an even more fitting

object of respect) has the privilege of imposing its values on other classes.

Thus, not only is the worker in a perpetual state of "drowsy stupidity", but he is the tool of his employers, in politics as well as in trade: "The servant who shapes his work according to the pattern which his master prescribes to him will shape his life too according to the example which he sets him." (99)

And elsewhere:

"His condition leaves him no time to receive the necessary information, and his education and habits are commonly such as to render him unfit to judge, even though he was fully informed. In the public deliberations, therefore, his voice is little heard and less regarded, except upon some particular occasions when his clamour is animated, set on, and supported by his employers, not for his, but for their own purposes." (100)

As a soldier, the lower classes defend their country only because they are more afraid of their officers than they are of the enemy: "Gentlemen can carry on a war without much discipline, but this a mob can never do." (101)

Confusion resulted in ancient Greece when the entire populus, rather than a single judge, constituted courts of justice, since the populus "frequently decided almost at random, or as clamour, faction and party spirit happened to determine." (102) The solution could not be better education; it could only be institutional reform, to substitute specialists for the masses.

Similarly, when the followers of Calvin acquired the right of electing their own pastor, the result was "disorder and confusion".⁽¹⁰³⁾

Fortunately, the masses consent to their own exclusion from the councils of state. Respect for rank and "sympathy" with wealth command obedience. Even the "undistinguishing eyes of the great mob of mankind"⁽¹⁰⁴⁾ can perceive birth or fortune, in a way which it could never perceive merit, function or wisdom. It is simply not practical for philosophers to rule hereditary power is a bulwark against the fickleness of the lower classes. Inequality is a source of social stability, since the masses admire greatness where they might not admire merit. Admiration of success is one of the means by which "we are taught to submit more easily to those superiors whom the course of human affairs may assign to us."⁽¹⁰⁵⁾ What matters is that the masses agree to submit to those superiors; the mechanism is blind sympathy with greatness. Whereas Locke traced the origins of property back to labour-embodied, and Hume to scarcity, Smith looks to the future and says that the guarantee of wealth is the sympathy of the masses with wealth itself.

Smith's distrust of the masses explains why he felt a wise man ought to ignore their views altogether:

"To a real wise man, the judicious and well-weighed approbation of a single wise man gives more heartfelt satisfaction than all the noisy applauses of ten thousand ignorant though enthusiastic admirers."⁽¹⁰⁶⁾

After all, the masses may be misled by braggarts and "men of excessive self-estimation",⁽¹⁰⁷⁾ since "men of no more than ordinary discernment never rate any person higher than he appears to rate himself."⁽¹⁰⁸⁾ Thus there is the danger that they will, in their eagerness to submit to a superior, submit to an imaginary one whose superiority is only pretended: "How hearty are the acclamations of the mob, who never bear any envy to their superiors, at a triumph or a public entry?"⁽¹⁰⁹⁾

It is no surprise, in view of his opinion of the common people, that he felt the power of the state should be balanced and reduced, but not democratised; and that he dismissed, without any discussion, schemes (such as those of More and Harrington) for a communist economy, although Hum and Hutcheson treated these "systems of community" to a more detailed analysis.⁽¹¹⁰⁾ Smith uses the terms "Oceana" and "Utopia" in the same sense as "useless" and "chimerical".⁽¹¹¹⁾ For example:

"To expect indeed that the freedom of trade should ever be entirely restored in Great Britain is as absurd as to expect that an Oceana or Utopia should ever be established in it."⁽¹¹²⁾

Contemporaries were wrong, therefore, after 1789, to treat The Wealth of Nations as subversive and radical. If Smith wanted a greater balance of power, he envisaged the changeover as gradual and induced by economic change, not revolutionary. Moreover, the beneficiaries were not to be the masses but

"men who were educated in the middle and inferior ranks of life, who have been carried forward by their own industry and abilities."⁽¹¹³⁾

There is no record of Smith's attitude to the French Revolution, but it may have been similar to Burke's well-known views on the dangers of democracy. As Smith himself said on one occasion,

"Burke is the only man I ever knew who agrees on economic subjects exactly as I do." (114)

(2) It is logical that Smith defended a hereditary monarchy. The principle of birth was a necessary delusion which, via the mechanism of sympathy, could contribute to stability and tranquillity. The monarchy provided further checks and balances, especially because politicians were "insidious and crafty animals" (115) preoccupied with their own aggrandisement; and it provided continuity in a political environment dominated by faction. Moreover, the monarchy already existed and it was impractical to think of getting rid of it.

The King is at the top of the pyramid of rank, which is maintained intact by the natural sympathy of the masses for greatness. As the greatest of the great, the King commands the most sympathy:

"The traitor who conspires against the life of his monarch is thought a greater monster than any other murderer. All the innocent blood that was shed in the civil wars provoked less indignation than the death of Charles I." (116)

Merchants, on the other hand, are very far down the pyramid. They exercise

"a profession no doubt extremely respectable, but which in no country in the world carries along with it that sort of authority which naturally over-awes the people, and without force commands

their willing obedience."(117)

The monarch is, furthermore, a check against the ambitions of politicians. Smith had no great love for the unrealistic promises of "men of system ... intoxicated with the imaginary beauty of this ideal system of which they have no experience."(118) He was under no illusions about the reasons why men seek power:

"Men desire to have some share in the management of public affairs chiefly on account of the importance which it gives them."(119)

Political office is "a means of acquiring importance ... a dazzling object of ambition".(120) Consider the situation of politician in America:

"From shopkeepers, tradesmen and attorneys, they are become statesmen and legislators, and are employed in contriving a new form of government for an extensive empire, which, they flatter themselves, will become ... one of the greatest and most formidable that ever was in the world ... All feel a proportionable rise in their own importance."(121)

The danger was that politicians would form into factions and that "men of system" would exploit the fanaticism of the ignorant masses simply to acquire power. The capital is described as the "principal seat of the great scramble of faction and ambition", (122) and one social upheaval might follow another if the monarch did not exist to preserve continuity of the executive. Stability of the social order was, to Smith, of the utmost importance: "The peace and order of society is of more importance than even the relief of the miserable."(123)

Smith was aware of the danger of revolution, and advises the sovereign to have a strong standing army ready in case of need before he releases the iron grip of tyranny and allows any individual freedom whatever:

"(A standing army) may in some cases be favourable to liberty. The security which it gives to the sovereign renders unnecessary that troublesome jealousy which, in some modern republics, seems to watch over the minutest actions, and to be at all times ready to disturb the peace of every citizen. Where the security of the magistrate, though supported by the principal people of the country, is endangered by every popular discontent; where a small tumult is capable of bringing about in a few hours a great revolution, the whole authority of government must be employed to suppress and punish every murmur and complaint against it. To a sovereign, on the contrary, who feels himself supported, not only by the natural aristocracy of the country, but by a well-regulated standing army, the rudest, the most groundless and the most licentious remonstrances can give little disturbance. He can safely pardon or neglect them, and his consciousness of his own superiority naturally disposes him to do so."⁽¹²⁴⁾

Yet the danger of a "general insurrection" of the masses (which may have to be taken into account in formulating policy)⁽¹²⁵⁾ is not the only type of revolution. The standing army itself may seize power, as happened in the time of Caesar or Cromwell. The solution is to make sure the leaders of the army are chosen from those classes which have most to lose if a revolution takes place;

"Where the sovereign is himself the general, and the principal nobility and gentry of the country the chief officers of the army; where the military force is placed under the command of those who have the greatest interest in the support of the civil authority, because they have themselves the greatest share of that authority, a standing army can never be dangerous to liberty."(126)

Thus, the solution to the problem of revolution is institutional. Given that (as we shall see) conflict is inevitable in mercantile society, the solution must be checks and balances - a standing army to check the power of the people; a set of officers sharing the sovereign's vested interests to neutralise the threat to the status quo of the standing army itself. Nor is this the only place that Smith shows his awareness of the banding together of different classes with similar interests. Thus he tells us, in passages reminiscent of Marx's analysis of the petty bourgeoisie, how, in pastoral society, the owners of small flocks are eager to defend magnates with large flocks:

"Men of inferior wealth combine to defend those of superior wealth in the possession of their property, in order that men of superior wealth may combine to defend them in the possession of theirs."(127)

At the same time, Smith does not deny that sometimes there may be no alternative to revolution. His maxim is:

"All constitutions of government are valued only in proportion as they tend to promote the happiness of those who live under them."(128)

Government is not founded on a social contract but on utility and authority (of age, wealth, long possession of power, etc.). No authority is altogether without limit, and when that limit is exceeded revolution is justified:

"It is hard to determine what a monarch may or may not do. But when the *summa potestas* is divided as it is in Britain, if the King do anything which ought to be consented to by the Parliament, without their permission, they have a right to oppose him ... Thus King James, on account of his encroachments on the body politic, was with all justice and equity in the world opposed and rejected."⁽¹²⁹⁾

The danger is that revolution will become permanent. The masses will accuse the government of not promoting happiness, and contending factions will use this discontent to gain power. "In Turkey, eight or ten years seldom pass without a change of government."⁽¹³⁰⁾ Such a loss of continuity is precisely what Smith sought to avoid. Thus he explains the principle of primogeniture in the royal succession with some approval:

"That the power, and consequently the security of the monarchy, may not be weakened by division, it must descend entire to one of the children. To which of them so important a preference shall be given must be determined by some general rule, founded not upon the doubtful distinctions of personal merit but upon some plain and evident difference which can admit of no dispute."⁽¹³¹⁾

Finally, Smith defends the hereditary monarchy simply because it exists. Revolutions are violent and unpleasant, and in many cases

doomed to fail (especially if they try to impose schemes inappropriate to the real world and its laws of matter in motion, since "in the great chess-board of human society, every single piece has a principle of motion of its own, altogether different from that which the legislature might choose to impose upon it".⁽¹³²⁾ In such cases, a man ought to place "peace and order" above "the relief of the miserable" and acquiesce in the existing social order, "moderating what he cannot often annihilate without great forces."⁽¹³³⁾ The existing government ensures continuity and tranquillity, and thus welfare; and "he is not a citizen who is not disposed to obey the laws and respect the civil magistrate."⁽¹³⁴⁾

In concluding this section, therefore, it is clear that Smith's solution to the problem of the influence of vested interests on a corrupt government was not political (democracy or revolution of the French type) but economic (industrialisation would lead to dispersion of governmental powers and their substantial reduction). In the Age of Revolutions, Smith preferred the Industrial Revolution to the French or the American Revolutions.

The Physiocrats, heirs to the era of Enlightened Despotism and saddled with an absolute monarch anyway, saw great scope for wise reforms introduced by an enlightened ruler to establish true "natural liberty". So did Sir James Steuart. But Smith felt government policies are bound to be misguided, and believed "perfect liberty" would impose itself, if only the momentum of material phenomena was allowed free expression.

The state is ignorant of trade. Parliaments were "conscious to themselves that they knew nothing about the matter",⁽¹³⁵⁾ and were easy prey to the advice of vested interests. Excessive intervention by the state had led to an undesirable misallocation of resources. Thus import duties "are hurtful in this respect, that they divert the industry of the country to an unnatural channel."⁽¹³⁶⁾ And bounties distort the "natural balance of industry": "On account of the natural connexion of all trades in the country, by allowing bounties to one, you take away the stock from the rest."⁽¹³⁷⁾ The monopoly of the colonial trade has concentrated capital in one, otherwise unprofitable employment:

"The expectation of a rupture with the colonies ... has struck the people of Great Britain with more terror than they ever felt for a Spanish Armada or a French invasion ... In her present condition, Great Britain resembles one of those unwholesome bodies in which some of the vital parts are overgrown and which, upon that account, are liable to many dangerous disorders scarce incident to those in which all the parts are more properly proportioned."⁽¹³⁸⁾

Let us consider some examples of misguided policies:

(1) The policy of the state actually created a scarcity of corn by passing laws against the middle man; since the disappearance of specialist intermediaries meant the farmer had to tie up part of his capital in storing corn, rather than employing the whole of it in cultivation. Grain thus became more expensive rather than cheaper. (139)

Bounties to encourage export had a not dissimilar result in that they misallocated resources:

"The effect of bounties, like that of all the other expedients of the mercantile system, can only be to force the trade of a country into a channel much less advantageous than that in which it would naturally run of its own accord." (140)

They were wasteful of capital, (which, after all, employs labour), and thus an obstacle to growth:

"The bounty is the smallest part of the expence which the exportation of corn really costs the society. The capital which the farmer employed in raising it, must likewise be taken into the account. Unless the price of the corn when sold in the foreign markets replaces, not only the bounty but this capital, together with the ordinary profits of stock, the society is a loser by the difference, or the national stock is so much diminished. But the very reason for which it has been thought necessary to grant a bounty is the supposed insufficiency of the price to do this." (141)

Bounties raised the price of corn in the home market, and thus the masses had to pay higher food prices, resulting either in reduced

population and industry, or higher wages (and reduced capital accumulation by employers).⁽¹⁴²⁾ The higher cost of British goods makes them less competitive abroad, while the export of subsidised British corn allows foreign employers to reduce wages, rendering their own goods more competitive:

"(The bounty) enables foreigners, the Dutch in particular, not only to eat our corn cheaper than they otherwise could do, but sometimes to eat it cheaper than even our own people can do upon the same occasions ... It tends to render our manufactures somewhat dearer in every market, and their's somewhat cheaper than they otherwise would be, and consequently to give their industry a double advantage over our own."⁽¹⁴³⁾

Bounties, by ensuring unnaturally high profits to entrepreneurs in the herring fisheries, encouraged the wrong sort of new entrants.

"The usual effect of such bounties is to encourage rash undertakers to adventure in a business which they do not understand and what they lose by their own negligence and ignorance more than compensates all that they can gain by the utmost liberality of government."⁽¹⁴⁴⁾

The results of government policy can, by interfering with the free play of the market mechanism, be perverse:

"A famine has never arisen from any other cause but the violence of government attempting, by improper means, to remedy the inconveniences of a dearth."⁽¹⁴⁵⁾

(2) The settlement laws, statutes of apprenticeship, preservation of corporations and guilds, legislation to set maximum wages, all

represent undesirable interference in the labour-market. They prevent new entry and mobility of factors of production and keep returns artificially high at the cost of more rapid growth through improved allocation. They infringe "ideas of justice and fair play, particularly as all men have nearly equal abilities and certainly have equal rights to happiness.

Rather than encouraging "perfect liberty" in the labour-market (through unrestricted geographical and occupational mobility), the state restrains competition. According to Smith, the employer is in the best position to know how much labour to employ, where, and at what price. In fixing maximum wages, the state is liable to error since the true situation in the labour-market is diverse:

"Law can never regulate (wages) properly ... The price of labour cannot be ascertained very accurately anywhere, different prices being often paid at the same place and for the same sort of labour, not only according to the different abilities for the workmen, but according to the easiness or hardness of the masters." (146)

This shows not simply distrust of the state, but of political arithmetic as a whole. Reality is highly complex and, moreover, ever changing. State policy runs the risk of ossifying obsolete social conditions in the form of law. A maximum wage of two shillings might reflect past conditions, not present ones. A natural equilibrium is not an eternal equilibrium.

He sees little difference between the privileges of graduates and those of skilled tradesmen who have served an apprenticeship:

"The privileges of graduates are a sort of statutes of apprenticeship, which have contributed to the improvement of education just as the other statutes of apprenticeship have to that of arts and manufactures."⁽¹⁴⁷⁾

The sarcasm is evident when we remember Smith's view of just how much apprenticeship has led to the improvement of arts and manufactures: it "can give no guarantee that insufficient workmanship shall not frequently be exposed to public sale."⁽¹⁴⁸⁾ Both the privileges of graduates and the institution of apprenticeship create monopolies in the labour-market, and Smith goes so far as to call for their replacement by free trade in the professions. Even doctors should be freed from the need to have degrees in medicine, since this is no real indication of their ability.⁽¹⁴⁹⁾

(3) Mercantilist policies mistakenly identified gold with wealth, and favoured the mercantile interest. Smith dismisses mercantilism as the class doctrine of merchants, and defines wealth as real commodities produced by industry and agriculture. What matters is not "money" but "money's worth."⁽¹⁵⁰⁾ Money is a veil and not part of society's wealth or capital:

"Wealth, according to (the Tartars) consisted in cattle, as according to the Spaniards it consisted in gold and silver. Of the two, the Tartar nation, perhaps, was nearest to the truth."⁽¹⁵¹⁾

Thus, when British merchants were given a monopoly of the colonial trade, Parliament did so to protect their interests. But any monopoly raises prices:

"The interest of the home consumer has been sacrificed to that of the producer." (152)

Less capital in absolute terms was available for employing labour and supplying goods. Since the capital of foreigners was deliberately excluded by the Navigation Acts from trade with British colonies. The colonial market was undersupplied and the merchant was able to buy cheap and sell dear, making windfall profits in the colonial trade:

"The English capital, which had before carried on but a part of it, was now to carry on the whole. The capital which had before supplied the colonies with but a part of the goods which they wanted from Europe was now all that was employed to supply them with the whole. But it could not supply them with the whole, and the goods with which it did supply them were necessarily sold very dear." (153)

Monopoly profits tended to misallocate resources by attracting capital to trades where it would not otherwise have gone. Thus government policy has caused a change of direction in the employment of capital. (154)

Moreover, the turnover of capital in the colonial trade is sluggish, and this means the effective quantity of capital available to support labour at any given time was less than if the gestation period of schemes was shorter:

"A British capital of a thousand pounds, for example, which is returned to Great Britain only once in five years, can keep in constant employment only one-fifth part of the British industry and,

which it could maintain if the whole was returned once in a year; and, instead of the quantity of industry which a thousand pounds could maintain for a year, can keep in constant employment the quantity only which two hundred pounds can maintain for a year."⁽¹⁵⁵⁾

Trade treaties too have been used to create monopolies, in this case the monopoly rights being granted to merchants of a foreign country who benefit from the higher prices they can demand from British consumers than would obtain if there were free competition.⁽¹⁵⁶⁾

Again, mercantilist policies were responsible for the export prohibition on raw wool from England. The result was catastrophic: the price of English wool fell with the limitation of the market, and the wool trade was harmed.⁽¹⁵⁷⁾ Such "violence and artifice"⁽¹⁵⁸⁾ victimises one trade for the sake of the economy (and, more probably, for the sake of the woollens manufacturers lobby), and contravenes notions of elementary justice.

Or, to take another example, regulated companies in foreign trade are oppressive monopolies:

"The constant view of such companies is always to raise the rate of their own profit as high as they can; to keep the market, both for the goods which they export and for those which they import, as much understocked as they can."⁽¹⁵⁹⁾

The only case in which such a company would be justified is the infant industries argument, where a temporary monopoly might be granted to a company to encourage it to open up a new branch of trade.⁽¹⁶⁰⁾

In conclusion, therefore, we must note that Smith felt the state's policy measures were misguided because they involved mistaken objectives. The state had sacrificed economic growth and full employment (a function, as we shall see, of capital accumulation) to the wish for a balance of payments surplus. It had misallocated resources and redistributed the national income from what it would otherwise have been, ⁽¹⁶¹⁾ and in so doing sacrificed notions of justice to all subjects and fair-play. Finally, such measures were particularly misguided because they were unnecessary.

IV

In this section we shall discuss three further reasons, apart from corruption and misguided policies, why Smith was adverse to excessive intervention of the state: first, because the state is wasteful; second, because the efficiency and motivation of public servants is questionable; third, because arbitrary laws which do not respect the momentum of real phenomena can always be evaded.

(1) The government is extravagant and squanders national capital on luxury and ceremonial. He compares ostentation at the court of the viceroy of Peru to a tax, both particular (to support the cost of the celebrations) and perpetual (by setting a bad example of prodigality and extravagance rather than parsimony and hard work):

"The sums spent upon the reception of a new viceroy of Peru, for example, have frequently been enormous. Such ceremonials are not only real taxes paid by the rich colonists upon those particular occasions,

but they serve to introduce among them the habit of vanity and
expenditure upon all other occasions. They are not only very grievous
occasional taxes, but they contribute to establish perpetual taxes
of the same kind still more grievous: the ruinous taxes of private
luxury and extravagance."⁽¹⁶²⁾

Indeed, in trading and industrial nations the sovereign is
actually more extravagant than in pre-mercantile societies; after
all, he need not be parsimonious since he can always raise more funds
by a tax on his subjects. In pre-mercantile society, the sovereign
employs his wealth "in bounty to his tenants and hospitality to his
retainers."⁽¹⁶³⁾ In mercantile society, on the other hand, the
sovereign becomes possessed by "the vanity which delights in the
gaudy finery of a court":

"The sovereigns of improved and commercial countries are not
under the same necessity of accumulating treasures, because they can
generally draw from their subjects extraordinary aids upon extraordinary
occasions. They are likewise less disposed to do so. They naturally,
perhaps necessarily, follow the mode of the times, and their expense
comes to be regulated by the same extravagant vanity which directs
that of all the other great proprietors in their dominions. The
insignificant pageantry of their court becomes every day more
brilliant, and the expense of it not only prevents accumulation but
frequently encroaches upon the funds destined for more necessary
expences."⁽¹⁶⁴⁾

It is no surprise Smith wanted to minimise the role of the
executive. It is the opposite of prudent and parsimonious since
it does not share the businessman's drive to save and accumulate to

better his condition. Its extravagance is on a lavish scale:

"Great nations are never impoverished by private, though they sometimes are by public prodigality and misconduct."(165)

And elsewhere:

"England, however, as it has never been blessed with a very parsimonious government, so parsimony has at no time been the characteristical virtue of its inhabitants. It is the impertinence and presumption, therefore, in Kings and ministers, to pretend to watch over the economy of private people, and to restrain their expence, either by sumptuary laws, or by prohibiting the importation of foreign luxuries. They are themselves always, and without any exception, the greatest spendthrifts in the society. Let them look well after their own expence, and they may safely trust private people with theirs. If their own extravagance does not ruin the state, that of their subjects never will."(166)

Moreover, the executive has no incentive to employ productive labour, and this means there is less net value-added in the economy. The court itself, along with the clergy and army, is unproductive and lives off, without replacing, the capital created by others:

"Such people, as they themselves produce nothing, are all maintained by the produce of other men's labour. When multiplied, therefore, to an unnecessary number, they may in a particular year consume so great a share of this produce as not to leave a sufficiency for maintaining the productive labourers, who should reproduce it next year. The next year's produce, therefore, will be less than that of the foregoing."(167)

Unproductive labour does not embody itself "in any permanent subject or vendible commodity which endures after that labour is past." (169)

"Like the declamation of the actor, the harangue of the orator, or the tune of the musician, the work of all of them perishes in the very instant of its production." (169)

Smith freely admits that unproductive labour (which includes clergymen, lawyers and physicians as well as actors and musicians) may perform quite useful services. It is not morally reprehensible. However, if the goal is growth, then such orders are brakes on progress. The "whole annual produce" of the nation is the produce of productive labour alone. As for unproductive labourers, they absorb capital, but do not reproduce it:

"Their service, how honourable, how useful, or how necessary soever, produces nothing for which an equal quantity of service can afterwards be procured. The protection, security and defence of the commonwealth, the effect of their labour this year, will not purchase its protection, security and defence for the year to come." (170)

Just as the merchant has a propensity to employ productive labour (and thereby to enrich the nation), the court has a propensity to employ menial labourers (and thereby to squander national capital):

"A man grows rich by employing a multitude of manufacturers; he grows poor by maintaining a multitude of menial servants." (171)

Moreover, whereas a merchant sets an example of parsimony and industry, the court sets an example of extravagance which becomes the subject of emulation by the nobility, clergy, and even the lower

classes. Consider the case of Edinburgh:

"When the Scotch Parliament was no longer to be assembled in it, when it ceased to be the necessary residence of the principal nobility and gentry of Scotland, it became a city of some trade and industry... The idleness of the greater part of the people who are maintained by revenue corrupts, it is probable, the industry of those who ought to be maintained by the employment of capital."(172)

Government has been a brake on economic growth, but it has not stopped growth altogether:

"Though the profusion of government must, undoubtedly, have retarded the natural progress of England towards wealth and improvement, it has not been able to stop it."(173)

In the interests of more rapid growth, the role played by government in the nation should be reduced. Government is wasteful.

(2) The state's difficulties in administering the nation are compounded by the carelessness of civil servants:

"The agents of a prince regard the wealth of their master as inexhaustible; are careless at what price they buy; are careless at what price they sell."(174)

The state is no more successful as a landlord than it is in trade:

"The crown lands of Great Britain do not at present afford the fourth part of the rent, which could probably be drawn from them if they were the property of private persons. If the crown lands were more extensive, it is probable they would be still worse managed."(175)

The problem once again is management, in this case "the negligent, expensive and oppressive management of (the proprietor's) factors and agents,"⁽¹⁷⁶⁾ The problem is the "abusive management" of "idle and profligate bailiffs"⁽¹⁷⁷⁾ who have no interest in maximising the landlord's revenues since, after all, they do not share in them. The reward of the Crown's salaried agents is not related to the rent of the land. The Crown is in the same position as any absentee landlord:

"A gentleman of great fortune who lived in the capital would be in danger of suffering much by the neglect, and more by the fraud of his factors and agents, if the rents of an estate in a distant province were to be paid to him in this manner. The loss of the sovereign, from the abuse and depredation of his tax-gatherers, would necessarily be much greater. The servants of the most careless private person are, perhaps, more under the eye of their master than those of the most careful prince."⁽¹⁷⁸⁾

Mismanagement by the overseers, is, after all, only to be expected. It is a fault of the institutional arrangements that the interest of the parts is in conflict with the interest of the whole. One of the reasons for reducing the number of functions in the state sector is that payment there is not related to results:

"Public services are never better performed than when their reward comes only in consequence of their being performed, and is proportioned to the diligence employed in performing them."⁽¹⁷⁹⁾

Mismanagement wastes capital and breeds inefficiency in allocation.⁽¹⁸⁰⁾ Growth of the national economy could be encouraged

by releasing the Crown lands from the public sector;

"When the Crown lands had become private property, they would, in the course of a few years, become well-improved and well-cultivated. The increase of their produce would increase the population of the country, by augmenting the revenue and consumption of the people."(181)

In short, absentee landlords and disinterested bailiffs would be replaced by industrious farmers, whose private interest was the same as the national interest. Similarly in industry, the private entrepreneur will seek efficiency to maximise profits. The large firm, however, would be saddled with a salaried industrial bureaucracy having no personal share in the firm's profits and not showing any great concern for maximising them. It is no wonder Smith does not see any future for the joint-stock company. The South Sea Company suffered from the burden of

"the loss occasioned by the negligence, profusion, and misversation of the servants of the company. That a joint-stock company should be carrying on successfully any branch of foreign trade when private adventurers can come into any sort of open fair competition with them, seems contrary to all experience."(182)

The problem arose because the Company had an "immense capital divided among an immense number of proprietors,"(183) and as result the individual proprietors did not exert the necessary "vigilance and attention" that would have stopped the "folly ... profusion and

depredations" of their "factors and agents, some of whom are said to have acquired great fortunes even in one year."⁽¹⁸⁴⁾ But Smith, was never quick to reproach a man for acting in his own interest:

"The greater part of (the) proprietors seldom pretend to understand anything of the business of the company; and when the spirit of faction happens not to prevail among them, give themselves no trouble about it, but receive contentedly such half-yearly or yearly dividend as the directors think proper to make to them ... The directors of such companies, however, being the managers rather of other people's money than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private co-partnery frequently watch over their own. Like the stewards of a very rich man, they are apt to consider attention to small matters as not for their masters honour, and very easily give themselves a dispensation from having it. Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company."⁽¹⁸⁵⁾

The owners have neither liability nor control; the managers have control but are unaffected by the company's profits or losses. It is no surprise Smith deplores large-scale private enterprise almost as much as he deplores state enterprise. His policy recommendations clearly refer to small-scale capitalism with its owner-operator: Negligence among the servants of a joint-stock company is the reason why "joint-stock companies for foreign trade have seldom been able to maintain the competition against private adventurers."⁽¹⁸⁶⁾ On the one hand managers are responsible for "wasting", "embezzling", "depredations"

and "disorderly conduct";⁽¹⁸⁷⁾ on the other they are simply not motivated properly, and cannot be so:

"To buy in one market, in order to sell with profit in another, when there are many competitors in both; to watch over, not only the occasional variations in the demand, but the much greater and more frequent variations in the competition, or in the supply which that demand is likely to get from other people, and to suit with dexterity and judgement both the quantity and quality of each assortment of goods to all these circumstances, is a species of warfare of which the operations are continually changing, and which can scarce ever be conducted successfully without such an unremitting exertion of vigilance and attention as cannot long be expected from the directors of a joint-stock company."⁽¹⁸⁸⁾

It is no surprise he feels the East India Company governed so badly. The proprietors of the company did not rule, but rather the managers and their appointees, the company civil service, which had an interest neither in maximum profit for the company nor in good government for India. Bureaucrats, public or private, are not to blame for their indifference. Their indifference is the fault of their situation, which forms their individual character:

"I do not mean ... to throw any odious imputation upon the general character of the servants of the East India Company, and much less upon that of any particular persons. It is the system of government, the situation in which they are placed, that I mean to censure, not the character of those who have acted in it. They acted as their situation naturally directed."⁽¹⁸⁹⁾

The solution is institutional change: restore self-interest as a motive, allow men the chance to "better their condition", and they will have more incentive to labour efficiently. It is not their fault that "the real interest of the servants is by no means the same with that of the country." (190)

A secondary objection that Smith makes to bureaucrats is that they are oppressive and arbitrary. He argues that the "inferior officers" of the Crown, dare not pervert the course of justice in the capital, under the eye of the sovereign. Such officers, however,

"in the remoter provinces, from whence the complaints of the people are less likely to reach (the King), can exercise their tyranny with much more safety." (191)

The American colonies were well governed because they were governed by eucal parliaments, not by bureaucrats appointed by, and solely responsible to, Westminster.

Tax collectors too can be abusive, especially if taxes are not certain:

"The uncertainty of taxation encourages the insolence and favours the corruption of an order of men who are naturally unpopular, even where they are neither insolent nor corrupt." (192)

Assessment of a man's total fortune, should it be made the basis for taxation, would give scope for further "insolence of office", (193) since such an assessment

"must in most cases depend upon the good or bad humour of his assessors, and must therefore be altogether arbitrary and uncertain." (194)

Once again, Smith recommends such kinds of taxes as will not allow such arbitrary power to the arrogance of officialdom.

His impressions of educational inspectors are no more flattering. They are liable to use their power "ignorantly and capriciously", and it is "arbitrary and discretionary" in any case. Possibly unacquainted with the subject taught, and unable to attend the course itself to form an impression of the teacher's merit, they may, simply from the "insolence of office", choose "to censure or deprive (the teacher) of his office wantonly, and without any just cause." (195) Originality is penalised, and a teacher comes to acquire merit, "not by ability or diligence in his profession, but by obsequiousness to the will of his superiors." (196)

(3) It is difficult or impossible to enforce laws which go against the current of phenomena. Thus import duties have encouraged smuggling:

"Smugglers are now the main importers either of British goods into France or of French goods into Britain." (197)

Draconian penalties simply are not effective:

"The prohibition, notwithstanding all the penalties which guard it, does not prevent the exportation of wool. It is exported, it is well known, in great quantities. The great difference between the price in the home and that in the foreign market presents such a temptation to smuggling that all the rigour of the law cannot prevent it." (198)

The solution is not to repress men's urge to "better their condition" but to design laws in such a way as to enlist it on the side of the national interest. Such laws, at least, would be enforceable. The smuggler is

"a person who, though no doubt highly blameable for violating the laws of his country, is frequently incapable of violating those of natural justice, and would have been, in every respect, an excellent citizen, had not the laws of his country made that a crime which nature never meant to be so."(199)

Similarly, when the government sought artificially to maintain the mint price of gold below the bullion price, there was a flourishing clandestine trade in melting down gold coin and selling it as bullion. The government could have destroyed this trade at a stroke by allowing the mint price to float and to find its true value, based on the supply of and demand for gold. It was unable to destroy this trade by even the most severe penalties. The effect was to make a mockery of government policy:

"The operations of the mint were, upon this account, somewhat like the web of Penelope; the work that was done in the day was undone in the night."(200)

As well as evasion, the government, in designing policy, must face the danger of avoidance. Burdensome taxation and the insolence of assessors might cause a merchant or manufacturer ("the proprietor of stock is properly a citizen of the world") to send his capital abroad, thereby depriving the home country of the industry and employment it would have afforded.

State influence was to be reduced but it was not to disappear. In the first part of this section, we will discuss the ways in which Smith felt self-interest could be made the engine of economic growth; in the second part, we will discuss his final verdict on the scope for state intervention in the economy.

(1) As a materialist, Smith felt that reformers cannot simply impose ideal solutions without regard to the momentum inherent in material conditions. Such policies that neglect real forces are bound to be frustrated:

"In the great chess-board of human society, every single piece has a principle of motion of its own, altogether different from that which the legislature might choose to impress upon it. If those two principles coincide and act in the same direction, the game of human society will go on easily and harmoniously and is very likely to be happy and successful; but if they are opposite or different the game will go on miserably and the society must be at all times in the highest degree of disorder." (202)

One of the best ways to give maximum expression to "the game of human society" is for the state to impose the minimum of rules. This leads to the establishment automatically of "what is in most cases advantageous to preserve, the natural division and distribution of labour in the society." (203)

"Open the flood gates and there will presently be less water above and more below the dam-head, and it will soon come to a level in both places." (204)

"Automatic adjustment" and "perfect liberty" establish themselves and allocate goods and factors of their own accord. This he describes as "the liberal plan of equality, liberty and justice"; (205) or, in reverse order "perfect justice, perfect liberty and perfect equality". (206) Such policy "is the very simple secret which most effectually secures the highest degree of prosperity to all the three classes." (207)

If the state is too corrupt, misguided, extravagant, bureaucratised and ineffectual to discover the relevant laws of action of pheromone and to impose corresponding positive laws (as the Phipocrats assumed it could and would do), then the state must pass such responsibility to individuals;

"The natural effort of every individual to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle that it is alone, and without any assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often encumbers its operations." (208)

The market mechanism is such as to enlist private self-interest (to maximise wealth and position) on the side of the social interest

(growth, fair-play, and the "natural and most advantageous distribution of stock": (209)

"It is thus that the private interests and passions of individuals naturally dispose them to turn their stock towards the employments which in ordinary cases are most advantageous to the society. But if from this natural preference they should turn too much of it towards those employments, the fall of profit in them and the rise of it in all others immediately dispose them to alter this faulty distribution. Without any intervention of law, therefore, the private interests and passions of men naturally lead them to divide and distribute the stock of every society, among all the different employments carried on in it, as nearly as possible in the proportion which is most agreeable to the interest of the whole society." (210)

Or elsewhere:

"The increase of demand ... though in the beginning it may sometimes raise the price of goods, never fails to lower it in the long run. It encourages production and thereby increases the competition of the producers, who in order to undersell one another, have recourse to new divisions of labour and new improvements of art, which might never otherwise have been thought of." (211)

Thus even speculation in grain (despite popular fears of forestalling and regrating) serves a useful purpose. The speculator stores grain and gambles that its price will have risen by the time he comes to sell it. He is the man on the spot and has special expertise. It is very much in his interest to try to guess correctly.

since an error costs him his profit.

"If he judges wrong in this, and if the price does not rise, he not only loses the whole profit of the stock which he employs in this manner, but a part of the stock itself, by the expence and loss which necessarily attend the storing and keeping of corn.... If he judges right, instead of hurting the great body of the people, he renders them a most important service. By making them feel the inconveniences of a dearth somewhat earlier than they otherwise might do, he prevents their feeling them afterwards so severely as they certainly would do if the cheapness of price encouraged them to consume faster than suited the real scarcity of the season."⁽²¹²⁾

Speculators, while trying only to serve their private interests, serve society by moderating fluctuations in corn prices. A drought does not become a famine, and supplies are spread more evenly over the whole period. Society benefits, although the dealer is solely motivated by "his own private profits" and the interests of society "never enter into his thoughts."⁽²¹³⁾ Optimal allocation leads to more growth per unit of input, and thus to an increase in the "riches and power of the country"⁽²¹⁴⁾ that was totally unintended by the undertaker".

"Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage naturally, or rather necessarily, leads him to prefer that employment which is most advantageous to the society".⁽²¹⁵⁾

He defines the "great business of political economy" as being to promote "the cheapness of consumption" and "the encouragement given to production".⁽²¹⁶⁾ Elsewhere he adds the aim of individual economic freedom:

"to prohibit a great people, however, from making all that they can of every part of their own produce, or from employing their stock and industry in the way that they judge most advantageous to themselves, is a manifest violation of the most sacred rights of mankind."⁽²¹⁷⁾

All of these aims can be met by competition. He praises the efficiency which "rivalship and exertion" and ambition call forth; and points out that, since "it is the interest of every man to live as much at his ease as he can",⁽²¹⁸⁾ the spur of competition may be necessary to cause even university lecturers (whose motivation, one would have thought, would be anything but pecuniary, especially judging from Smith's own total lack of interest in money) to lecture. In Oxford, where there is no competition among teachers and where salary is not proportioned to performance, "the greater part of the public professors have, for these many years, given up altogether even the pretence of teaching."⁽²¹⁹⁾ There is a need for more competition in education, he felt, regardless whether education was in the public or the private sector.

Of course, self-interest is subjectively conceived; it is not unheard of for people to act "without that complete comprehension of their own interest"⁽²²⁰⁾ which the theory of the market mechanism

postulates. Moreover, he is postulating perfect competition, while Smith may be criticised for neglecting oligopolies and economies of large-scale operation, as much as Marx may be criticised for over estimating their importance, he is not unaware of the threat of combination in a local sub-market (not least for labour).⁽²²¹⁾

His model remains inland dealers in corn, whose "dispersed situation renders it altogether impossible for them to enter into any general combination."⁽²²²⁾ Such competition is more productive of growth ("that progress of the society towards real wealth and greatness") of the national product than "systems of preference and restraint".

"All systems either of preference or of restraint being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions and for the proper performance of which no human wisdom or knowledge could ever be sufficient: the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society."⁽²²³⁾

And elsewhere:

"The law ought always to trust people with the care of their own interest, as in their local situations they must generally be able to judge better of it than the legislator can do."⁽²²⁴⁾

(2) The state should limit itself to three clearly-defined and modest functions; defence, justice and certain public works:

"According to the system of natural liberty, the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understandings: first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it; or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain public works, and certain public institutions which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expence to any individual or small number of individuals, though it may frequently do much more than repay it to a great society."(225)

(a) Opulence is desirable at least in part because it facilitates defence:

"Fleets and armies are maintained, not with gold and silver but with consumable goods. The nation which, from the annual produce of its domestic industry, from the annual revenue arising out of its lands, labour and consumable stock, has wherewithal to purchase those consumable goods in distant countries, can maintain foreign wars there." (226)

Opulence leads to defence; defence leads to security of property and thus to opulence. Smith goes further and states categorically: "Defence is of much more importance than opulence." (227) This explains why, despite his otherwise unrelenting opposition to mercantilism, he favours the Navigation Acts: "The act of navigation is, perhaps the wisest of all the commercial regulations of England." (228) Merchant shipping is a nursery for seamen who may be enlisted in the Navy in wartime. Similarly, bounties are justifiable to encourage production of strategic materials at home:

"If any particular manufacture was necessary ... for the defence of the society, it might not always be prudent to depend upon our neighbours for the supply; and if such manufacture could not otherwise be supported at home, it might not be unreasonable that all the other branches of industry be taxed to support it. The bounties upon the exportation of British-made sail-cloth, and British-made gun-powder, may, perhaps, be vindicated upon this principle." (229)

A wealthy country can better afford to wage war, but it will also need a full-time professional standing army. In the process of industrialisation, men become less warlike and martial virtues decay:

"A shepherd has a great deal of leisure; a husbandman in the rough state of husbandry has some; an artificer or manufacturer has none at all. The first may, without any loss, employ a good deal of his time in martial exercises; the second may employ some part of it; but the last cannot employ a single hour in them without some loss,

and his attention to his own interest naturally leads him to neglect them altogether ... The natural habits of the people render them altogether incapable of defending themselves." (230)

If they are to be defended, the state will have to defend them through a mercenary army, precisely because the division of labour makes industrial workers more mercenary in their own way, less willing to sacrifice paid labour for patriotic service to their country. Military exercises, vital to the martial spirit and prowess of a nation, are abandoned for lack of time or interest. (231)

The habit of obedience to authority, so great in a nation of shepherds, decays as dependence becomes impersonal (through the market mechanism) and authority becomes diffuse.

Men's employments largely determine their characters. The division of labour, through infinite specialisation of trades, means that

"everyone's thoughts are employed about one particular thing ... war comes to be a trade also. A man has then time to study only one branch of business, and it would be a great disadvantage to oblige everyone to learn the military art and to keep himself in the practice of it." (232)

In other words, the art of war requires specialisation as much as any other trade. There is thus a need for a standing army. Only the state can support a standing army. A militia is not acceptable because of the decay in martial values;

"In a militia, the character of the labourer, artificer or tradesman predominates over that of the soldier; in a standing army that of the soldier predominates over every other character." (233)

Increased wealth makes a country more liable to attack from its jealous neighbours. Its citizens are more able to pay specialists to defend them, but less involved emotionally in the fate of their country. If the division of labour makes them less able to defend themselves, the "commercial spirit" makes them individualists indifferent to the fate of the group:

"By having their minds continually employed on the arts of luxury, they grow effeminate and dastardly ... In the year 1745 four or five thousand naked, unarmed Highlanders took possession of the improved parts of this country without any opposition ... Two hundred years ago such an attempt would have roused the spirit of the nation. Our ancestors were brave and warlike, their minds were not enervated by cultivating arts and commerce ... In the beginning of this century the standing army of the Dutch was beat in the field, and the rest of the inhabitants, instead of rising in arms to defend themselves, formed a design of deserting their country and settling in the East Indies." (234)

(b) As well as freedom from aggression from abroad, the precondition for economic activity must be freedom from aggression at home. In practice this means the preservation of justice (which Smith defines negatively as abstention from harming others rather than positively as the obligation to promote their interests, since a society can exist without beneficence but not without justice, and the

enforcement of contracts;

"That security which the laws in Great Britain give to every man that he shall enjoy the fruits of his own labour is alone sufficient to make any country flourish." (235)

Security of property creates an environment in which self-interest can work for the public good. All classes should be equal before the law. In Britain,

"equal and impartial administration of justice ... renders the rights of the meanest British subject respectable to the greatest ... By securing to every man the fruits of his own industry, (it) gives the greatest and most effectual encouragement to every sort of industry." (236)

The danger of fraud is a disincentive to bear the risks of economic activity. Since, however, fraud can be public as well as private (for example, the sovereign's unjust debasement of the coinage, (237) there must be separation of powers. In particular, the judiciary should be separate from the executive;

"The persons entrusted with the great interests of the state may, even without any corrupt views, sometimes imagine it necessary to sacrifice to those interests the rights of a private man. But upon the impartial administration of justice depends the liberty of every individual, the sense which he has of his own security. In order to make every individual feel himself perfectly secure in the possession of every right which belongs to him, it is not only necessary that the

judicial should be separated from the executive power but that it should be rendered as much as possible independent of that power. The judge should not be liable to be removed from his office according to the caprice of that power. The regular payment of his salary should not depend upon the good-will or even upon the good economy of that power."(238)

For similar reasons, taxes levied by the government should be of certain value and not arbitrary in their incidence."(239)

Thus, justice is the precondition for commerce:

"Commerce and manufactures can seldom flourish long in any state which does not enjoy a regular administration of justice, in which the people do not feel themselves secure in the possession of their property, in which the faith of contracts is not supported by law, and in which the authority of the state is not supposed to be regularly employed in enforcing the payment of debts from all those who are able to pay. Commerce and manufactures, in short, can seldom flourish in any state in which there is not a certain degree of confidence in the justice of government."(240)

But commerce itself creates an environment in which justice is possible. The market-mechanism leads to

"the fall of the feudal system and ... the establishment of a government which afforded to industry the only encouragement which it requires, some tolerable security that it shall enjoy the fruits of its own labour."(241)

Moreover, the dispersion of fortunes and the need of the sovereign to borrow, ⁽²⁴²⁾ causes him to create an impartial judiciary as an incentive to lenders to trust him. It even led to the independence of the House of Commons, where all money bills were to originate. ⁽²⁴³⁾

(c) In cases where private costs and benefits do not correspond to social costs and benefits, the state should itself undertake public works (such as roads, bridges, canals, harbours). The test is that the public works in question are "in the highest degree advantageous to a great society" but that "the profit could never repay the expence to any individual or group of individuals." ⁽²⁴⁴⁾

In general, Smith's principle is that the individual should pay for the cost of an institution in proportion to the benefit he derives or expects to derive from it. On the other hand, if social benefits exceed private benefits, then government should bear at least some of the cost. For example:

"The expence of the institutions for education and religious instruction is ... no doubt beneficial to the whole society and may therefore, without injustice, be defrayed by the general contribution of the whole society." ⁽²⁴⁵⁾

This is particularly true as education, which, as we shall see, holds a very important place in Smith's subjective social welfare function, might not be demanded at all if the consumer had to bear the whole expence. The division of labour makes the masses "stupid and ignorant", and indifferent to education. Smith urges the state

to recognise that in this way

"all the nobler parts of the human character may be, in great measure, obliterated and extinguished in the great body of the people." (246)

The state should thus contribute to the costs of education while not bearing the whole cost as schoolmasters would become careless if their earnings were not in some way related to their effort, as estimated by their customers. (247) Smith may thus have been a forerunner of present-day schemes for education-vouchers. Competition is more important to Smith than ownership (public versus private). Oxford, after all, was in the private sector.

He recognises that interference in the market for education may lead to substantial distortions of the market for human capital, but dismisses this objection by saying that knowledge is bliss:

"The usual reward of the eminent teacher bears no proportion to that of the lawyer or physician; because the trade of the one is crowded with indigent people who have been brought up to it at the public expence, whereas those of the other two are incumbered with very few who have not been educated at their own ... But the cheapness of literary education is surely an advantage which greatly overbalances this trifling inconvenience." (248)

Usually, however, the charge levied on the consumer using a road, bridge or canal should be "exactly in proportion to his gain." (249)

Such a toll is ideal: "It seems impossible to imagine a more equitable method of raising a tax."⁽²⁵⁰⁾ It is ideal because a tax is levied on the spot from the very persons who benefit from the service provided. Taxation should always be as local as the benefit: "It is unjust that the whole society should contribute towards an expence of which the benefit is confined to a part of the society."⁽²⁵¹⁾ This is also the basis of his first maxim of taxation, equality:

"The expence of government to the individuals of a great nation is like the expence of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate."⁽²⁵²⁾

Thus, local public utilities such as street-lighting should be paid for out of local rates, not out of national revenues.⁽²⁵³⁾

In the case of public works, the toll can sometimes be levied by private enterprise. But whereas canals can be left in the private sector, roads must be operated by the state:

"If (a canal) is not kept in tolerable order, the navigation necessarily ceases altogether, and along with it the whole profit which they can make by the tolls. If those tolls were put under the management of commissioners who had themselves no interest in them, they might be less attentive to the maintenance of the works which produced them ... The tolls for the maintenance of a high road, cannot with any safety be made the property of private persons. A high road, though entirely neglected, does not become altogether

impassable, though a canal does. The proprietors of the tolls upon a high road, therefore, might neglect altogether the repair of the road, and yet continue to levy very nearly the same tolls. It is proper, therefore, that the tolls for the maintenance of such work should be put under the management of commissioners or trustees."(254)

The disadvantages of state enterprise are two in number. First, the civil servants, having nothing personally to gain from keeping the canal or road in good repair, may allow it to go to ruin. Second, the state may be under pressure from vested interests to indulge in uneconomic schemes. These private enterprise would avoid:

"When high roads, bridges, canals, etc., are in this manner made and supported by the commerce which is carried on by means of them, they can be made only where that commerce requires them, and consequently where it is proper to make them. Their expence, too, their grandeur and magnificence, must be suited to that that commerce can afford to pay. They must be made consequently as it is proper to make them. A magnificent high road cannot be made through a desert country where there is little or no commerce, or merely because it happens to lead to the country villa of the intendant of the province, or to that of some great lord to whom the intendant finds it convenient to make his court."(255)

Private enterprise also has two disadvantages. First, as we have seen in the case of highways, so long as the road is usable, so long as tolls are being collected, the proprietors may feel their duty is

accomplished. They may stop short of proper upkeep, and limit themselves to the minimum outlay. Second, the customer may have no choice but to use their road regardless of its condition as the proprietors may have a natural monopoly:

"At many turnpikes, it has been said, the money levied is more than double of what is necessary for executing in the completest manner, the work which is often executed in a very slovenly manner, and sometimes not executed at all."⁽²⁵⁶⁾

Smith's view of state activity went far beyond Carlyle's "anarchy plus the constable." Commentators such as Jacob Viner⁽²⁵⁷⁾ and Lord Robbins⁽²⁵⁸⁾ have pointed out how far Smith was prepared to go in advocating intervention instead of laissez-faire. Let us list some examples which illustrate Smith's view of the positive role the state could play:

(i) regulation of banking and of the rate of interest. In the former case, he feels that excess currency would never have been issued if banks had understood their own business properly.⁽²⁵⁹⁾ They did not, and financial instability resulted. It is, of course, a violation of a banker's natural liberty for the state to try to regulate banking or the money supply; but such controls are in the greater interest of society as a whole:

"Those exertions of the natural liberty of a few individuals, which might endanger the security of the whole society, are, and ought to be, restrained by the laws of all governments; of the most

free as well as of the most despotical. The obligation of building party walls, in order to prevent the communication of fire, is a violation of natural liberty exactly of the same kind with the regulations of the banking trade which are here proposed."⁽²⁶⁰⁾

In the latter case, the usury laws (the retention of which seemed so olliberal to Bentham), Smith hopes to use government policy to foster growth by keeping money out of the hands of "prodigals and projectors".⁽²⁶¹⁾ Since only spendthrifts and speculators could afford to pay high rates of interest, there should be a ceiling beyond which those rates should not be allowed to rise.

(ii) regulation of theatres. In the great eighteenth century debate on the educational versus the corruptive effects of the theatre, Smith appears to have taken an ambiguous stand. In the Wealth of Nations⁽²⁶²⁾ he praises the educational (and entertainment) value of the theatre (although, of course, actors are unproductive labourers). In 1764 he nonetheless had voted with the Senate of Glasgow College to oppose the opening of the first permanent theatre in Glasgow.⁽²⁶³⁾ Perhaps this is only indicative of the opportunist streak in his character (he also opposed the appointment of his close friend, David Hume, as Professor of Philosophy) - Perhaps, however, he had sincerely believed that the protection of public morals was more important than free trade or freedom of expression.

(iii) he advocates the use of a state-run Post Office as a source of net revenue for the government. It is easy to run, and returns

are certain and immediate. In other words, there is minimum opportunity for carelessness on the part of civil servants, and minimum risk. (264)

(iv) the tax system should be used to tailor society. Thus rents in kind should be taxed more heavily than money rents, to discourage landlords from "a practice which is hurtful to the whole community." (265) An improving landlord who farms part of his own land (thus putting some of his wealth to productive use as capital) should get a tax-rebate. (266) Landlords who specify a particular succession of crops to tenants should be taxed at a higher rate, to discourage this practice. (267)

The state should not be afraid to make taxation progressive. The rich squander considerable money on luxury and vanity, while the poorer classes "find it difficult to get food". (268) Thus a tax on house-rents, falling most heavily on the rich, would be quite acceptable:

"It is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion." (269)

Similarly, higher highway tolls should be levied on luxury carriages (of the rich) than upon freight wagons (carrying the food of the poor):

"When the toll upon carriages of luxury, upon coaches, post-chaises, etc. is made somewhat higher in proportion to their weight,

than upon carriages of necessary use, such as carts, waggons, etc., the indolence and vanity of the rich is made to contribute in a very easy manner to the relief of the poor."⁽²⁷⁰⁾

This reminds us that, although to Smith government should work through the market mechanism, he was not adverse to interfering with the varisoles contained in the supply and demand functions. There are, after all, an infinite number of positions of Paretian optimality, and Smith clearly preferred some to others. Perhaps it is this view of the invisible hand that Lord Robbins had in mind when he wrote:

"The fact that a mechanism is artificial does not mean that it can be made to do anything. A steam engine is artificial, but a steam engine is still governed by the facts of its construction. And it was the central contention of the Classical Economists that, when the market conformed to the conditions which they postulated, then interference with its working was harmful and self-frustrating. They did not conceive the self-acting mechanism to be self-created."⁽²⁷¹⁾

(v) Finally, he notes the success of public enterprise in other countries. The government of Berne makes loans to foreign governments, while in Hamburg (admittedly "a small republic where the people have entire confidence in their magistrates"⁽²⁷²⁾ it runs a public pawnshop, wine cellar, and apothecary's shop.⁽²⁷³⁾ It also runs a public bank, as do the governments of Pennsylvania, Venice and Amsterdam.

Bagshot hailed Smith as the prophet of Free Trade:

"Free trade has become in the popular mind almost as much his subject as the war of Troy was Homer's." (274)

Yet Smith was the great pragmatist. His goal was not to create a suitable environment for business (as may have been the case with the Manchester School) but to create a suitable environment for economic growth and thus social progress. His recommendations are delimited by time (the beginnings of the industrial revolution of the eighteenth century) and place (Great Britain). He noted that the state was corrupt and subject to pressure from vested interests, which at least in part explain its misguided policies (such as mercantilism) that retarded growth and favoured the group at the expense of another. He noted that the state was extravagant, luxury-loving, and squandered precious capital on unproductive labour; that bureaucrats lacked motivation to do their job efficiently; and that badly-conceived policies were easily evaded on the basis of this information he recommended a reduction in the role of the state.

But to Adam Smith no recommendation can be eternal. Different situations mean different needs. Many of Smith's criticisms of the state are true of the modern corporation as well; while the present-day state is probably more efficient and honest, less susceptible to extra-parliamentary influence, than was its eighteenth century counterpart. Smith was aware of the contingency of his recommendations. Speaking of a public bank, he comments:

"The orderly, vigilant and parsimonious administration of such aristocracies as those of Venice and Amsterdam is extremely proper, it appears from experience, for the management of a mercantile project of this kind. But whether such a government as that of England which, whatever may be its virtues, has never been famous for good oeconomy; which in time of peace has generally conducted itself with the slothful and negligent profusion that is perhaps natural to monarchies; and in time of war has constantly acted with all the thoughtless extravagance that democracies are apt to fall into; could be safely trusted with the management of such a project, must at least be a good deal more doubtful."(275)

Notes

- (1) WN I p. 433.
- (2) ibid., p. 426.
- (3) W.W. Rostow, The Stages of Economic Growth (Cambridge: The University Press, 1964), p. 2.
- (4) "The four stages of society are hunting, pasturage, farming and commerce. If a number of persons were shipwrecked on a desert island their first sustenance would be from the fruits which the soil naturally produced, and the wild beasts which they could kill. As these could not at all times be sufficient, they come at last to tame some of the wild beasts, that they might always have them to hand. In process of time even these would not be sufficient; and as they saw the earth naturally produce considerable quantities of vegetables of its own accord they would think of cultivating it so that it might produce more of them. Hence agriculture, which requires a good deal of refinement before it could become the prevailing employment of a country.

... The age of commerce naturally succeeds that of agriculture. As men could now confine themselves to one species of labour, they would naturally exchange the surplus of their own commodity for that of another of which they stood in need. LI p. 108.
- (5) MS p. 263. However, the economic factor is not the sole explanation of the historical process. He considers other theories too, such as cultural interaction and transfer. See WN II pp. 76, 202. Usually, however, the economic factor is implicit. See for example WN II pp. 224-8.

- (6) VN II p. 214.
- (7) idem.
- (8) VN II p. 233.
- (9) VN II p. 234.
- (10) VN II pp. 233-34.
- (11) LJ p. 262.
- (12) VN II p. 232.
- (13) LJ p. 16.
- (14) VN II p. 233-4. His analysis of how men of moderate property defend men of great property so that the rich will help them defend their's is reminiscent of Marx's theory of the alliance of the petty bourgeoisie with the grande bourgeoisie for mutual protection from the enemies of property rights.
- (15) LJ p. 16.
- (16) VN II pp. 150-51.
- (17) VN II p. 226. See also pp. 213-4, 223.
- (18) "As the Highlanders, however, were not wandering but stationary shepherds, as they had all a fixed habitation and were not, in peaceable times, accustomed to follow their chieftan from place to place; so in time of war they were less willing to follow him to any considerable distance or to continue for any long time in the field ... In point of obedience they were always much inferior to what is reported of the Tartars and Arabs. As the Highlanders too, from their stationary life, spend less of their time in the open air, they were always less accustomed to military exercises, and were less expert in the use of their arms than the Tartars and Arabs are said to be." VN II p. 223.

(19) WN II pp. 214-5.

(20) WN I p. 408.

(21) WN I p. 409.

(22) WN I p. 408.

(23) WN I p. 436.

(24) WN I pp. 420-1.

(25) WN I p. 422.

(26) WN I p. 423.

(27) WN I p. 424.

(28) WN I p. 428.

(29) WN I p. 439.

(30) LI p. 225.

(31) WN I p. 413.

(32) WN I p. 412.

(33) WN I p. 439.

(34) LI p. 10.

(35) ibid. p. 223.

(36) ibid. p. 220.

(37) ibid., p. 223.

(38) ibid. p. 23. Wealth is the source of power. Consider the balance of power between Britain and her American colonies:
 "Such has hitherto been the rapid progress of that country in wealth, population and improvement, that in the course of little more than a century, perhaps, the produce of American might

exceed that of British taxation. The seat of the empire would then naturally remove itself to that part of the empire which contributed most to the general defence and support of the whole." WN II p. 140. See also LJ p. 10. But this power is exerted mainly through the market in a developed economy.

See WN I p. 35.

(39) LJ pp. 44-45.

(40) WN I p. 25.

(41) WN I p. 80.

(42) WN I p. 82.

(43) LJ p. 32.

(44) WN I p. 443.

(45) D. Stewart, op. cit., xlv.

(46) W. Bagehot, Biographical Studies, 2nd ed., (London: Longmans, Green, Co., 1889), p. 255.

(47) WN II p. 171.

(48) LJ p. 15. Smith was influenced both by Locke's Second Treatise and by Rousseau's Discourse on the Origins of Inequality.

(49) WN I p. 236.

(50) WN I p. 219.

(51) For example, WN I pp. 276, 410, II pp. 338, 356.

(52) WN I p. 22.

(53) WN I p. 440. See also I, p. 273: "Their superiority over the country gentleman is not so much in their knowledge of the public interest as in having a better knowledge of their own interest than he has of his." But see II, p. 20.

- (54) WN II p. 129. See also I, p. 180.
- (55) WN II pp. 159, 161. See also: "The private interest of our merchants and manufacturers may, perhaps, have extorted from the legislature these exemptions, as well as the greater part of our other commercial regulations." (II, p. 160) Elsewhere he points out that one of the greatest obstacles to free trade is the vested interest of the classes who benefit from the existing regulation. (I, p. 493) And elsewhere he describes how the Bank of England lobby was able to make laws favouring the Bank "perpetual". (II, p. 62) Politicians too may erect public works for their own glory or convenience. (See II, p. 251)
- (56) WN II p. 165. See also pp. 179-80.
- (57) WN II p. 180.
- (58) WN II p. 417.
- (59) WN II p. 258.
- (60) WN I pp. 489-90. He attacks Colbert's belief in the virtues of organization and bureaucracy on WN II p. 183.
- (61) WN II pp. 160-1.
- (62) WN I p. 158-9.
- (63) WN I p. 110.
- (64) WN I pp. 139-40.
- (65) WN I p. 140.
- (66) WN I p. 278.
- (67) WN I p. 518.
- (68) WN I p. 519.
- (69) WN I p. 278.
- (70) WN I p. 519.

- (71) WN See also: "The government of an exclusive company of merchants is, perhaps, the worst of all governments for any country whatever." WN II p. 81. See also p. 88.
- (72) Letwin, op. cit., p. 3.
- (73) WN I p. 522.
- (74) WN II p. 321.
- (75) WN II p. 238.
- (76) MS p. 339. See also: "Upon the power which the greater part of the leading men, the natural aristocracy of every country, have of preserving or defending their respective importance, depends the stability and duration of every system of free government." WN II pp. 136-7.
- (77) LJ p. 28. See also WN II p. 244.
- (78) WN II p. 141.
- (79)
- (80) WN II p. 140. "One man is more apt to fall into imprudent policies than a number." LJ p. 69.
- (81) WN II p. 98.
- (82) WN II p. 97. See also II, pp. 137, 139, 395, 471.
- (83) WN II pp. 97-98.
- (84) WN II p. 98. See also: "Plenty of good land, and liberty to manage their affairs their own way, are the two great causes of the prosperity of all new colonies." WN II p. 83.
- (85) WN II p. 99.
- (86) "Their manners ... and their governments ... are more republican." (II p. 98).

- (87) WH II p. 439.
- (88) WH II pp. 439-440. See also I p. 418.
- (89) He may have done the same in the case of his true view on religion. Certainly his friendship with the agnostic Hume and his refusal to precede his lectures with the customary prayer have aroused suspicions that, in his books, he deliberately overstated his belief in the Deity in order to further his career. Hume was passed over for a Professorship at Glasgow College because of his views on religion.
- (90) WH II p. 342. This reminds us that he was thinking in terms "natural aristocracy". (II p. 137) as well as traditional aristocracy.
- (91) idem.
- (92) LJ p. 54.
- (93) quoted in J. Rae, Life of Adam Smith (New York: Augustus Kelly and Sons, 1965), p. 124.
- (94) WH I p. 277.
- (95) MS p. 367.
- (96) WH I p. 157.
- (97) WH II p. 303.
- (98) WH II p. 302.
- (99) WH II p. 128.
- (100) WH I p. 277. See also p. 494.
- (101) LJ p. 28.
- (102) WH II p. 299.
- (103) WH I p. 331.
- (104) MS p. 332.

- (105) MS p. 371.
- (106) MS p. 373. On rule by philosophers, see WN II pp. 232-3, 235.
- (107) MS p. 371.
- (108) MS p. 381.
- (109) MS p. 65.
- (110) See W.T. Taylor, Francis Hutcheson and David Hume as Predecessors of Adam Smith (Chapel Hill; Duke University Press, 1965).
- (111) See WN II p. 472.
- (112) WN I p. 493.
- (113) MS p. 78.
- (114) quoted in Rae, op. cit., p. 388.
- (115) WN I p. 490.
- (116) MS p. 73. See also: "Upstart greatness is everywhere less respected than ancient greatness. The hatred of usurpers, the love of the family of an ancient monarch, are, in a great measure, founded upon the contempt which men naturally have for the former, and upon their veneration for the latter." WN II p. 254.
- (117) WN II p. 155.
- (118) MS p. 341.
- (119) WN II p. 136.
- (120) WN II p. 137. See also II, pp. 143-4.
- (121) WN II p. 138. Partly this is because of the patronage of politicians can exert through their "disposal of many places of trust and profit." WN II p. 131.

- (122) WN II p. 484. See also II p. 297.
- (123) MS p. 331.
- (124) WN II p. 229.
- (125) WN II p. 78: "Even the violent and arbitrary government of Spain has, upon many occasions, been obliged to recall or soften the orders which had been given for the government of her colonies, for fear of a general insurrection."
- (126) WN II p. 229.
- (127) WN II p. 236. Another case of institutional arrangements causing congruence of otherwise disparate interests is the case of the land-tax in Asia, where the sovereign and the farmer both desired to maximise the produce of the land to maximise their respective revenue. See WN II p. 252.
- (128) MS p. 266.
- (129) LJ pp. 70-72.
- (130) LJ p. 69.
- (131) WN I p. 408.
- (132) MS p. 345.
- (133) MS p. 342.
- (134) MS p. 339.
- (135) WN I p. 455. Human laws reflect the "interests, prejudices and temper of the times." WN II p. 52.
- (136) LJ p. 246.
- (137) LJ p. 181. See also WN II p. 11. To maximise tax revenue, the state, if it understood its own interest, would try to maximise taxable national income, i.e. encourage growth. See WN II pp. 153-4, 208.

(138) WN II p. 119.

(139) WN II p. 38.

(140) WN II p. 11. See also pp. 3, 21.

(141) WN II p. 11.

(142) WN II p. 14.

(143) WN II p. 19.

(144) WN II p. 27. See also: "The bounty to the white herring fishery, as a tonnage bounty; and is proportioned to the burden of the ship, not to her diligence or success in the fishery; and it has, I am afraid, been too common for vessels to fit out for the sole purpose of catching, not the fish, but the bounty." II p. 25.

(145) WN II p. 33. Another cause of reduced agricultural output is the taille, a tax on farmers' capital: "The taille... is a tax upon the supposed profits of the farmer, which they estimate by the stock which he has upon the farm ... Should any stock happen to accumulate in the hands of a French farmer, the taille is almost equal to a prohibition of its ever being employed upon the land." WN I p. 417.

(146) WN I p. 87. See also pp. 136, 144, 493.

(147) WN II p. 295.

(148) IN I p. 136.

(149) See E.C. West, Adam Smith, pp. 159-162.

(150) WN I p. 313. See also: "Though we frequently ... express a person's revenue by the metal pieces which are annually paid to him, it is because the amount of those pieces regulates the extent of his power of purchasing, or the value of the goods

which he can annually afford to consume. We still consider his revenue as consisting in this power of purchasing or consuming, and not in the pieces which convey it." WN I p. 306.

See also WN I p. 306, 389, 454, 466, 473.

(151) WN I p. 451.

(152) WN II p. 180.

(153) WN II p. 109.

(154) See WN II pp. 112-123, 258-9.

(155) WN II p. 116.

(156) WN II pp. 53-54.

(157) WN I p. 256, II pp. 169-72.

(158) WN I p. 256.

(159) WN II p. 259.

(160) WN II p. 278.

(161) For example, the trading monopolies divert capital to trades where profits can be maintained artificially high; interest rises, and, as rent is a multiple of the reciprocal of interest, it falls. "The monopoly, therefore, hurts the interest of the landlord two different ways, by retarding the natural increase, first, of his rent, and secondly, of the price which he would get for his land in proportion to the rent which it affords." WN II p. 127.

(162) WN II p. 86. See also P. 443.

(163) WN I p. 468.

(164) idem.

- (165) WN I p. 363.
(166) WN I p. 367.
(167) WN I p. 363-4.
(168) WN I p. 352.
(169) idem. For an example of productive versus unproductive labour,
see LJ p. 208.

- (170) WN I p. 352.
(171) WN I p. 351.
(172) WN I p. 358. See also WN II p. 461-2.
(173) WN I p. 367.

- (174) WN II p. 343. See also II p. 247. Note that a similar
argument is used by Harry Johnson in advocating minimum power
to be given to the civil service in a developing country.
See H.C. Johnson, "Planning and the Market in Economic
Development", in Money, Trade and Economic Growth 2nd ed.
(London: Allen and Unwin Ltd., 1964). It is ironical that
Smith's father was a customs official and that Smith's own
fame as the author of the Wealth of Nations led to his appoint-
ment as Commissioner of Customs in Edinburgh. No less strange
are Smith's views on the apathy of tax-farmers, who, as
businessmen, should have been better aware of their own interest.
(WN II pp. 435-6).

- (175) WN II p. 347.
(176) idem.
(177) WN II p. 357.
(178) WN II p. 364.

- (179) EN II p. 241.
- (180) "Whatever keeps down the produce of the land below that which it would otherwise rise to, keeps down the revenue of the great body of the people, still more than it does that of the proprietors of land." EN II p. 348.
- (181) EN II p. 349.
- (182) EN II pp. 269-70.
- (183) EN II p. 267.
- (184) EN I p. 267-8.
- (185) EN II pp. 264-5.
- (186) EN II p. 265.
- (187) EN II pp. 276-7-8. See also pp. 274-5, 365-6; and "fraud and abuse", p. 147.
- (188) EN II p. 278.
- (189) EN II p. 158.
- (190) EN II p. 157.
- (191) EN II p. 99.
- (192) EN II p. 351.
- (193) EN II p. 285.
- (194) EN II p. 396.
- (195) EN II p. 285.
- (196) idem.
- (197) EN I p. 497.
- (198) EN II p. 172. See also p. 176; "
- (199) EN II p. 429.
- (200) EN II p. 60. See also p. 437. Other examples of evasion are of the law prohibiting interest (I p. 107) or laws to prevent restrictive practices by employers (I p. 144)

- (201) WN II p. 375. See also I p. 444.
- (202) MS p. 343. See also p. 239; WN I p. 457.
- (203) WN II p. 3.
- (204) WN II p. 18.
- (205) WN II p. 183. See also I pp. 63, 70, 111, 150.
- (206) WN II p. 190.
- (207) idem.
- (208) WN II pp. 49-50. See also II p. 194.
- (209) WN II p. 146.
- (210) WN II pp. 145-6.
- (211) WN II pp. 271-2.
- (212) WN II p. 41. See also WN I pp. 454-5, 458, 493, II, pp. 30-33, 367.
- (213) WN I p. 396.
- (214) WN I p. 394.
- (215) WN I p. 473. The invisible hand passage is on pp. 477-8:

"By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good."

(216) WN II p. 272.

(217) WN II p. 95.

(218) WN II p. 284.

(219) idem.

(220) WN II p. 22.

(221) See, for example, WN I pp. 74-5, 140-1, 483-4;

WN II pp. 32, 88, 173.

(222) WN II p. 32. Compare the following: "The quantity of grocery goods, for example, which can be sold in a particular town is limited by the demand of that town and its neighbourhood. The capital, therefore, which can be employed in the grocery trade cannot exceed what is sufficient to purchase that quantity. If this capital is divided between two different grocers, their competition will tend to make both of them sell cheaper, than if it were in the hands of one only; and if it were divided among twenty, their competition would be just so much the greater, and the chance of their combining together in order to raise the price just so much the less. Their competition might perhaps ruin some of themselves; but to take care of this is the business of the parties concerned, and it may safely be trusted to their discretion. It can never hurt either the consumer or the producer; on the contrary, it must tend to make the retailers both sell cheaper and buy dearer, than if the whole trade was monopolized by one or two persons." WN I p. 385.

Hence competition ensures what restrictions could never have secured, efficiency in the performance of the job.

- (223) WN II p. 203.
- (224) WN II p. 38. (See also I pp. 144-5, 157-9, 167).
- (225) WN II p. 208-9.
- (226) WN I p. 462. See also p. 429.
- (227) WN I p. 437.
- (228) Idem.
- (229) WN II p. 23. Note in this and the above passage his uncertainty about the sacrifice of free trade, e.g. the use of "perhaps".
- (230) WN II pp. 219-20. See also p. 231.
- (231) See WN II pp. 214, 227, 307.
- (232) LJ p. 257.
- (233) WN II p. 221.
- (234) LJ pp. 257-9.
- (235) WN II p. 49.
- (236) WN II p. 125.
- (237) See WN I p. 31.; II pp. 50, 90, 125, 467; LJ p. 189.
- (238) WN II p. 244.
- (239) WN II p. 350.
- (240) WN II p. 445. Note however, that commerce antedates contract.
WN I p. 323. See also WN II p. 175. WN p. 502.
- (241) WN II p. 264.
- (242) WN II pp. 445-6.
- (243) LJ p. 44.

- (244) WN II p. 244.
- (245) WN II p. 340.
- (246) WN II p. 304.
- (247) For example, WN II pp. 148-9, 235.
- (248) WN I pp. 148, 150.
- (249) WN II p. 246.
- (250) idem.
- (251) WN II p. 339.
- (252) WN II p. 350.
- (253) WN II pp. 252-3.
- (254) WN II pp. 247-8.
- (255) WN II p. 247. See also p. 251.
- (256) WN II p. 248.
- (257) J. Viner, "Adam Smith and Laissez-Faire", in J.M. Clark and others, Adam Smith 1776-1926 (New York: Augustus M. Kelley, 1966).
- (258) L. Robbins, The Theory of Economic Policy in English Classical Political Economy (London: Macmillan and Co., Ltd., 1952)
- (259) WN I p. 320. On competition in banking, see WN II p. 350.
- (260) WN I pp. 344-5.
- (261) WN I p. 379.
- (262) WN II p. 318.
- (263) See J. Rae, op. cit., pp. 73-81.
- (264) WN II pp. 342-3. See also p. 246.
- (265) WN II p. 357.
- (266) idem. See also p. 358.

(267) WN II p. 356.

(268) WN II p. 368.

(269) idem. This passage should be compared with his advocacy of proportional taxation: "The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities." II p. 350.

(270) WN II p. 246. See also p. 250.

(271) Robbins, op. cit., p. 57.

(272) WN II p. 377.

(273) WN II pp. 342, 344.

(274) W. Dagebot, Bioarchaeological Studies, p. 200.

(275) WN II p. 342.

Chapter 8. THE CLASS STRUCTURE: ARISTOCRACY AND CLERGY

In the chaos following the fall of Rome, great magnates were able to appropriate land under the feudal system, these great landowners (aristocrats and clergy) had a claim to the surplus product of their lands. In a pre-market economy, however, it was impossible to exchange this surplus for other commodities, and so they used it to maintain armies of retainers.

"In a country which has neither foreign commerce, nor any of the finer manufactures, a great proprietor, having nothing for which he can exchange the produce of his lands, which is over and above the maintenance of the cultivators, consumes the whole in rustic hospitality at home. If this surplus produce is sufficient to maintain a hundred or a thousand men, he can make use of it in no other way than by maintaining a hundred or a thousand men. He is at all times, therefore, surrounded with a multitude of retainers and dependants, who having no equivalent to give in return for their maintenance, but being fed entirely by his bounty, must obey him, for the same reason that soldiers must obey the prince who pays them".⁽¹⁾

Smith's case against the upper classes was as follows:

(1) Because they had large private armies, they undermined the authority of the central government. Outside the towns "order and good government"⁽²⁾ was not to be found. The power of the feudal lord was absolute, contracts were unenforceable, and the business climate too uncertain for serious commercial and industrial undertakings.

"That irregular and partial administration of justice ... often protects the rich and powerful debtor from the pursuits of his injured creditor, and which makes the industrious part of the nation afraid to prepare goods for the consumption of those haughty and great

men, to whom they dare not refuse to sell upon credit, and from whom they are altogether uncertain of repayment".⁽³⁾

Justice is arbitrary. The lord is "both judge and leader".⁽⁴⁾ Subsistence itself depends "upon his good pleasure".⁽⁵⁾ In the "barbarous times of feudal anarchy",⁽⁶⁾ there was no separation of powers between legislative, executive and judiciary. Moreover, continual conflicts between the private armies of rival lords, or between lords and King, could mean loss or destruction of a businessman's product.⁽⁷⁾ Insecurity leads to waste: thus some buried their stock of treasure to prevent it being seized, rather than deploying it productively.⁽⁸⁾ The problem was "the violence of the feudal government".⁽⁹⁾ After all, "the open country still continued to be a scene of violence, rapine and disorder".⁽¹⁰⁾ Partly this was because the retainers of the lords were often idle and thus turned to crime.⁽¹¹⁾

(2) A merchant would employ his capital in setting to work productive labourers who reproduce and increase the capital. The landlord wastes his revenues on unproductive labourers such as servants and retainers, which means the capital is used up and will not in future maintain labour. Frugality is analogous to the foundation "of a public workhouse",⁽¹²⁾ while prodigality exhausts the stock that might have reduced unemployment or raised the wages of the poor. It is no wonder that Smith concludes that "every prodigal appears to be a public enemy".⁽¹³⁾

"Like him who perverts the revenues of some pious foundation to profane purposes, he pays the wages of idleness with those funds which the frugality of his forefathers had, as it were, consecrated

to the maintenance of industry. By diminishing the funds destined for the employment of productive labour, he necessarily diminishes, so far as it depends upon him, the quantity of that labour which adds a value to the subject upon which it is bestowed, and consequently the value of the annual produce of the land and labour of the whole country, the real wealth and revenue of its inhabitants".⁽¹⁴⁾

(5) character is intimately related to the means of earning a living. The upper classes can afford to waste their wealth since (being agricultural in origin) it replenishes itself annually. Their social position is hereditary, and their title to land guaranteed by primogeniture and entails.⁽¹⁵⁾ They have no incentive to save, and to accumulate would be a disgrace for a member of the nobility.⁽¹⁶⁾

"The situation of such a person naturally disposes him to attend rather to ornament which pleases his fancy than to profit for which he has so little occasion".⁽¹⁷⁾

Yet the lower classes have a tendency to emulate their superiors. Furthermore, since they too are moved by work-function, they turn out to be "idle, dissolute and poor" if unproductively employed, and "industrious, sober and thriving" if productively employed⁽¹⁸⁾ (typically by the parsimonious merchant or industrialist) since "the proportion between capital and revenue seems everywhere to regulate the proportion between industry and idleness,⁽¹⁹⁾ it is clear why Smith writes:

"The inhabitants of a large village, it has sometimes been observed, after having made considerable progress in manufactures, have become idle and poor in consequence of a great lord having taken

up his residence in their neighbourhood".⁽²⁰⁾

The above arguments are directed against both aristocracy and clergy. Smith, however, was particularly bitter towards established religion. His reasons were:

(1) The church, like other temporal lords in a pre-market economy, used its agricultural surplus to maintain retainers. Although ostensibly the goal was "hospitality and charity", in fact the church saw these retainers as private armies

"which might be called out at pleasure in order to fight in any quarrel in which the clergy might think it proper to engage them".⁽²¹⁾

Since this great army had "one head" and "one uniform plan", and operated on a multi-national scale, it posed a particular threat to pluralism (domestic and international).

Again like the other lords, the church's own armies were a threat to the secular monarch, unlike the other lords, however, the church was able to reinforce its temporal power with spiritual sanctions. The church could at any time

"employ all the terrors of religion in order to oblige the people to transfer their allegiance to some more orthodox and obedient prince".⁽²²⁾

Thus, not only was the church a state within the state, not only did it possess substantial military power, but it was also able to challenge the government by appealing to "superstition" and "enthusiasm". The church is a permanent fifth column and threat to political stability. It plays on "fears of eternal misery"⁽²³⁾ and on "the grossest delusions of superstition".⁽²⁴⁾

He is consistently of the opinion that "superstition" is the result of fear and ignorance. In the "History of Astronomy" he describes how the savage, victim as he is of "impotence of mind", seems to explain the complex (the heavenly bodies) in terms of the more familiar (other men like himself). Superstition

"ascribes all the irregular events of nature to the favour or displeasure of intelligent, though invisible beings, to gods, daemons, witches, genii, fairies". (25)

In the "Lectures on Justice" he again takes up this theme:

"Every person is superstitious in proportion to the precariousness of his life, liberty or property, and to their ignorance, gamesters and savages are particularly so". (26)

And in The Wealth of Nations he returns to the curiosity aroused by the heavenly bodies:

"Superstition first attempted to satisfy this curiosity by referring all these wonderful appearances to the immediate agency of the gods. Philosophy afterwards endeavoured to account for them from more familiar causes, or from such as mankind were better acquainted with, than the agency of the gods". (27)

There is a conflict between science and superstition. The church has opted to teach the "cobweb science" of metaphysics, and had neglected "experiment and observation". (28) Moral philosophy too was corrupted by casuistry: rather than relating morality to the concrete material situation, the church taught eternal and immutable rules. (29)

Partly this was because the church was ascetic and anti-sensual, condemning both the search for happiness in this world and the epistemological validity of obtaining moral knowledge by individual sense-perception in a given situation, rather than by revelation. Religion, as it is "out of all danger from any assault of human reason",⁽³⁰⁾ is the enemy of the empirical method.

Superstition is essential to the church to reinforce its temporal power. However, the monolithic power which results may be used for evil as well as good, since "false notions of religion" can cause "very gross perversion of our natural sentiments"⁽³¹⁾ (he gives the example of a "horrid murder" committed in Voltaire's play Mahomet because of "the strongest motives of a false religion"⁽³²⁾).

One way of neutralising the church would have been through union of church and state. One could have made the church dependent on the state for its offices and benefices, as Luther did,⁽³³⁾ and as was the practice of the Church of England in Smith's own time. Smith is not adverse to such a means of neutralising the Church's power to use superstition to undermine the state:

"This system of church government was from the beginning favourable to peace and good order, and to submission to the civil sovereign. It has never, accordingly, been the occasion of any tumult or civil commotion in any country in which it has once been established. Under such a system the clergy naturally endeavour to recommend themselves to the sovereign, to the court, and to the nobility and gentry of the country, by whose influence they chiefly expect to obtain preferment".⁽³⁴⁾

Yet to institutionalize the church does not get round the problems of waste previously discussed. Moreover, an institutionalised clergy becomes complacent, loses influence with the masses, and ultimately becomes unable to defend their doctrines "against the most ignorant enthusiast who chooses to attack them". (35)

Moreover, Smith was aware of the conflict between superstition and science, and was reluctant to tie the state too closely to the church for this reason. In any case, the church is not always a friend to commerce, as the examples of Spain and Portugal show:

"Industry is there neither free nor secure, and the civil and ecclesiastical governments of both Spain and Portugal are such as would alone be sufficient to perpetuate their present state of poverty, even though their regulations of commerce were as wise as the greater part of them are absurd and foolish". (36)

A second solution to the problem of the church would be to make it into a propaganda instrument of the state. Religion has, after all, been able to provide ex post justification for numerous actions that were politically expeditious. Thus it provided an excuse for colonialism:

"In consequence of the representations of Columbus, the council of Castile determined to take possession of countries of which the inhabitants were plainly incapable of defending themselves. The pious purpose of converting them to Christianity sanctified the injustice of the project ... The dream of Sir Walter Raleigh concerning the

golden city and country of Eldorado may satisfy us that even wise men are not always exempt from ... strange delusions. More than a hundred years after the death of that great man, the Jesuit was still convinced of the reality of that wonderful country, and expressed with great warmth, and I dare to say, with great sincerity, how happy he should be to carry the light of the gospel to a people who could so well reward the pious labours of the missionary". (37)

Religion has not hesitated to sacrifice its principles to political necessity. Thus the fact that the Quakers released their slaves only indicates "that their number cannot be very great". (38) And in wartime, although Christians were treated with some humanity (partly to induce obedience to the occupying general, since the same humanity is not found in a sea-war), infidels (as in the Crusades) were treated in "the most cruel manner". (39)

The ability of religion to provide a supernatural sanction to the temporal superstructure of ideas did not escape Smith. He chose, however, not to make further use of such a non-empirical tool. In his discussion of the ideal curriculum for charity schools, he does not even mention religious knowledge. (40)

(2) Smith further distrusted the clergy on the grounds that in fighting between rival factions was socially destabilising. This would particularly be the case if religious factions made common cause with dissatisfied political factions:

"Times of violent religious controversy have generally been times of equally violent political faction. Upon such occasions

each political party has either found it, or imagined it, for its interest, to league itself with some one or other of the contending religious sects ... the sect which had the good fortune to be leagued with the conquering party necessarily shared in the victory of its ally ... As they had generally contributed a great deal to the victory, it seemed not unreasonable that they should have some share in the spoil".⁽⁴¹⁾

An established church, not dependent on "humouring the people ... for a subsistence",⁽⁴²⁾ can become cut off from the masses. It then becomes threatened by new doctrines taught by new religious leaders of simple customs and agreeable personality, and this can be the root of a civil war. The Protestant Reformation was only possible because of the unpopularity of the Roman Catholic Church, "which, having lost the respect and veneration of the inferior ranks of people, could make scarce any resistance".⁽⁴³⁾

Fanaticism is always undesirable. It destabilises society and confuses popular judgements on ethical questions:

"of all the corrupters of moral sentiments, faction and fanaticism have always been by far the greatest".⁽⁴⁴⁾

Smith is opposed to the continuous struggle between factions of "stupid and ignorant enthusiasts".⁽⁴⁵⁾ Disagreements between Protestant and Catholic culminated in the senseless massacre of St. Bartholomew's Day.⁽⁴⁶⁾ In Ireland the same distinction forms the basis of the class-structure, and carries with it a potential threat of civil war. In Ireland the aristocracy arises not from the

normal sources of social stratification ("birth and fortune") but is founded on

"the most odious of all distinctions, those of religious and political prejudices".⁽⁴⁷⁾

Smith's campaign against the aristocracy and clergy is economic; not political. In the Middle Ages the King tried in vain to impose his authority on the landowners. It was simply not possible. The authority of the lords and their jurisdiction "all necessarily flowed from the state of property and manners".⁽⁴⁸⁾ That state of property and manners necessarily altered, however, with the growth of a market economy. Barons and clergy no longer needed to squander their agricultural surplus on retainers and super-numeraries as they could exchange it for commodities, mainly new luxuries, destined for their own personal consumption;

"What all the violence of the feudal institutions could never have effected, the silent and insensible operation of foreign commerce and manufactures gradually brought about. These gradually furnished the great proprietors with something for which they could exchange the whole surplus produce of their lands, and which they could consume themselves without sharing it either with tenants or retainers. All for ourselves and nothing for other people, seems, in every age of the world, to have been the vile maxim of the masters of mankind. As soon, therefore, as they could find a method of consuming the whole value of their rents themselves, they had no disposition to share them with any other persons. For a pair of diamond buckles, perhaps, or for something as frivolous and useless, they exchanged the maintenance,

or what is the same thing, the price of the maintenance of a thousand men for a year, and with it the whole weight and authority which it could give them. The buckles, however, were to be all their own, and no other human creature was to have any share of them ... For the gratification of the most childish, the meanest and the most sordid of all vanities, they gradually bartered their whole power and authority".⁽⁴⁹⁾

Possibly Smith is sorry to witness the decline of the old values of rustic hospitality in favour of "the peddler principle of turning a penny where a penny was to be turned"⁽⁵⁰⁾ and the "vile maxim" of "all for ourselves and nothing for other people",⁽⁵¹⁾ particularly as the "base and selfish disposition"⁽⁵²⁾ is aimed at no more than the acquisition of "baubles and trinkets". The fact is, however, that the upper classes had to be weakened, and because of the desirable effects on the class structure one ought to rejoice that they rushed like lemmings to commit class suicide:

"Having sold their birthright, not like Esau for a mess of pottage in time of hunger and necessity, but in the wantonness of plenty, for trinkets and baubles, fitter to be the playthings of children than the serious pursuits of man, they became as insignificant as any substantial burgher or tradesman in a city".⁽⁵³⁾

The solution to the Hobbesian problem of power is that power becomes indirect, via the market. It is based on contractual exchange of equivalents, not traditional status. The worker is not dependent on any one customer but on a large number of customers. Power becomes dispersed:

"Each tradesman or artificer derives his subsistence from the employment not of one but of a hundred or a thousand different customers. Though in some measure obliged to them all, therefore, he is not absolutely dependent upon any one of them".⁽⁵⁴⁾

Moreover, long leases to farmers became more common. The farmer needed the security of a long lease if he was to improve the land, and the landlord needed the higher rent (which the farmer could afford to pay because of higher productivity) to finance his infatigable drive for consumption at all costs. This meant the end of personal obligations between farmer and landlord; the tie was no more than a business contract.⁽⁵⁵⁾ Pecuniary advantages having become "mutual and equal",⁽⁵⁶⁾ no further obligations are needed.

Previously it was the towns which enjoyed good government. They were the weakest link in the chain of feudalism, since by trading with them the commercial revolution eventually spread to the countryside. Power was concentrated in the hands of the monarch, who (driven by his need for finance) had to share some of it with the House of Commons. Further checks and balances to the abuse of power, coupled with the absolute reduction in the role played by the state, would help complete the transition from feudalism to commercialism and industrialism. So would the use of taxation to further disadvantage the upper classes - for example, by a tax on manservants (to discourage the use of unproductive labour⁽⁵⁷⁾), a highway toll levied most heavily on luxury carriages to penalise "the indolence and vanity of the rich",⁽⁵⁸⁾ or ad valorem taxation rather than taxes on bulk (precious commodities are often light).⁽⁵⁹⁾ Moreover, the abolition of entail and primogeniture

would, by creating a free market in land, allow existing holders to sell land to obtain money to spend on their "expensive vanity".⁽⁶⁰⁾ This would mean breaking the link with the land, and the end of lineal descent. The countryside would become better cultivated since land would become the means to wealth, not simply prestige and power.

State education can be used as a means of combatting superstition and thus the hold of established religion:

"Science is the great antidote to the poison of enthusiasm and superstition; and where all the superior ranks of people were secured from it, the inferior ranks could not be much exposed to it".⁽⁶¹⁾

The state can thus help accelerate the fall of feudalism. It can through taxation or education provide the coup de grace. However the decline in the power of the traditional upper classes was in the main the result of economic change, the change in the material basis of society. The emancipation of the individual depended on the momentum of economic advance and not on conscious policy. Moreover, the process of economic change is self-feeding: capitalism employs productive labour, accelerates growth, accumulates more capital, and thus accelerates the advance of capitalism, while feudalism (as it employs unproductive labour and wastes capital) fosters feudalism.

The impact of market society was particularly hard on the clergy. Not only were they no longer able to support private armies of retainers, not only were they no longer willing to waste their precious exchangeable surplus on charity and the relief of the poor, but their greed and their opulent standard of living alienated the sympathies of the masses:

"The inferior ranks of people no longer looked upon that order, as they had done before, as the comforters of their distress and the relievers of their indigence. On the contrary, they were provoked and disgusted by the vanity, luxury and expense of the richer clergy, who appeared to spend upon their own pleasures what had always before been regarded as the patrimony of the poor".⁽⁶²⁾

Thus, whereas to Max Weber (an idealist) commerce was the result of the relaxation of ecclesiastical power, to Smith (a materialist), commerce was the cause. It was the selfish and frivolous love of luxury of the clergy that led to their downfall:

"The gradual improvements of arts, manufactures and commerce, the same causes which destroyed the power of the great barons, destroyed in the same manner, through the greater part of Europe, the whole temporal power of the clergy".⁽⁶³⁾

The temporal power of the clergy was thus successfully weakened by economic change. Smith goes still further in his attempt to reform religion by economic means, and argues that instead of one church (official or separated from the state), there should be many small sects. These sects should then compete.

Each sect should be too small to threaten the stability of society, but large enough to socialise the individual and, by subjecting him to scrutiny, to prevent him from taking advantage of the anonymity of new industrial towns to misbehave. They should also remind him that misbehaviour in this life will be punished in the next:

"In little religious sects, accordingly, the morals of the common people have been almost always remarkably regular and orderly; generally much more so than in the established church".⁽⁶⁴⁾

If there is a large number of competing sects, then each customer can choose as he sees fit. Since no single sect has a monopoly, each clergyman would have had to exert himself:

The danger is that priests will play upon the baser passions to attract "customers". The result could be, as Hume says,

"... superstition, folly and delusion. Each ghostly practitioner, in order to render himself more precious and sacred in the eyes of his retainers, will inspire them with the most violent abhorrence of all other sects, and continually endeavour, by some novelty, to excite the languid devotion of his audience. No regard will be paid to truth, morals or decency in the doctrines inculcated".⁽⁶⁵⁾

But Smith feels excessive fanaticism is a problem of oligopoly, not perfect competition. In oligopolistic situations (where there are only two or three large sects), "interested and active zeal"⁽⁶⁶⁾ can be a danger to social stability. But in perfect competition, where every man is free to choose his own religion from among "two or three hundred ... or perhaps as many thousand small sects",⁽⁶⁷⁾ no single sect will be large enough to "disturb the public tranquillity". The sects would tolerate and respect one another, and, as in any situation of perfect competition, there would be moderation of variation and convergence on a natural price. In the case of religion, this means convergence on a common body of doctrine,

770
"that pure and rational religion, free from every mixture of absurdity, imposture or fanaticism, such as wise men have in all ages of the world wished to see established". (68)

Thus, competition among purveyors of doctrine has the same result as competition among purveyors of fish. Rather than "popular superstition and enthusiasm", religious doctrine would become the product of "philosophical good temper and moderation". (69) The same, moreover, would be true of secular doctrines. Competition among suppliers of education would force out "excluded and antiquated systems" and mean only "true knowledge" (70) would be taught. Education and the arts would thus become obstacles to any residual superstition the clergy chose to teach.

Moderation should also apply to the incomes of clergymen. If they are poor, they will tend to extreme devices to attract donations. Mendicant preachers "are obliged to use every art which can animate the devotion of the common people". (71) Poverty thus inspires fanaticism: "No plunder, no pay". (72)

If, on the other hand, clergymen are very well paid, and especially if their income comes to them regardless of their work, they will tend to be luxury-loving and indolent, to say nothing of "contemptuous and arrogant". (73)

The ideal situation seems to be the Church of Scotland, where rewards to clergymen are moderate but not inadequate. Such a man cannot with propriety indulge in luxury and ostentation;

"Nothing but the most exemplary morals can give dignity to a man of small fortune. The vices of levity and vanity necessarily

render him ridiculous and are, besides, almost as ruinous to him as they are to the common people. In his own conduct, therefore, he is obliged to follow that system of morals which the common people respect the most. He gains their esteem and affection by that plan of life which his own interest and situation would lead him to follow". (74)

The clergyman is analogous to the capitalist; in both cases moderate incomes stimulate hard work and good morals, and either high incomes or low incomes lead to corruption.

Free trade in religions is analogous to free trade in corn;

"The laws concerning corn may everywhere be compared to the laws concerning religion. The people feel themselves so much interested in what relates either to their subsistence in this life or to their happiness in a life to come, that government must yield to their prejudices, and in order to preserve the public tranquillity establish that system which they approve of". (75)

In the case of religion, the masses were infected by "superstition" and chose "false notions of religion". (76) The government was obliged to support the true church for fear of discontent and even rebellion among the masses. If there were free trade in religion, however, the masses would have a wider choice of religions and would not be indoctrinated by the false one.

In the case of corn, the masses opposed free exportation of grain. Such a recommendation is "absurd" and would convert dearth into famine. The solution to the problem of the allocation of grain

is freedom of trade, even if the masses do not understand this basic fact.

In both cases, rather than greater state control, the answer is to have reduced influence from the state, and greater competition among producers.

Nobility and clergy were obstacles to economic growth. Economic growth triumphed and they were forced to come to terms with a new world in which they enjoyed reduced powers (all their private armies had been dismissed) and had less influence over the minds of men (as they had had by employing unproductive labour or spreading doctrines based on "superstition"). In short, economic growth had brought about a desirable social revolution. It undermined revealed religion (which pleased an agnostic such as Smith, who nowhere relates religion to God), and prevented an alliance between a monolithic church and a monolithic state. Reduced powers and diversification and the means by which traditional classes (nobility, church and state) are to be rendered harmless. Economic growth alone can produce such conditions. Industry and trade are the vanguard of what can only be called social revolution.

"A revolution of the greatest importance to the public happiness was in this manner brought about by two different orders of people, who had not the least intention to serve the public. To gratify the most childish vanity was the sole motive of the great proprietors. The Merchants and artificers, much less ridiculous, acted merely from a view to their own interest, and in pursuit of their own peddler

principle of turning a penny wherever a penny was to be got. Neither of them had either knowledge or foresight of that great revolution which the folly of the one and the industry of the other was gradually bringing about". (77)

Other attempts at social reconstruction are doomed to failure. The enemy is too strong for a frontal offensive;

"The violence and injustice of the rulers of mankind is an ancient evil for which, I am afraid, the nature of human affairs can scarce admit of a remedy". (78)

Notes

- (1) WN I pp. 433-4. This was not a benevolent act, since there was no alternative use for the surplus. In the absence of commerce, it would have been "thrown away as things of no value". I p.181. Hospitality was a residual with zero opportunity cost.
- (2) WN I p. 426.
- (3) WN II p. 125.
- (4) WN I p. 435. See also I pp. 264, 328, 426; II, p. 445.
- (5) idem.
- (6) WN II p. 408.
- (7) E.g. WN I pp. 205-6.
- (8) WN I p. 301.
- (9) idem.
- (10) WN I p. 437. See also p. 355.
- (11) LJ p. 234.
- (12) WN I p. 359. See also I p. 312, II pp. 195-6.
- (13) WN I p. 362. For references to the prodigality of the clergy, see WN II pp. 86, 336.
- (14) WN I p. 360. See also p. 312, 370-1. On the wastefulness of the clergy, see II pp. 86, 338, 364.
- (15) WN I pp. 409-410. "they are founded upon the most absurd of all suppositions, the supposition that every successive generation of men have not an equal right to the earth".
- (16) E.g. LJ p. 233.
- (17) WN I p. 410. See also p. 433.
- (18) WN I p. 357.
- (19) WN I p. 353.
- (20) idem.
- (21) WN II p. 323.

- (22) WH II p. 319.
- (23) idem.
- (24) WH I p. 325.
- (25) HA p. 25.
- (26) LJ p. 93.
- (27) WH II p. 290.
- (28) WH II pp. 292-3.
- (29) WH II p. 295.
- (30) WH II p. 325.
- (31) MS p. 251.
- (32) MS p. 252.
- (33) WH II p. 330.
- (34) idem.
- (35) WH II p. 331.
- (36) WH II p. 50.
- (37) WH II pp. 72, 74.
- (38) WH I p. 412. See also LJ p. 101.
- (39) LJ p. 272.
- (40) WH II p. 306.
- (41) WH II p. 313.
- (42) idem. See also pp. 310, 331-3.
- (43) WH II p. 328.
- (44) MS p. 220.
- (45) WH II p. 310.
- (46) MS p. 253.

- (47) WN II p. 483.
- (48) WN I p. 436.
- (49) WN I p. 437. See also LJ pp. 35-6; WN II pp. 441-3.
- (50) WN I p. 440.
- (51) WN I p. 437.
- (52) WN I p. 371.
- (53) WN I p. 439.
- (54) WN I p. 438. See also pp. 18, 35, 275.
- (55) WN I p. 439. See also p. 275.
- (56) WN I p. 439.
- (57) WN II p. 359.
- (58) WN II p. 246.
- (59) WN II p. 250.
- (60) WN I p. 439.
- (61) WN II p. 318.
- (62) WN II p. 326. It was only in this weakened state of the church
that the Concordat was possible.
- (63) WN II p. 325.
- (64) WN II p. 317.
- (65) WN II p. 312. See also pp. 74, 80, 483.
- (66) WN II p. 314.
- (67) idem.
- (68) WN II p. 315.
- (69) idem.
- (70) WN II p. 301.

- (71) WN II p. 311.
- (72) WN II pp. 310-11.
- (73) WN II p. 334.
- (74) WN II p. 333. See also pp. 337-8.
- (75) WN II pp. 48-9.
- (76) MS p. 251.
- (77) WN I p. 440.
- (78) WN I p. 457. Superstitions exist in the corn trade as well.
See WN II p. 41.

Chapter 9. THE DIVISION OF LABOUR

In the opening sentence of The Wealth of Nations, Smith makes clear the central role that he assigns to the division of labour in the process of economic change:

"The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity and judgement with which it is anywhere directed, or applied, seem to have been the effects of the division of labour".⁽¹⁾

Schumpeter observed:

"Nobody, either before or after A. Smith, ever thought of putting such a burden upon the division of labour. With A. Smith, it is practically the only factor in economic progress".⁽²⁾

Durkheim too praised Smith's contribution in being the first to attempt a theory of the division of labour; but he seems to have believed that Smith's theory was of the economic aspects of the problem alone, not of the sociological questions it raised:

"Of all sociologists...Comte is the first to have recognised in the division of labour something other than a purely economic phenomenon".⁽³⁾

Comte himself showed greater understanding of Smith's synthetic approach to the social sciences. Smith was attempting, he said,

"to illustrate some leading points of social philosophy by luminous analyses relating to the division of employments, the function of money, the general action of banks, etc., and other chief portions of the industrial developments of the human race".⁽⁴⁾

In this chapter we shall be concerned with the social implications of the division of labour, to illustrate that once again Smith was unable to consider production and allocation of goods independently from production and allocation of characters and roles in society. In section I we shall examine the technological side of the division of labour, and in section II we shall discuss the role of education. There are two key concepts to keep in mind. First, if social change can only result from economic change and if social change is desired, then the division of labour, as the principal instrument in procuring wealth, may be the veil of tears through which society must pass in order to reach the paradise of civilisation; Second, since "the understandings of the greater part of men are necessarily formed by their employments",⁽⁵⁾ the division of labour is as much about the production of character as it is about the production of goods.

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The Incas, rich in gold and silver, were ravaged by famine:

"The Spanish armies, though they scarce ever exceeded five hundred men, and frequently did not amount to half that number, found almost everywhere great difficulty in procuring subsistence".⁽⁶⁾

The problem was lack of commercial sophistication in Inca society. There was "scarce any division of labour among them".⁽⁷⁾

The division of labour is the road to opulence. It means specialisation of the worker on one operation, thus improving his dexterity and saving the time previously lost moving from one operation to the next. Moreover, specialisation causes the worker and others to invent means of "facilitating and abridging" labour.⁽⁸⁾

Productivity in agriculture is lower than productivity in manufacturing precisely because there is less scope for the division of labour.⁽⁹⁾

There is no limit to the division of labour save the size of the market, and an extension of transport facilities coupled with freedom of trade could remove that limitation. Since Say's Law argues that supply is demand, there was no danger of aggregate supply outstripping total demand. Moreover, rising real incomes in a growing economy would mean the masses could consume an increasing share of their product, so that the market was being deepened as well as widened. If wages are high, the economy must be growing, if the economy is growing, division of labour must be taking place.

Yet Smith also writes in places as if he believed that, character is the result of a man's work function, increased specialisation of occupation would lead to psychological impoverishment and narrowed horizons. It may be, however, that Smith was not consistent in his diagnosis of cultural deprivation resulting from the division of labour.

Dr. West has argued that such a contradiction is to be found throughout Smith's writings, a contradiction which may be the result of a conflict between Smith's economics (where he says that the division of labour leads to growth and prosperity) and his sociology (where he implies over specialisation and possibly alienation).⁽¹⁰⁾

Thus Book I of The Wealth of Nations "clearly suggests that the division of labour enhances man's moral stature as it increases the quantity of goods produced"⁽¹¹⁾ while Book V argues that it is

"morally degenerating and mentally stultifying".⁽¹²⁾ West says that Smith was on balance an optimist, since if adverse moral and intellectual consequences do result from the division of labour, they can be corrected by a dose of state education.⁽¹³⁾

There is little evidence for a contradiction, however. The fact that the dexterity of the worker is improved by the division of labour does not mean, as Dr. West asserts it does, that the division of labour has "a favourable effect on his intelligence".⁽¹⁴⁾

Concentration on one simple operation means, as Smith says in the Lectures on Justice, that "a frequency of action insensibly men to a dexterity in accomplishing it".⁽¹⁵⁾ There is no hint from Smith that an improvement in the worker's intellect will result.

Nor can we assume that a better organisation of work, and the resultant saving of time, will "enhance men's moral stature". Certainly it is not valid to draw such a conclusion, as Dr. West does from the following passage:

"The habit of sauntering and of indolent, careless application, which is naturally or rather necessarily acquired by every country workman who is obliged to change his work and his tools every half hours, and to apply his hand in twenty different ways almost every day of his life, renders him almost always slothful and lazy, and incapable of any vigorous application even on the most pressing occasions".⁽¹⁶⁾

Dr. West, as evidence of his contradiction, compares this reference to workers who are "slothful and lazy" without the division of labour to the passage in Book V where workers are said to be "stupid and ignorant" with it.⁽¹⁷⁾ The terms, however, are not synonymous. The workers are "slothful and lazy" because of frequent interruptions in their work, because of the psychological adjustment and readjustment

needed as they move from one set of tools to a completely different set. This is not intellectual laziness. Even intellectuals need to make a break between one sort of job and another:

"When a person has been reading he must rest a little before he begins to write. This is still more the case with the country weaver, who is possessed of a little farm; he must saunter a little when he goes from one to the other. This in general is the case with the country employments of sowing, reaping, threshing being so different, they naturally acquire a habit of indolence and are seldom very dexterous". (18)

Smith is clearly thinking of the domestic system of industry, where a man alternated work on the land with work at the loom. Each kind of work requires different techniques and a different sort of effort. Each is carried on in a particular place. The psychological adjustment to each process is not an intellectual one; it requires no intelligence. Slothfulness and laziness could be eliminated by reduced variety of work-functions performed by a single worker. Yet precisely this reduced variety of jobs would make the workers "stupid and ignorant". Hence, the two phrases ("slothful and lazy" and "stupid and ignorant") are complementary, not contradictory.

If, therefore, the division of labour is to "enhance man's moral stature", it must be through the third aspect of the division of labour that Smith discusses, the process of invention or innovation. According to Smith, inventions and innovations are the product of four groups:

(1) the workers: Smith argues that specialisation will make the worker more able and willing to improve the technology he himself uses. Machines

"receive gradual improvements and increase of powers from those who use them. It was probably a farmer who made the original plough, though the improvements might be owing to some other. Some miserable slave who had perhaps been employed for a long time in grinding corn between two stones probably first found out the method of supporting the upper stone by a spindle". (19)

And elsewhere:

"It is naturally to be expected ... that someone or other of those who are employed in each particular branch of labour should soon find out easier and readier methods of performing their own particular work, wherever the nature of it admits of such improvement. A great part of the machines made use of in those manufactures in which labour is most subdivided were originally the inventions of common workmen who, being each of them employed in some very simple operation, naturally turned their thoughts towards finding out easier and readier methods of performing it". (20)

Thus, not only does the worker have an incentive to exercise his intelligence in finding ways to abridge his labour, but he is more capable of being inventive when his mind is focused on a single operation than when he performs a variety of jobs:

"The division of labour no doubt first gave occasion to the invention of machines. If a man's business in life is the performance of

-404-

two or three things, the bent of his mind will be to find out the cleverest way of doing it; but when the force of his mind is divided it cannot be expected that he should be so successful". (21)

Or:

"Men are much more likely to discover easier and readier methods of attaining any object when the whole attention of their minds is directed towards that single object, than when it is dissipated among a great variety of things. But in consequence of the division of labour the whole of every man's attention comes naturally to be directed towards some one very simple object". (22)

Smith gives several examples of inventions by workers. Thus in the Lectures on Justice he points out:

"If a carpenter think that a plane will serve his purpose better than a knife, he may go to a smith and get it made". (23)

And in The Wealth of Nations, once again self-interest has desirable but unintended consequences:

"In the first fire-engines, a boy was constantly employed to open and shut alternately the communication between the boiler and the cylinder, according as the pistons either ascended or descended. One of these boys, who loved to play with his companions, observed that, by tying a string from the handle of the valve, which opened this communication to another part of the machine, the valve would open and shut without his assistance, and leave him at liberty to divert himself with his playfellows. One of the greatest improvements which has been made upon this machine since it was first invented was in this manner the discovery of a boy who wanted to save his own labour". (24)

It is clear that in such cases, the division of labour has favourable effects on the worker's intelligence. As Professor Rosenberg has pointed out, however, tying strings to valves does not require detailed study, understanding, or advanced intellect.⁽²⁵⁾ Possibly as industry becomes more complex, the scope for innovation by the worker (say, in helping to design a computer or supersonic aircraft) may become less, we shall return to this possibility after we have seen the other possible sources of inventions.

(2) the producers of capital-goods: Thus Smith says:

"many improvements have been made by the ingenuity of the makers of the machines, when to make them became the business of a particular trade".⁽²⁶⁾

Professor Rosenberg comments, after study of the "Early Draft" of The Wealth of Nations:

"Reverting to the operation of the grinding mill, Smith is prepared to concede that the simpler inventions (he cites the feeder and shoe) might have been developed by the miller himself. However, the more complex inventions were probably beyond the limited vision and capacity of the miller. Here Smith suggests that such sophisticated innovations as the cogwheel and the trundle were probably the work of millwrights Smith shows here an awareness of the vital role to be played by the capital goods industries as a source of technological change".⁽²⁷⁾

(3) the capitalist-entrepreneur: We have already examined evidence of Smith's view that the capitalist was also an inventor.⁽²⁸⁾

The small proprietor of land is an inventor as well, once again because of his self-interest to maximise his return. (29)

(4) scientists: In the course of the division of labour, sooner or later a wider knowledge will be required for inventing than the worker possesses. The craft of inventing will become the speciality of full-time experts, of

"philosophers or men of speculation, whose trade it is not to do anything but to observe everything, and who, upon that account, are often capable of combining together the powers of the most distant and dissimilar objects. In the progress of society, philosophy or speculation becomes like every other employment, the principal or sole trade and occupation of a particular class of citizens. Like every other employment too, it is subdivided into a great number of different branches, each of which affords occupation to a particular tribe or class of philosophers; and this subdivision of employment in philosophy, as well as in every other business, improves dexterity and saves time. Each individual becomes more expert in his own peculiar branch, more work is done upon the whole, and the quantity of science is considerably increased by it". (30)

Thus a separation of mental and physical labour takes place. A worker does not have advanced education in "geometry and mechanics", and concentration on a single job-function (say, production of one-eightieth of a pin in a factory) does not give him either "leisure or inclination" (31) to "observe everything". Those fortunate enough to become philosophers soon find that their work

"renders their understandings, in an extraordinary degree, both acute and comprehensive"... Notwithstanding the great abilities of these few, all the nobler parts of the human character may be, in a great measure, obliterated and extinguished in the great body of the people". (32)

Man has a natural fascination with machines and an instinctive desire to perfect them. Such activity not only develops his mental powers but is productive of further economic growth. Clearly invention is encouraged by the growth process; there would be less challenge in a stagnant economy. Consider the following:

"Such is the delicacy of man alone that no object is produced to his liking. He finds that in everything there is need for improvement". (33)

Yet the complexity of technical change means that, whereas specialists enjoy the thrill of discovery, the ordinary worker becomes increasingly excluded from the process of invention and innovation. Opportunities for tying strings to valves become exhausted, as technology becomes more and more sophisticated:

"They must have extensive views of things wh^o ... bring in the assistance of new powers not formerly applied ... Fire machines, wind and water-mills were the invention of philosophers, whose dexterity too is increased by a division of labour". (34)

Rosenberg reaches the following conclusion:

"The loftiest pinnacles of inventive activity then, are occupied by philosophers, and the less rarefied heights are inhabited by artists whose activities involve less novelty and creative insight and who

-400-

engages also in improving upon the inventions of more illustrious men ... In short, the 'capacity to invent' cannot be assessed or measured in absolute terms; the concept is meaningful only in relation to the complexity of the existing technology and the degree of creative imagination required in order for new 'breakthroughs' to occur". (35)

Thus, in advanced industrial society, technical progress (to keep society from stagnating) continues to take place; but, according to Rosenberg, the increasing complexity of technology means the worker is more and more excluded from the process of invention. The worker concentrates on his own over specialised function and, having lost the opportunity to exercise his mind, becomes "stupid and ignorant". In some cases Smith felt the worker would have the opportunity to innovate; in other cases, such innovation would not be possible. There is no contradiction here. Smith simply means that different types of behaviour are possible in different situations.

We have seen the emphasis Smith habitually puts upon the situation. It is therefore logical to interpret him as having conceived of some industries as offering the worker the opportunity to invent, and of others as being too complex to allow participation of the operative in technological decision-making. To admit this does not mean Smith's views were contradictory. Simply, they referred to different situations. Indeed, if one examines the passage in Book V in which Smith describes the "alienation" of the worker, it is impossible to mistake the sort of situation he had in mind:

"In the progress of the division of labour, the employment of the far greater part of those who live by labour, that is, of the great body of the people, comes to be confined to a few very simple operations; frequently to one or two. But the understandings of the greater part of men are necessarily formed by their ordinary employments. The man whose whole life is spent in performing a few simple operations, of which the effects too are, perhaps, always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become".⁽³⁶⁾

Thus, although the worker's productivity in agriculture is lower than in industry,⁽³⁷⁾ average intelligence, happiness and job satisfaction seem to be greater. Although the total number of tasks is more limited, each worker performs a larger number of those tasks. He has a great "variety of knowledge and experience",⁽³⁸⁾ and "custom" is not allowed to "deadon vitality of both pain and pleasure".⁽³⁹⁾ Invention arises from disinterested wonder; where habitual associations simply repeat themselves, the mind will not be stimulated to discovery. Of course, too much variety can be a source of confusion. The ideal seems for Smith to have been as follows:

"Among different objects, a different division or arrangement of them pleases. The taste of beauty, which consists chiefly in the three following particulars, proper variety, easy connection and simple order, is the cause of all this niceness. Nothing without variety

pleases us; a long uniform wall is a disagreeable object. Too much variety, such as the crowded objects of a parterre, is also disagreeable. Uniformity tires the mind; too much variety, too far increased, occasions an overdissipation of it".⁽⁴⁰⁾

Thus the agricultural worker has an advantage over his industrial opposite number. In a very primitive society, the total amount of knowledge is very small, but at least it is dispersed;

"Every man has a considerable degree of knowledge, ingenuity, and invention; but scarce any man has a great degree".⁽⁴¹⁾

In barbarous societies,

"the varied occupations of every man oblige every man to exert his capacity, and to invent expedients for removing difficulties which are continually occurring".⁽⁴²⁾

It is not possible to rely on a caste of scientists to do society's thinking for it:

"Though in a rude society there is a good deal of variety in the occupations of every individual, there is not a great deal in those of the whole society. Every man does, or is capable of doing, almost every thing which any other man does, or is capable of doing".⁽⁴³⁾

Since "the understandings of the greater part of men are necessarily formed by their ordinary employments", and since as a Lockean environmental determinist Smith conceived the mind as being initially a tabula rasa on which work experience writes, it is no surprise he felt the agricultural worker, least affected by the division of labour, to be more intelligent than the industrial worker:

"The man who works upon brass and iron works with instruments and upon materials of which the temper is always the same, or very nearly the same. But the man who ploughs the ground with a team of horses or oxen works with instruments of which the health, strength, and temper are very different upon different occasions. The condition of the materials which he works upon too is as variable as that of the instruments which he works with, and both require to be managed with much judgement and discretion. The common ploughman, though generally regarded as the pattern of stupidity and ignorance; is seldom defective in this judgement and discretion. He is less accustomed, indeed, to social intercourse than the mechanic who lives in a town. His voice and language are more uncouth and more difficult to be understood by those who are not used to them. His understanding, however, being accustomed to consider a greater variety of objects, is generally much superior to that of the other, whose whole attention from morning to night is commonly occupied in performing one or two very simple operations. How much the lower ranks of people in the country are really superior to those of the town is well-known to every man whom either business or curiosity has led to converse much with both".⁽⁴⁵⁾

If a man's attention is confined, as a result of the division of labour, to one "simple operation", then

"few ideas pass in his mind but what have an immediate connexion with it. When the mind is employed about a variety of objects, it is somehow expanded and enlarged, and on this account a country artist is generally acknowledged to have a range of thoughts much above a city one..

This must be much more the case when a person's whole attention is bestowed on the seventeenth part of a pin or the eightieth part of a button, so far divided are those manufactures. It is remarkable that in every commercial nation the low people are exceedingly stupid. The Dutch vulgar are eminently so, and the English are more so than the Scotch. The rule is general: in towns they are not so intelligent as in the country, nor in a rich country as in a poor one".⁽⁴⁶⁾

The progress is a historical one, from the Scotch to the English to the Dutch mentality, as technological advance continually increases specialisation and limits the opportunities open to the worker to exercise his mind. Variety of occupations and scope for problem-solving innovations in primitive society meant that heightened intelligence and awareness were obtained, albeit at the cost of consumer-satisfactions.

"Invention is kept alive and the mind is not suffered to fall into that drowsy stupidity which, in a civilised society, seems to benumb the understanding of almost all the inferior ranks of people".⁽⁴⁷⁾

The trade-off is clear: that same day-labourer in Britain "has more luxury in his way of living than an Indian sovereign".⁽⁴⁸⁾ And the reason: "It is the division of labour which increases the opulence of a country".⁽⁴⁹⁾

Agricultural labourers do not constitute the only class to escape the brutalising effects of the division of labour. The well-to-do classes, "people of some rank or fortune", need not fear "mental mutilation". Their jobs are not "simple and uniform", nor "constant

and severe". Their jobs "exercise the head more than the hands" so that

"the understandings of those who are engaged in such employments can seldom grow torpid for want of exercise". (50)

Moreover, they "generally have a good deal of leisure" in which to develop creative hobbies and other outside interests, many of which they were helped to acquire in the long years they spent at school before they entered the labour-market.

This contrasts with the position of the factory operatives, who leave school at an early age and are forced into arduous and soul-destroying jobs:

"They have little time to spare for education. Their parents can scarce afford to maintain them even in infancy. As soon as they are able to work they must apply to some trade by which they can earn their subsistence. That trade is generally so simple and uniform as to give them little exercise to the understanding; while at the same time their labour is both so constant and so severe that it leaves them little leisure and less inclination to apply to, or even to think of anything else". (51)

It is important to realise how closely Smith related "anomie" and "alienation". We have already argued that to Smith the existence of classes led to conflict (objectively and subjectively perceived) and not to organic solidarity. We can now argue further that the division of labour is a source of social conflict. Durkheim believed that men differ substantially in talents, abilities and interests, but that

in a society based on contract (and productive of organic solidarity) they specialise and maximise their comparative advantage:

"Labour is divided spontaneously only if society is constituted in such a way that social inequalities exactly express naturally inequalities". (52)

If all men were equal in ability but unequal in reward, prestige or opportunity, then Durkheim would have found the situation "anomic" or abnormal. Yet it is precisely this situation that one finds in The Wealth of Nations. At birth a porter has the same potential ability as a philosopher:

"The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause as the effect of the division of labour. The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom and education, when they came into the world, and for the first six or eight years of their existence, they were perhaps very much alike, and neither their parents nor playfellows could perceive any remarkable difference. About that age, or soon after, they came to be employed in very different occupations. The difference of talents comes then to be taken notice of, and widens by degrees, till at last the vanity of the philosopher is willing to acknowledge scarce any resemblance". (53)

One could argue that different social functions resulting from the division of labour tended to organic solidarity through complementarity of services performed:

"The porter is of use in carrying burdens for the philosopher, and in his turn he burns his coals cheaper by the philosopher's invention of the fire-machine".⁽⁵⁴⁾

One could argue further that, since there are no natural inequalities, there will be no sense of frustration. A man cannot resent being alienated from a natural essence he does not have. He cannot end up in a job for which he is unsuited if he is suited for all jobs. Moreover, since one lump of labour is like another, competition equalizes rewards (allowing for training, irregularity of employment, and similar factors).

The problem, however, seems to be more complex. Every man has the same natural ability, but every job is not equally pleasant. All men cannot be philosophers, and some must be porters. Such a division of labour may be a source of resentment since a philosopher's life is more rewarding. For one thing, he enjoys a higher standard of living, and material well-being is an important goal in industrial society. Professor Douglas says that Smith intended wage-differentials to be purely compensatory:

"In a society populated by people of approximately equal talents, freedom of competition was all that was needed to bring wages to an equality".⁽³⁵⁾

In other words, via the market there is established a system of equal wages for equal units of dis-utility. Smith himself does appear to take this view, at least on the surface:

"The five following are the principal circumstances which, so far as I have been able to observe, make up for a small pecuniary gain in some employments and counterbalance a great one in others: first, the agreeableness or disagreeableness of the employments themselves; secondly, the easiness and cheapness, or the difficulty and expence, of learning them; thirdly, the constancy and inconstancy of employment in them; fourthly, the small or great trust which must be reposed in those who exercise them; and fifthly, the probability or improbability of success in them". (56)

However, the fourth factor (so frequently overlooked in commentaries on Smith) shows that wages were not entirely to compensate for differences in disutility. They were used to define the social structure. A doctor whose living standards were not demonstratively superior to the social average would find himself without patients. No professional man can command respect without a large income since he is obliged conspicuously to act the part of a man worthy of responsibility and trust. Thus, speaking of doctors and lawyers, Smith says:

"We trust our health to the physician; our fortune and sometimes our life and reputation to the lawyer and attorney. Such confidence could not safely be reposed in people of a very mean or low condition. Their reward must be such, therefore, as may give them that rank in the society which so important a trust requires". (57)

Smith argued that mankind has a natural tendency to respect (to feel sympathy for) the rich and the great. A doctor or lawyer must be respected. Therefore he must be rich and great. His income is great, not to reward him for the disutility of his job, but to convince the masses that he is worthy of trust. Without income and prestige he would lack those consumption-patterns most "proper" to his social position. Wage-differentials in such a case are not compensatory; their role is not to allocate labour but to define the social hierarchy.

Professor Douglas finds the sociological explanation of wage-differentials "difficult to reconcile with the general theory".

"Smith implies that people would not patronize professional men who did not live upon a standard considerably above that of the rest of the community. This may well be true in such a society as our own, where men tend to be valued according to what they spend and waste rather than according to what they are. Under such conditions, lavish personal expenditure may be a necessary competitive advertising expense which is required if one is to secure prestige and consequently public patronage. To maintain this scale of living, higher charges will have to be made. But this is not in harmony with the general tenor of Smith's thought". (58)

As we have seen, however, Smith felt that consumer-satisfactions are relative, not absolute; and that what a person consumes is influenced not just by his tastes but by socially-accepted standards of what is fitting and proper for him to consume. Everything depends

on current standards of "decency" and "necessity", both of which are variables, not constants, in the social equation. Both depend on "what every indifferent man would rejoice to see".⁽⁵⁹⁾ Meat, for example, is not a true necessity:

"Decency nowhere requires that any man should eat butcher's meat, as it in most places requires that he should wear a linen shirt or a pair of leather shoes".⁽⁶⁰⁾

As well as differences in income, consumption and prestige, differences in occupation also mean differences in character. Differences in character are not the cause but the result of the division of labour. If a man is a porter, he is not only lower-class, but is condemned to have lower-class manners and to be looked down on for them.⁽⁶¹⁾ Smith, as an environmental determinist, disaggregates society into classes, with different material surroundings, social conditions, and hence different manners, behaviour patterns, conduct, even state of awareness.

"The objects with which men in the different professions and states of life are conversant being very different and habituating them to very different passions, naturally form in them very different characters and manners".⁽⁶²⁾

Finally, the porter and philosopher are distinguished by differences in job-satisfaction. We have already seen that "people of rank and fortune" are less debased intellectually than factory operatives. High wage occupations yield high utility as well as high prestige and sophisticated behaviour patterns. Yet all men have equal ability at birth. (Smith plays down natural or inherited talents). How then is the division of labour to take place? Given

that "anomie" is bound to take place, who is to become a low-paid and "alienated" factory worker when he could be a surgeon?

Education, of course, might be the answer, as it is a potential avenue to social mobility. Thus Smith defines the "natural aristocracy" as

"men who have been educated in the middle and inferior ranks of life, who have been carried forward by their own industry and abilities".⁽⁶³⁾

Yet Smith's theory of education, as we shall see in the next section, is not such as to make education the great leveller. It amounts primarily to an assertion that each class should be given the education most proper for its function. In this sense it would tend to perpetuate differences of birth and fortune. Nor is such an emphasis on continuity in the social structure inconsistent with Smith's emphasis elsewhere on the need to avoid rapid social change. In any case, not only is our sympathy with our superiors greater than with our equals or inferiors, but "upstart greatness is everywhere less respected than ancient greatness".⁽⁶⁴⁾ Ancient family and ancient wealth are particularly respected; Excessive mobility could be a source of resentment and jealousy:

"If I am told that a man's grandfather was very poor and dependent upon my family, I will grudge very much to see his grandson in a situation above me, and will not be much disposed to submit to his authority".⁽⁶⁵⁾

Thus, although there should be mobility, it should not be too rapid or excessive. Contemporaries were wrong, after 1789, to overemphasize the subversive and radical nature of Smith's challenge to privilege. Since Smith did not relate income to productivity, either in his discussion of wage-differentials (e.g. the example of doctors) or of incomes in the economy as a whole (the division of incomes between factory-owners, landlords and workers may bear no relation to the division of effort, but surpluses and transfers may nonetheless be desirable on sociological grounds), there is no reason to think he intended a fully "liberal" society to replace the existing social structure. In any case, stratified provision of education may have meant a residual rent income in the pay of professionals, (66) even after the abolition of explicit entry barriers such as statutes of apprenticeship.

In this section we have tried to show how some groups experienced powerlessness and meaninglessness of work (e.g. factory operatives), while others were less "alienated" (e.g. agricultural labourers or "people of rank and fortune"). We have also tried to show that, because the unrewarding nature of work is just one of many disadvantages of being low-class (the others being low income, lack of prestige, and a low-class behaviour pattern), "alienation" to Smith was a feature of "anomie", the failure of the social organism to experience solidarity. The division of labour in industry reinforces the division of labour in society between landowners, factory-owners and labourers. Yet all have equal abilities. Dr. Fust is wrong to say that "Smith did not approach history with Marxian preconceptions of a dialectic process". (67)

It is interesting, however, that to Durkheim, neither alienation at place of work nor class resentment or conflict resulted from the industrial division of labour. In fact, the division of labour was actually held to have favourable intellectual effects on the worker. In a dynamic society, there is a continual need to readjust to changed conditions, and the worker thus exercises his intelligence in learning new operations. Moreover, since the town labourer has more opportunity to readjust, (and in any case since he is most closely involved in the network of "organic solidarity"), he has an intellectual advantage over the farmer:

"Cerebral life develops, then, at the same time as competition becomes keener, and to the same degree. These advances are observed not only among the elite but in all classes of society. On this point it is only necessary to compare the worker with the farmer. It is a known fact that the first is a great deal more intelligent, in spite of the mechanical nature of the tasks to which he is subject". (68)

Durkheim defined man's fulfillment as related not to his work-function (which Durkheim ignores as a cause of distress) but to his communion and cohesion with others. The worker is "not a machine who repeats his movements without knowing their meaning". (69)

"Why would there be more dignity in being complete and mediocre rather than in living a more specialised but more intensive life, particularly if it is thus possible for us to find what we have lost in this specialisation through our association with other beings who have what we lack and who complete us?" (70)

We have already seen that, to Smith, market society was characterised by conflict, and was thus "anomic" in Durkheim's sense. In this section we have gone further and argued that the division of labour impoverished man intellectually. Mass production was thus a source of "alienation", since the division of labour made the worker

"as stupid and ignorant as it is possible for a human creature to become. The torpor of his mind renders him not only incapable of bearing a part in any rational conversation, but of conceiving any generous, noble, or tender sentiment, and consequently of forming any just judgement, concerning many even of the ordinary duties of private life". (71)

The division of labour, by corrupting human nature, corrupts any chance for organic solidarity.

II

Since "the understandings of the greater part of men are necessarily formed by their ordinary employments", it is understandable, even predictable, that boring and routine work produces boring and routine men. The division of labour leads to the "alienation" of the masses and their resultant neglect of education.

Smith believed that "a man without proper use of the intellectual facilities of a man ... seems to be mutilated and deformed", (72) and thus called for state provision of schooling for the worker, whose

"dexterity at his own particular trade seems ... to be required at the expense of his intellectual, social and martial virtues.

But in every improved and civilized society this is the state into which the labouring poor, that is, the great body of the people, must necessarily fall, unless government takes some pains to prevent it".⁽⁷³⁾

Dr. West has argued that, even "if Smith did on occasion diagnose "gross ignorance and stupidity"⁽⁷⁴⁾ and "mental mutilation"⁽⁷⁵⁾ of the industrial masses, he also felt such alienation could be cured by education, "an antidote to the ill-effects of the division of labour".⁽⁷⁶⁾ This interpretation of Smith's views on education can also be found in James Mill's article "On Education" in the Encyclopædia Britannica of 1818, which reads in parts

"Dr. Smith made the important remark that the labour in which the great body of the people are employed has a tendency to grow less and less favourable as civilisation and the arts proceed. The division and sub-division of labour is the principal cause. This confines the attention of the labourer to no small a number of objects and so narrow a circle of ideas that the mind receives not that varied exercise, and that portion of aliment, on which almost every degree of mental excellence depends. When the greater part of a man's life is employed in the performance of a few simple operations, income fixed invariable course, all exercise of ingenuity, all adaption of means to ends, are wholly excluded, and the faculty lost, as far as disease can destroy the faculties of the mind. The minds therefore of the great body of the people are in danger of really degenerating, while the other elements of civilisation are advancing, unless care is taken,

by means of the other instruments of education, to counteract those effects which the simplification of the manual processes has a tendency to produce."(77)

If, however, Smith conceived of education as the remedy for mental mutilation resulting from overspecialized and unrewarding work, he never makes this clear. What he does say is much more modest, that, as West puts it, "ordinary people cannot be expected to spend enough on education because the division of labour prevents them from being sufficiently appreciative of its benefits".(78)

The neglect of education is the result of the division of labour and commercial society. Workers, being richer than before, are better able to pay the direct costs of education. The opportunity cost of not working is a greater barrier, however:

"In rich and commercial nations the division of labour, having reduced all trades to very simple operations, affords an opportunity of employing children very young. In this country (i.e. Scotland), indeed, where the division of labour is not far advanced, even the meanest porter can read and write, because the price of education is cheap and a parent can employ his child in no other way at six or seven years of age. This, however, is not the case in the commercial parts of England. A boy of six or seven years of age at Birmingham can gain his threepence or sixpence a day, and parents find it to be their interest to set them soon to work; thus their education is neglected".(79)

It is clear that Smith's theory of education is deficient. He advocated state aid to education (although not state provision of education, lest there be insufficient competition), and believed that

school-fees should be proportional to ability to pay. But he neglected the problem of maintenance if children of poor families stay on at school;

"Their parents can scarce afford to maintain them even in infancy. As soon as they are able to work, they must apply to some trade by which they can earn their subsistence".⁽⁸⁰⁾

And in any case the opportunity cost of sending children to school is so great that, in a commercial society where material values are on the ascendant, it is not clear why parents should have done so at all. Perhaps Smith felt the parents would see education as an investment in human capital, or perhaps he intended it to be compulsory (he says that the state can not only "facilitate" and "encourage" education but even "impose" it).⁽⁸¹⁾ However his views on the opportunity cost as a barrier to schooling are ambiguous as they stand.

It is our view that Smith did not see education as a means of combating alienation. He simply preferred the worker to be educated and alienated rather than uneducated and alienated. After all, being educated had advantages:

(1) Education would raise the worker's productivity and accelerate economic growth. Smith was not thinking of a general introduction to the humanities so that the worker could read books and go to concerts in his leisure time. He does complain that, as for the masses,

"their work through half the week is sufficient to maintain them, and through want of education they have no amusement for the other but riot and debauchery".⁽⁸²⁾

The education he proposed, however, was strictly practical:

"If instead of a little smattering of Latin, which the children of the common people are sometimes taught (in the charity schools), and which can scarce ever be of any use to them, they were instructed in the elementary parts of geometry and mechanics, the literary education of this rank of people would perhaps be as complete as it can be. There is scarce a common trade which does not afford some opportunities of applying to it the principles of geometry and mechanics".⁽⁸³⁾

In short, education to Smith meant training for a trade.

Perhaps Smith felt that, since the division of labour is inescapable, at least the semi-skilled worker would have more opportunity to exercise his intelligence than if he were a totally unskilled manual labourer. What Smith says, however, is quite different. The masses should simply be taught that which would be "of use" to them:

"Though the common people cannot, in any civilized society, be so well instructed as people of some rank and fortune, the most essential parts of education, however, to read, write and account, can be acquired at so early a period of life, that the greater part of those who are to be bred to the lowest occupations have time to acquire them before they can be employed in those occupations".⁽⁸⁴⁾

Like Locke, Rousseau and many other writers of the eighteenth century, Smith distinguished between education for "the better sort of people" and education for the masses. But the difference was quantitative, not qualitative ("people of some rank and fortune"

study until they are 18 or 19,⁽⁸⁵⁾ while the common people leave school at an earlier age). In all cases, the principle is education as preparation for a job. Here Smith shows the influence of Locke, who wrote:

"Can there be anything more ridiculous than that a father should waste his own money and his son's time in setting him to learn the Roman language when, at the same time, he destines him for a trade wherein he, having no use of Latin, fails not to forget that little which he brought from school?"⁽⁸⁶⁾

Smith takes the same approach in his attitude to universities:

"The greater part of what is taught in schools and universities does not seem to be the most proper preparation for ... the real business of the world, the business which is to employ (students) during the remainder of their days".⁽⁸⁷⁾

On the other hand, the excellence of education for women (which was privately and competitively provided) lies precisely in the fact that

"every part of their education tends evidently to some useful purpose ... In every part of her life a woman feels some convenience or advantage from every part of her education. It seldom happens that a man, in any part of his life, derives any convenience or advantage from some of the most laborious and troublesome parts of his education".⁽⁸⁸⁾

Education, in short, should be suited to the role the pupil will later play in society. A woman will become the "mistress of a family", and hence women should be educated in such a way as

"either to improve the natural attractions of their person, or to form their mind to reserve, to modesty, to chastity, and to economy".⁽⁸⁹⁾

This is surprising perhaps in view of Smith's experiences in France where women held salons and were significant contributors to intellectual life; but Smith had a keen sense of what was proper in a given situation at a given time. In Britain it was proper for the masses to be taught simple skills, for upper class men to be prepared for a profession, and for women to be groomed for the vocation of wife and mother.

(2) Education could be a means of moulding public opinion.

After all, Locke had said:

"Of all the men we meet with, nine parts out of ten are what they are ... by their education. It is that which makes the great difference in mankind".⁽⁹⁰⁾

Ridderot, Helvetius and other philosophers followed Locke in rejecting the myth of original sin and in viewing the mind as a "tabula rasa". Locke had put forward the psychological premise that pupils are "white paper or wax, to be moulded and fashioned as one pleases".⁽⁹¹⁾ and the philosophers applied this doctrine to the question of society. Ridderot wrote: "to instruct a nation is to civilise it".⁽⁹²⁾ Helvetius, as a Lockean sensation-list of the most extreme type, felt education's power to mould man was unlimited, and should be used to improve public morals along whatever lines the state (the origin of goodness) should prescribe.

Smith was not unaware of the propaganda function of education,

particularly with regard to the lower classes:

"The state derives no inconsiderable advantage from their instruction. The more they are instructed, the less liable they are to the delusions of enthusiasm and superstition which, among ignorant nations, frequently occasion the most dreadful disorders. An instructed and intelligent people, besides, are always more decent and orderly than an ignorant and stupid one. They feel themselves, each individually, more respectable and more likely to obtain the respect of their lawful superiors, and they are therefore more disposed to respect those superiors. They are more disposed to examine, and more capable of seeing through, the interested complaints of faction and sedition, and they are upon that account less apt to be misled into any union and unnecessary opposition to the measures of government".⁽⁹³⁾

Education thus has both a religious and a civil function. The religious function is negative, to combat "superstition and dogma" to which an ignorant people are more likely to fall victim. It can also be positive in so far as "the benefit of religion" (but not the Church) makes men more aware of the need for ethics. Thus religion is

"a great advantage, not only considered in a pious sense, but as it affords them subject for thought and speculation".⁽⁹⁴⁾

The civil function is positive, to teach men the benefits they receive from the existing social structure, and to recognize the shallowness of factions and revolutionaries. Moreover, as men through education become more "respectable", they are more likely to identify with the establishment.

It would be wrong, however, to say that Smith saw the educational process as of infinite potential in conditioning reflexes. Like Locke and the Utilitarians, Smith felt that moral behaviour related to a given social context, and that education could be used to inculcate social virtues. However, despite the pleasure/pain principle, there were some kinds of activity which could not successfully be taught. Man was not infinitely malleable⁽⁹⁵⁾ because of the impartial spectator mechanism: norms arise automatically from the material conditions of the situation, and contrary norms will not be accepted by the pupils. On the other hand, education to teach him socially-acceptable norms is really spurious. Suppose the propaganda function of education were used to instil a respect for the upper classes and a loyalty to the present social structure. It would be unnecessary. Such respect and loyalty already exist:

"Our admiration of success is founded upon the same principle with our respect for wealth and greatness and is equally necessary for establishing the distinction of ranks and the order of society. By this admiration we are taught to submit more easily to those superiors whom the course of human affairs may assign to us".⁽⁹⁶⁾

Because Smith felt there were other innate tendencies beside the pleasure/pain principle, he was not a complete Lockean in his theory of education. A social religion would be no more successful than a revealed religion if the norms and values it taught or preached were imposed on the situation and did not arise from it. For this reason Smith would have rejected the theories of education as training

for citizenship that were put forward by Montesquieu and Rousseau. Although at birth the mind might be a tabula rasa (Smith denied education could be an adventure to discover man's own true and uncorrupted nature, the approach of Hume, since essence is inseparable from the conditions of existence), it was quickly shaped by the material imperatives of man's situation. Education might be used to reinforce existing norms, but it could not be looked to to impose new absolute idealistic norms. The only way to change norms and values is to change the material basis of society. For this reason, the propaganda function of education - to create and inculcate norms and values which would serve as the cement of society - was largely superfluous. A society, through the imperatives of the economic basis and the work-function, generated the ideology necessary to hold itself together. Different economic bases generated different intellectual superstructures. The struggle for economic power is thus a quasi-Mannheimian struggle for the minds of man.

- (1) WN I p. 7.
- (2) J.A. Schumpeter, op. cit., p. 187.
- (3) E. Durkheim, The Division of Labour in Society (New York: The Free Press, 1933), pp. 39, 62.
- (4) A. Comte, System of Positive Philosophy (ed. by H. Martineau), (London: John Chapman, 1853), II, pp. 51-2.
- (5) WN II, p. 302.
- (6) WN I p. 226.
- (7) idem.
- (8) WN I p. 13.
- (9) WN I p. 10.
- (10) E.G. West, "Adam Smith's Two Views on the Division of Labour", Economica 1964, p. 23.
- (11) ibid. p. 25.
- (12) ibid. p. 23.
- (13) E.G. West, "The Political Economy of Alienation: Karl Marx and Adam Smith", Oxford Economic Papers 1969, p. 17.
- (14) E.G. West, Economica, p. 24.
- (15) IJ p. 166.
- (16) WN I p. 10.
- (17) E.G. West, OEPP, p. 11.
- (18) IJ p. 166.
- (19) IJ p. 167. In WN, however, he argues that slaves do not alter all invent. See II p. 205. See also IJ p. 231.
- (20) WN I p. 11.

- (21) LJ p. 167.
- (22) WH I p. 13.
- (23) LJ p. 231.
- (24) WH I pp. 13-14.
- (25) N. Rosenberg, "Adam Smith on the Division of Labour: Two Views or One?" Economica 1965, p. 129.
- (26) WH I p. 14. See also LJ p. 168.
- (27) N. Rosenberg, loc. cit., p. 132.
- (28) See Chapter 8, footnote 110.
- (29) WH I p. 441.
- (30) WH I p. 14. Note Smith also distinguished between invention and innovation: "It must have been a philosopher who first invented ... wind and water-mills. Many inferior artists may have afterwards improved them". in "An Early Draft of the Wealth of Nations" reprinted as appendix to W.S. Scott, Adam Smith as Student and Professor (Glasgow: University of Glasgow, 1937) p. 338.
- (31) WH II p. 304.
- (32) idem.
- (33) LJ p. 158.
- (34) LJ p. 168.
- (35) Rosenberg, loc. cit., p. 133.
- (36) WH II pp. 302-303.
- (37) WH I p. 10.
- (38) WH I p. 141.
- (39) HA
- (40) LJ p. 158.

- (41) WN II p. 304.
- (42) WN II p. 303.
- (43) WN II p. 304.
- (44) WN II p. 303.
- (45) WN I p. 142. Note that this example of the unfavourable effects of the division of labour is found in Book I.
- (46) LJ p. 255-6.
- (47) WN II p. 304.
- (48) LJ p. 161.
- (49) LJ p. 162.
- (50) WN II p. 305.
- (51) ibid
- (52) E. Durkheim, op. cit., p. 371.
- (53) WN I pp. 19-20. See also I, p. 120, II, p. 304.
- (54) LJ p. 171.
- (55) P. Douglas, op. cit., p. 67.
- (56) WN I p. 112.
- (57) WN I p. 118. See also p. 123, 146.
- (58) P. Douglas, loc. cit., pp. 64-7.
- (59) MS p. 27.
- (60) WN II p. 405. See also p. 400.
- (61) MS p. 231.
- (62) MS p. 232.
- (63) MS p. 73.
- (64) WN II p. 234.
- (65) LJ p. 10.

- (66) Although Smith did not apparently think so. See I, pp. 118-9 on lawyers; pp. 146-50 on teachers; II, p. 301 on graduates.
- (67) E.G. West, OEJ p. 7.
- (68) E. Durkheim, op. cit., p. 273.
- (69) ibid., p. 373.
- (70) ibid., p. 403.
- (71) WN II p. 303.
- (72) WN II p. 308.
- (73) WN II p. 303.
- (74) WN II p. 308.
- (75) idem.
- (76) E.G. West, Economics, 1964, p. 25.
- (77) J. Mill, "On Education", Encyclopedia Britannica, 1818.
Reprinted in F.A. Cavenagh, ed., James Mill and John Stuart Mill on Education (Cambridge: The University Press, 1931) p. 46.
Italics mine.
- (78) E.G. West, OEJ 1969, p. 10.
- (79) IJ p. 256-7.
- (80) WN II p. 305.
- (81) idem.
- (82) IJ p. 257.
- (83) WN II p. 306.
- (84) WN II p. 305.
- (85) WN II p. 304.

- (86) J. Locke, Some thoughts Concerning Education (1693), ed.
J. Axtell (Cambridge: the University Press, 1968), para. 164.
- (87) EN II p. 295. But note education is not the only means to
economic growth. EN II p. 197.
- (88) EN II p. 302.
- (89) idem.
- (90) J. Locke, op. cit., para. 1.
- (91) ibid., para. 216.
- (92) quoted in P. Cay, The Enlightenment: an Interpretation
(London: Weidenfeld and Nicholson, 1970), p. 512.
- (93) EN II p. 309.
- (94) LJ p. 256.
- (95) See G.A. Fassmore, "The Malleability of Man in Eighteenth Century
Thought", in L.R. Wasserman, ed., Aspects of the Eighteenth
Century, (Baltimore: Johns Hopkins Press, 1965), esp. p. 35.
- (96) MS p. 371. See also pp. 338-9, 342-4.

Chapter 10. THE CLASS STRUCTURE: TOWERS AND CAPITALISTS

Hilton Myers has argued that Smith was writing in the tradition of those seventeenth and eighteenth century thinkers who believed that the division of labour promoted social cohesion and a high level of cultural, intellectual and artistic achievement.⁽¹⁾ James Harris, for example, identified two natural needs of man - for basic necessities and for a life in society - and showed that, via the division of labour, both needs are met. Social cohesion is the unintended outcome of the drive for improved material well-being. Joseph Priestly too argued that economic exchange leads to economic interdependence and thus to social solidarity. Myers includes Smith in this group:

"Men know how to specialize and then to trade the products of their specializations. For Smith, the division of labour creates mutual need and therefore social cohesion."⁽²⁾

Dr. West similarly has asserted that

"Smith's whole emphasis was upon the claim that the emerging free market economy produced a means for mutual gain ... the effect was not to destabilize but to cordialize society."⁽³⁾

It cannot be denied that specialisation and exchange foster interdependence, and one might even argue that Durkheim's "organic solidarity" via differentiation of function is the natural concomitant of Smith's views on the "propensity to truck, barter and exchange."⁽⁴⁾ In such a case the social bond is the reciprocal satisfaction of wants and the resultant subjective feeling of cohesion through

interdependence. Nor can it be denied that the division of labour and a market economy cause the national product to grow, making society materially better off. However, in order to argue that Smith saw the emergence of the free market economy as on balance cordializing society, one would have to consider the new sources of conflict and discontent that he examines. The fact that the social cake is growing does not mean there will not be a struggle for shares.

In this chapter we will consider the two classes most directly responsible for the new economic conditions of the eighteenth century industrial revolution, the owners of labour-power and the owners of capital. In the first section we will consider three reasons why Smith may have felt the workers were discontented with the new class structure. In the second section we shall discuss the nature of capital and profit, and show how they too may be indicative of conflict. In the third section we will argue that capital occupies a central place in Smith's model for sociological reasons (its implications for the class structure), not purely because it contributes to growth of output of consumables. In the fourth section we will state some conclusions about Smith's views on social conflict.

Our argument in this chapter will be that Smith once again constructed a simultaneous equations model of institutional cause and effect: industrialization and economic growth generate a new class structure, the new class structure leads to social conflict, social conflict is mollified by industrialization and economic growth.

I

In this section we shall consider the attitudes of the factor labour. We shall first consider the existence of actual exploitation (with reference to Smith's labour theory of value); Then the subjective sense of exploitation; and finally the worker's possible general malaise and feelings of isolation.

(1) The problem of factor shares in The Wealth of Nations arises from Smith's assertion that

"In that original state of things which precedes both the appropriation of land and the accumulation of stock, the whole produce of labour belongs to the labourer. He has neither landlord nor master to share with him."⁽⁵⁾

In a more advanced economy, the entire produce of labour does not go to the labourer. The landlord's rent and the capitalist's profit are "deductions"⁽⁶⁾ from the product. In the years following the publication of The Wealth of Nations, commentators such as John Rae,⁽⁷⁾ the Earl of Lauderdale,⁽⁸⁾ and John Miller⁽⁹⁾ argued that Smith had an exploitation theory of distribution since he specifies that only labour is productive of value and does not explain why capital and land should share in the product. More recently this has been the view of Professor Douglas, who has argued that Smith intended the labour-embodied theory of value and exchange to apply in capitalist as well as primitive society. He goes so far as to say that the Ricardian Socialists (to say nothing of the Marxists)

"may better be termed the Smithian Socialists since they derive their inspiration from Smith rather than from Ricardo Smith's

formulation of the problems of exchange value and the distribution of the national product among the factors of production was such as almost invariably gave rise to the doctrines of the post-Ricardian socialists and to the labour theory of value and to the exploitation theory of Karl Marx."⁽¹⁰⁾

Professor Hask⁽¹¹⁾ and Professor Bowley⁽¹²⁾ too share the view that, to Smith, only labour was productive. Bowley says that Smith believed

"capital as such has no claim to a special share of the product once the indirect labour (i.e. accumulated labour) is paid for, and derives its income simply from exploitation."⁽¹³⁾

However Smith's formulation of the labour theory of value is not without ambiguity. Reserving for a later section the problem of the possible productivity of capital, let us examine two different meanings which Smith, apparently unaware of the confusion he was creating for future generations of economists, assigns to the labour theory of value:

(a) labour-embodied. We have already seen the importance of time and place in Smith's thought, and it is crucial to remember that he introduces his labour-embodied theory of value by informing the reader in what conditions one should expect it to hold true:

"In that early and rude state of society which precedes both the accumulation of stock and the appropriation of land, the proportion between the quantities of labour necessary for acquiring different objects seems to be the only circumstance which can afford any rule for exchanging them for one another. If among a nation of hunters,

for example, it usually costs twice the labour to kill a beaver which it does to kill a deer, one beaver should naturally exchange for or be worth two deer. It is natural that what is usually the produce of two day's or two hours' labour should be worth double of what is usually the produce of one day's or one hour's labour."⁽¹⁴⁾

Since he specifies the situation, he has in mind, it is understandable that some commentators have felt in an industrial society labour-cost would be joined by land-cost and capital-cost to constitute a total cost theory of value. This is the view, for example, of Dr. West:

"Chapters VI and VII of Book I, in fact, outlined not a labour-theory but a (total) cost of production theory (a theory whose chief defect, of course, is the neglect of the function of demand). In the long-run, Smith argued, the natural price of an article was the sum of all the amounts payable to all the factors used in making it - wages, rents and profits. He seems to have been at pains to reject the labour cost theory of value so widespread among his predecessors."⁽¹⁵⁾

Certainly there are instances where Smith admits that all three factors are responsible for value. Thus:

"Wages, profit and rent are the three original sources of all revenue as well as of all exchangeable value."⁽¹⁶⁾

And elsewhere:

"In a civilized country, there are but few commodities of which the exchangeable value arises from labour only, rent and profit contributing largely to that of the far greater part of them."⁽¹⁷⁾

However in other places Smith seems to argue that, although exchangeable value does have three components, it has a unique source, labour; and that if goods exchange according to cost-of-production, this can only mean that labour has had to share the value it produces. He describes how capitalists accumulate capital and employ workers

"In order to make a profit by the sale of their work, or by what their labour adds to the value of the materials ... The value which the workmen add to the materials, therefore, resolves itself in this case into two parts, of which the one pays their wages, the other the profits of their employer." (18)

Profit may be necessary to reward the capitalist for some function he performs; but, Smith seems to be saying, it is still a transfer payment and not a source of value-added. Only labour can add value. Even in industrial society this holds true:

"In this state of things, the whole produce of labour does not always belong to the labourer. He must in most cases share it with the owner of the stock which employs him." (19)

Moreover, if Smith assumed a cost-of-production theory could explain the source of value, he must have assumed the landlord was productive and deserving of rent. Yet he makes clear that rent is a surplus and not a functional reward:

"The rent of land not only varies with its fertility, whatever be its produce, but with its situation whatever be its fertility.

Land in the neighbourhood of a town gives a greater rent than land in a distant part of the country. Though it may cost no more labour to cultivate the one than the other, it must always cost more to bring the produce of the distant land to market. A greater quantity of labour, therefore, must be maintained out of it; and the surplus from which are drawn both the profit of the farmer and the rent of the landlord must be diminished."⁽²⁰⁾

If rent is included in exchangeable value although it is a residual, a transfer, a surplus, perhaps Smith included profit for the same reasons. It could not be denied that both landlord and capitalist did command a share in total value-added. Smith may, however, still have believed that "the whole annual produce, if we except the spontaneous productions of the earth, (is) the effect of productive labour."⁽²¹⁾ Even if labour was the only source of value-added, Smith, as usual a great pragmatist, may have preferred not to question the status quo. It could not be altered; and to reward factors according to the value they produce might have embarrassing consequences for a social philosophy favouring maximum diversity within the social structure. Perhaps this is what Smith had in mind when he wrote:

"This original state of things in which the labourer enjoyed the whole produce of his own labour could not last beyond the first introduction of the appropriation of land and the accumulation of stock.

It was at an end, therefore, long before the most considerable improvements were made in the productive powers of labour, and it would be to no purpose to trace further what might have been the effects upon the recompence or wages of labour."⁽²²⁾

(b) labour-commanded. It is possible Smith's labour-theory of value was a primitive theory of index-numbers. First Smith establishes the fact that:

"The real price of everything, what everthing really costs to the man who wants to acquire it, is the toil and trouble of acquiring it."⁽²³⁾

Then he suggests a way of measuring this "toil and trouble":

"The value of any commodity, therefore, to the person who possesses it and who means not to use or consume it himself but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities."⁽²⁴⁾

The precious metals are not as good a measure of value, as the discoveries of the sixteenth century demonstrated:

"As a measure of quantity such as the natural foot, fathom or handful, which is continually varying in its own quantity can never be an accurate measure of the quantity of other things, so a commodity which is itself varying in its own value can never be an accurate measure of the value of other commodities."⁽²⁵⁾

Hence, the exchangeable value of a commodity should be estimated, not in money, but in labour or ... any other commodity."⁽²⁶⁾ But labour without doubt is the most stable and constant standard:

"Equal quantities of labour, at all times and places, may be said to be of equal value to the labourer. In his ordinary state of health, strength and spirits; in the ordinary degree of his skill and dexterity, he must always lay down the same portion of his ease, his liberty and his happiness."⁽²⁷⁾

In short,

"Labour alone, therefore, never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price alone."⁽²⁸⁾

He even applies this concept of labour as "the real measure of the exchangeable value of all commodities"⁽²⁹⁾ to the problem of factor shares:

"The real value of all the different component parts of price, it must be observed, is measured by the quantity of labour which they can, each of them, purchase or command. Labour measures the value not only of that part of price which resolves itself into labour but of that which resolves itself into rent, and of that which resolves itself into profit."⁽³⁰⁾

In order to make labour a universal and accurate measure of value, however, an index of labour must be constructed. Labour time by itself is not the correct measure of the exchangeable value of

commodities since "there may be more labour in an hour's hard work than in two hours' easy business."⁽³¹⁾ The index of labour (used to construct an index of value) adjusts for different degrees of responsibility, hardship, unpleasantness, constancy of employment, risk of failure, length of training. In short, labour-commanded is an index expressed in units representing equality of sacrifice. Such an index of labour-commanded is so complicated (and so dependent on the subjective evaluation of the circumstances by each worker) that it would be almost impossible to construct, even with the most modern statistical techniques. However Smith felt that in the long-run, equilibrium factor rewards would be established by the free market. Speaking of the high earnings of colliers, he says:

"How extravagant soever those earnings may appear, if they were more than sufficient to compensate all the disagreeable circumstances of the business, there would soon be so great a number of competitors as in a trade which has no exclusive privilege, would quickly reduce them to a lower rate."⁽³²⁾

Professor Douglas reaches the conclusion that:

"Smith believed he had established the fact that equal units of labour in the sense of disutility were at any one time compensated for by equal amounts of money-wages. The market, according to Smith, thus does reduce the various elements composing labour to a common measure."⁽³³⁾

In a sense, therefore, even in The Wealth of Nations Smith did not totally neglect utility. Utility or disutility of a particular

employment determined the wage structure; the wage-structure approximated to an index of labour-commanded; and labour-commanded was the measure of value of commodities. In other words, the standard of value itself was the result of subjective evaluation in the market-place.

Scarcity in the short-run can cause the price of labour to rise above the "ordinary and average rate"⁽³⁴⁾ prevailing locally; but in the long run there will be new entry into the trade and wages will fall to their "natural level". Smith discounted the possibility of a rent element, a payment for scarce skills, in wages. In practice, all men are very much alike:

"The difference of natural talents in different men is in reality much less than we are aware of and ... is not upon many occasions so much the cause as the effect of the division of labour. The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature as from habit, custom and education."⁽³⁵⁾

Hence, if wages rise above their ordinary level because of a scarcity of labour in a trade or area, and there are no statutes of apprenticeship or settlement laws, new entry will cause the natural price of labour to re-establish itself.

The same is true in the goods market. In the short-run, a local scarcity may cause the market price of a commodity to rise. In the long-run, however, assuming free entry to the industry, mobility of

factors, no trade secrets and "economic" motivation, resources will be transferred and market-price will fall to natural price. The market-price is determined by the proportion between demand and supply, and is a utility-dominated index. In a period of scarcity, when the entire effectual demand cannot be satisfied at the previous "ordinary" price, desperate bidders will compete for limited supplies of the commodity:

"Rather than want it altogether, some of them will be willing to give more. A competition will immediately begin among them, and the market price will rise more or less above the natural price, according as either the greatness of the deficiency, or the wealth and wanton luxury of the competitors, happen to animate more or less the eagerness of the competition."⁽³⁶⁾

The natural-price, on the other hand, is a long-run cost price at a level such that there will be no further movement of any factor into or out of the industry. Although market prices fluctuate around it, mobility of factors means that there is continually a tendency for market-prices to gravitate to natural prices:

"The natural price is ... the general price to which the prices of all commodities are continually gravitating ... The natural price, or the price of free competition, on the contrary, is the lowest which can be taken, not upon every occasion indeed, but for any considerable time altogether. (It is) the lowest which the sellers can commonly afford to take and at the same time continue their business."⁽³⁷⁾

The measure of the price of a good is the "toil and trouble" that must be undergone in order to purchase it, the sacrifice of leisure and the acceptance of labour. Labour is the index of value:

"At all times and places that is dear which is difficult to come at, or which it costs much labour to acquire; and that cheap which is to be had easily or with very little labour."⁽³⁸⁾

However even labour-commanded is a subjective standard. It compares the disutility of labour (as measured on the labour market) with the utility of goods (as measured on the goods market). In any case, he never denies the role of utility as an influence in the market-place; simply, his analysis is occasionally telescoped to show only long-run static equilibria where market price and natural price coincide. In the short-run however (and in the case of blockade, war, public mourning or famine the short-run can be very long indeed), prices are determined by subjective demand valuations⁽³⁹⁾ or changes in supply functions.

For this reason, too much should not be made of the different treatment of the diamonds/water paradox in the Lectures and in The Wealth of Nations. In the Lectures, as is well known, he follows Pufendorf, Carmichael, Law, Harris and Hutcheson in resolving the paradox in terms of utility and scarcity:

"It is only on account of the plenty of water that it is so cheap as to be got for the lifting; and on account of the scarcity of diamonds ... that they are so dear."⁽⁴⁰⁾

The market-price of a commodity is regulated by

"the abundance or scarcity of the commodity in proportion to the need of it ... if the commodity be scarce, the price is raised ... Thus it is that diamonds and other precious stones are dear while iron, which is much more useful, is so many times cheaper, though this depends principally on ... the riches or poverty of those who demand. When there is not enough produced to serve everybody, the fortune of the bidders is the only regulation of the price."⁽⁴¹⁾

In The Wealth of Nations, on the other hand, Smith (following Locke) appears to have applied a labour-embodied theory of value. He states the paradox as follows:

"The things which have the greatest value in use have frequently little or no value in exchange; and, on the contrary, those which have the greatest value in exchange have frequently little or no value in use. Nothing is more useful than water; but it will purchase scarce anything; scarce anything can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it."⁽⁴²⁾

One could argue that Smith the moralist was unwilling to admit a good with "scarce any value in use" could have a high intrinsic value in exchange. We have already seen Smith's cavalier dismissal of consumer sovereignty. Perhaps he, convinced that only productive labour could create value, felt himself morally committed to the view that diamonds were expensive because of the labour-embodied in digging them out of the earth, not because of their scarcity. But,

in a little quoted passage, Smith says the opposite:

"The most abundant mines either of the precious metals or of the precious stones could add little to the wealth of the world. A produce of which the value is principally derived from its scarcity is necessarily degraded by its abundance. A service of plate, and the other frivolous ornaments of dress and furniture, could be purchased for a smaller quantity of labour."⁽⁴³⁾

In other words, in the short-run market-price is high; in the long run, as abundance replaces scarcity, price falls. The national income may fall too if the rise in quantity is proportionately less than the necessary fall in price (measured in units reflecting the amount of labour that must be sacrificed to purchase the good).

There is no contradiction between the approach of the Lectures and that of The Wealth of Nations, simply, the former studied only the short-run, while the latter, rather than being anti-utility or anti-subjective, was concerned more with the long-run situation. As Robertson and Taylor point out,

"In the Wealth of Nations Adam Smith had cast his thought in a more ambitious role. His eyes were set, not on the transient determination of market values, but on a long-term demonstration of the causes of the variations in the Wealth of Nations In the Wealth of Nations Adam Smith was studying the influence of society and social institutions upon material welfare, leaving aside the various technical considerations which previous authors had always mixed up with these."⁽⁴⁴⁾

In concluding our discussion of the theory of value (with particular reference to social structure and conflict), we may state three conclusions:

First, Adam Smith seems to have believed labour is the source of value, and that land and capital are non-productive. This does not mean landlords and capitalists do not or should not have legal or conventional rights to share in the product. Indeed, possibly the capitalist plays an important role in the economic system.⁽⁴⁵⁾ However the passages we have previously quoted referring to profit as a deduction from value suggest Smith saw profit as a transfer, analogous to the payment made to non-productive (but useful and functionally essential) labourers such as the government, clergy, schoolteachers and actors.

Secondly, the debate about which of Smith's two labour theories of value is the true one is curious. The two theories are clearly distinct and refer to different sorts of problems. The labour-embodied theory seems to explain the source of value (especially in primitive society where there is a unique class). The labour-commanded theory is an attempt to find a constant measuring rod to use in examining changes in prices over time. The two theories are complements, not substitutes.

Thirdly, there is no reason to think Smith neglected utility

in the Wealth of Nations. Indeed, his whole theory of the market mechanism predicates flexible prices, the profit motive, free entry and exit, and a downward-sloping demand curve. Simply, in the Wealth of Nations the market is not an end in itself; it is a tool with which to procure growth of wealth, itself a tool with which to secure social change and cultural progress. It is no surprise that Smith choosed to focus on long-run, natural price levels where the sum of observed market prices equals the maximum national product that can be secured with existing resources.

(2) The market is impartial. It is not manipulated at the whim of a local prince or despotic monarch. The links between men become contractual, money payments for goods provided, and cease to be based on restrictive status obligations or personal dependence;

"Each tradesman or artificer derives his subsistence from the employment not of one but of a hundred or a thousand different customers. Though in some measure obliged to them all, therefore, he is not absolutely dependent upon any one of them."⁽⁴⁶⁾

Wages, profits and rents come to be freely determined not by fiat, but by the inexorable and impartial forces of supply and demand, to Smith the voice of nature itself. Yet, paradoxically, however fair this may seem to the outside observer, market society is characterised by a deeply-felt subjective sense of exploitation and thus of conflict for relative shares:

"Avarice and ambition in the rich, in the poor the hatred of labour and the love of present ease and enjoyment, are the passions which prompt to invade property ... where there is great property there is great inequality. For one very rich man there must be five hundred poor, and the affluence of the few presupposes the indigence of the many. The affluence of the rich excites the indignation of the poor, who are often both driven by want and prompted by envy to invade his property to invade his possessions."(47)

By "Want", Smith is probably thinking of relative deprivation rather than absolute deprivation. The living standards of all classes benefit from the division of labour and economic growth:

"The accommodation of a European prince does not always so much exceed that of an industrious and frugal peasant as the accommodation of the latter exceeds that of an African king, the absolute master of the lives and liberties of ten thousand naked savages."(48)

In a "progressive state", unemployed workers find jobs and the reward of labour becomes more "liberal",⁽⁴⁹⁾ certainly in comparison to the "stationary state" where wages fall to subsistence levels. Yet not all classes benefit equally from the process of economic growth. Despite labour's improved bargaining position, labour is generally in surplus, just as capital is typically scarce. There is no reason to think labour's share grows with its absolute wealth, although that of the proprietors of land does grow:

"The wages of the labourer ... are never so high as when the demand for labour is continually rising ... The order of proprietors may perhaps gain more by the prosperity of the society than that of the workers."⁽⁵⁰⁾

The reference to "envy", moreover, reminds us that to Smith consuming is essentially a social act. The absolute satisfaction obtained from "baubles and trinkets" is insignificant compared to the relative satisfactions of prestige and conspicuous consumption. In any stratified economy with social mobility, the lower classes might suffer from deprivation conceived by comparison.

Objectively one might argue that the "higgling and bargaining of the market" establishes a "rough equality".⁽⁵¹⁾ of value, a "natural" wage based on supply and demand in competitive conditions. Subjectively, however, the participant in such a transaction might see the bargaining process as a jungle where the fittest survives and the weakest is left behind. There is an infinite number of market equilibria (and Paretian optimal) depending on the distribution of bargaining and purchasing power. It is market power alone, not a unique functional relationship depending on the marginal productivity of the factors, which determines the distribution of the national product.

The worker had given up his plot of land and moved to the towns. As a full time factory operative, "the worker has nothing but his labour to live by".⁽⁵²⁾ One would hardly expect the market to promote

cohesion or a sense of community, since the worker knows that if profits are high, wages are low. There is a sense of conflict between groups and a struggle for economic power:

"What are the common wages of labour everywhere upon the contract usually made between those two parties, whose interests are by no means the same. The workmen desire to get as much, the masters to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labour".⁽⁵³⁾

In other words, the struggle to establish new and more favourable prices of the various factors causes coalitions of persons with similar interests to develop:

"Masters are always and everywhere in a sort of tacit but uniform combination not to raise the wages of labour above their actual rate."⁽⁵⁴⁾

And elsewhere:

"People of the same trade seldom meet together ... but the conversation ends in a conspiracy against the public or in some contrivance to raise prices."⁽⁵⁵⁾

Moreover, collusion is easier to implement in industry than in agriculture. The situation of corn dealers, for example, approximates to perfect competition since they are numerous and "their dispersed situation renders it altogether impossible for them to enter into any general combination."⁽⁵⁶⁾ Graziers, being widely separated geog-

raphically, cannot form themselves into a monopolistic corporation to regulate the market (as trading corporations were able to do in Asia⁽⁵⁷⁾); but "manufacturers, collected together in numerous bodies in all great cities, easily can."⁽⁵⁸⁾

The advantage in wage-bargaining clearly lies with the capitalists

"It is not ... difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute and force the other into a compliance with their terms. The masters, being fewer in number, can combine much more easily; and the law, besides, authorises, or at least does not prohibit their combinations, while it prohibits those of the workmen. We have no acts of parliament against combining to lower the price of work, but many against combining to raise it. In all such disputes, the masters can hold out much longer. A landlord, a farmer, a master manufacturer, could generally live a year or two upon the stocks which they have already acquired. Many workmen could not subsist a week, few could subsist a month, and scarce any a year without employment."⁽⁵⁹⁾

There are, of course, reasons to be hopeful about the future. For one thing, Smith believes the state should not only cease to set maximum wages but withdraw obstacles to mobility (the statutes of apprenticeship and laws of settlement created local monopolies) and end privileges of exclusive bodies such as corporations.

Moreover, competition might replace "the wretched spirit of monopoly"⁽⁶⁰⁾ in a growing economy. An increased supply of capital

leads to competition for limited supplies of labour, the breakdown of cartels, and rising wages:

"The scarcity of hands occasions a competition among masters, who bid against one another, in order to get workmen, and thus voluntarily break through the natural combination of masters not to raise wages." (61)

Or:

"In a thriving town the people who have great stocks to employ frequently cannot get the number of workmen they want, and therefore bid against one another in order to get as many as they can, which raises the wages of labour and lowers the profits of stock. In the remote parts of the country, there is frequently not stock sufficient to employ all the people, who therefore bid against one another in order to get employment, which lowers the wages of labour and raises the profits of stock." (62)

For the same reason, a scarcity of labour relative to stock, wages were high in North America. The employer "does not dispute about wages but is willing to employ labour at any price." (63)

It is worth while noting, however, that the above condition is necessary but not sufficient. Three further conditions must join the abundance of capital relative to labour before we can be satisfied that the position of the labourer will actually improve:

First, capital-stock must not only be large but growing since high wages in the short run will cause the worker to produce more

children, leading to minimum wages being restored in the long-run.

"It is in this manner that the demand for men, like that for any other commodity, necessarily regulates the production of men." (64)

Thus, as the labour-supply increases whenever the wage of labour is above subsistence level (defined as the wage that keeps him alive and allows him to produce a worker to replace himself), capital-stock must be continually increasing.

Second, we must assume that there is not initially a large surplus of unemployed labour. In such a (semi-Keynesian) case, wages would not rise until existing slack had been taken up. An increase in demand for labour would be met by an increase in output and employment, not an increase in wages. There is evidence Smith was thinking in terms of a reserve army (for example, a pool of under-employed agricultural workers), and we shall consider it in the third part of this chapter.

Third, again like Marx, Smith recognised that rising wages might cause capitalists to substitute machinery (fixed capital) for human labour (supported by circulating capital, the wages-fund) in the production process, with the result:

"There are many commodities ... which, in consequence of these improvements, come to be produced by so much less labour than before that the increase of its price is more than compensated by the diminution of its quantity." (65)

-100-

Or elsewhere:

"Though, in consequence of the flourishing circumstances of the society, the real price of labour should rise very considerably, yet the great diminution of the quantity will generally much more than compensate the greatest rise which can happen in the price."⁽⁶⁶⁾

Or elsewhere:

"The exchange of the rock and spindle for the spinning-wheel ... will with the same quantity of labour, perform more than double the quantity of work."⁽⁶⁷⁾

Or elsewhere (a clear admission of the non-homogeneity of the production function and the possibilities of substitutability among factors):

"The quantity of materials which the same number of people can work up increases in a great proportion as labour comes to be more and more subdivided; and as the operations of each workman are gradually reduced to a greater degree of simplicity, a variety of new machines come to be invented for facilitating and abridging these operations. As the division of labour advances, therefore, in order to give constant employment to an equal number of workmen, an equal stock of provisions and a greater stock of materials and tools than what would have been necessary in a ruder state of things must be accumulated beforehand."⁽⁶⁸⁾

In any case, even if labour's position is improving relatively as well as absolutely, this is still no guarantee that the subjective

and socially-divisive sentiment of exploitation will not still be present. The awareness of having to share his product with capitalist and landowner makes the worker feel anything but cordial towards them;

"A poor independent workman will generally be more industrious than even a journeyman who works by the piece. The one enjoys the whole produce of his own industry, the other shares it with his master." (69)

A colonist has an incentive to work harder and produce more than an ordinary labourer (and much more than a slave). After all, the land is his own:

"No landlord shares with him in its produce ... He has every motive to render as great as possible a produce, which is thus to be almost entirely his own." (70)

Compare this with the indigence of the slave:

"A person who can acquire no property can have no other interest but to eat as much and to labour as little as possible." (71)

Or even with the semi-independent sharecropper:

"It could never ... be in the interest of this last species of cultivators to lay out, in the further improvement of the land, any part of the little stock which they might save from their own share of the produce because the lord, who laid out nothing, was to get one-half of whatever it produced." (72)

Character, after all, is the result largely of economic activity. It is no surprise slaves are the least productive of capital and growth.

The problem seems not to be shares but sharing. The worker desires independence, and the effect of democratisation of land ownership on productivity is one of the main reasons why Smith opposes primogeniture:

"A small proprietor who knows every part of his little territory, who views it all with the affection which property, especially small property, naturally inspires ... is generally of all improves the most industrious, the most intelligent and the most successful." (73)

In North America, the worker may prefer independence to income, and may purchase land regardless of the higher income he could enjoy in industry:

"From artificer he becomes planter, and neither the large wages nor the easy subsistence which that country affords to artificers can bribe him rather to work for other people than for himself. He feels that an artificer is the servant of his customers, from whom he derives his subsistence; but that a planter who cultivates his own land and derives his necessary subsistence from the labour of his own family is really a master, and independent of all the world." (74)

Respect, security, independence are important non-pecuniary benefits accruing to the owner of land. Land was the basis of class conflict in ancient Rome (and Greece as well):

"The people became clamorous to get land, and the rich and the great, we may believe, were perfectly determined not to give them any part of theirs. To satisfy them in some measure, therefore, they frequently proposed to send out a new colony." (75)

Hence, even where factor shares are determined by the market mechanism, the subjective feeling of exploitation is still present. This is Smith's diagnosis of the contemporary situation in Europe:

"Rent and profit eat up wages and the two superior orders of people oppress the inferior one." (76)

The masters do not treat the workers with "generosity and humanity" (77) since labour is in surplus and workers are interchangeable parts. The pressure of demand of workers for jobs makes them "humble and dependent". (78) Smith, as we shall see in section three, saw economic growth as a way out of this dilemma: a rising supply of capital would increase demand for labour and help to redistribute, via the market mechanism, economic power from masters to labourers. It would reduce profits and raise wages. If, however, the cause of conflict was sharing, not shares, then such a materialist solution would not be enough.

(5) Industrial society may be characterised by malaise, rootlessness, normlessness. The traditional community (village, church, family) breaks up, labourers flock to new industrial towns, and the impartial spectator mechanism (ethical behaviour determined and sanctioned by reference to the approval or disapproval of one's peer group) ceases to be adequate to maintain social cohesion by the network of norms and values:

"A man of low condition is far from being a distinguished member of any great society. While he remains in a country village his conduct may be attended to, and he may be obliged to attend to it himself. In this situation, and in this situation only he may have what is called a character to lose. But as soon as he comes into a great city he is sunk in obscurity and darkness. His conduct is observed and attended to by nobody, and he is therefore very likely to neglect it himself and to abandon himself to every sort of low profligacy and vice." (79)

Smith even suggests that, to have a sense of belonging, the worker should opt out of the anonymity and into the secondary group of a chapel, where at least his "brother sectaries are, for the credit of the sect, interested to observe his conduct." (80) This is analogous to Durkheim's advocacy of "corporations", professional groups analogous to medieval guilds but constituted solely to give the individual a sense of the collective, and thus to combat the socially demoralising effects of individualism.

Smith further feels that this sense of belonging and cohesion will not arise out of relationships at the place of work. The worker is alienated and brutalised by the division of labour (as we shall explain in Chapter 10). Contacts at work, rather than increasing the opportunities for "organic solidarity" (Durkheim's belief that the sense of interdependence was clearly visible on the shop floor), actually corrupt the worker by exposing him to "the temptations of

bad company which, in large manufactories, so often ruin (his) morals."

The idleness of some corrupts the industry of others.

To make the feeling of normlessness worse, ethical judgements are not only geographically delimited (what an impartial spectator in one area would approve of might not be acceptable to an impartial spectator in a different area) but also temporally. The worker in a period of economic change might find the ethical superstructure changing rapidly to keep pace with the economic basis. New codes of behaviour might become appropriate. He might be confused by the presence of vestigial ethics left over from the feudal period (e.g. profligacy in place of parsimony). He may find it difficult to discover what is "right" since his own work activity is contributing to the forces redefining the very concepts of "right" and "wrong".

Indeed, the ethical mechanism is analogous to the market mechanism, according to which there is no objective or permanent standard of value independent of transitory variations in supply and demand at a given time in a given place. It is no surprise Smith, although fully aware of utility, flirted so seriously with long-run objective measures of value.

Smith admires the market mechanism for what it does (the end), not for how it does it (the means). It is a mechanism which allocates scarce commodities and thus combats poverty more efficiently than any regulation,⁽⁸²⁾ more reliably than benevolence. Everyone benefits from specialisation and higher productivity in a growing economy;

"Universal opulence ... extends itself to the lowest ranks of the people ... A general plenty diffuses itself through all the different ranks of the society."⁽⁸³⁾

The social bond is equivalence in exchange; not on servility and fawning;

"Man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour ... Give me that which I want and you shall have this which you want ... It is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow-citizens."⁽⁸⁴⁾

Yet the market-mechanism, as well as the impartial spectator ethical mechanism, can be a cause of malaise;

On the side of supply, the market economy and profit motive place stress on results, not craftsmanship. Because society is consumption-oriented (one works to earn money to buy goods) and not production-oriented (one works because one takes pleasure in creating), not only quantity but quality is a function of price. He gives the example of a dairy. If prices are high, the dairy is "worthy of the farmer's attention". If prices are low, however,

"he will be likely to manage his dairy in a very slovenly and dirty manner and ... will suffer the business to be carried on amidst the smoke, filth and nastiness of his own kitchen.... This inferiority of quality is, perhaps, rather the effect of this lowness of price than the cause of it." (85)

On the side of demand, the market leads to selfishness, not hospitality. If surplus goods cannot be exchanged, they must be wasted or shared with retainers and friends. Hence self-interest benefits the collectivity directly:

"All for ourselves and nothing for other people seems in every age of the world to have been the vile maxim of the masters of mankind." (86)

The market, although leading ultimately to increased employment and material prosperity, leads in the first instance to increased individualism on the part of the wealth-owner. A "base and selfish disposition" takes the place of a "liberal and generous disposition". (87) The labour-market becomes the arena of greater conflict since the employer has the incentive to maximise his profits by minimising his costs; his whole return is pecuniary, and none of it is through a sensation of benevolence (favouring the lower paid, for example, although their bargaining power may be least) or through personal ties. (88) To make the situation even more absurd, the goods men sacrifice solidarity and undergo conflict as well as labour to acquire are "trinkets and baubles", which only acquire any symbolic value at all in an acquisitive society.

The net result of the market-mechanism seems to be malaise based on uncertainty about absolute value, a tendency to sacrifice absolute standards of craftsmanship to the verdict of the buyer, a struggle to improve relative shares to increase consumption of goods which can only appeal to "the most childish, the meanest and the most sordid of all vanities"⁽⁸⁹⁾, and awareness of competition and a realisation that one's fellow men are only interested in themselves.

II

In this section we shall consider capital as a factor of production. First we shall list the three types of capital Smith considers and second his theory of profit. In the third part of the section, we shall consider a pure surplus, rent. Once again we shall try to point out how far Smith was from later theories of harmony through factor shares equal to respective marginal products, how aware he was of conflict based on bargaining power and entry barriers impeding access to the employer class.

Smith's predecessors had seen profit as mercantile profit, profit arising from the sale of work, i.e. "the gain from buying cheap and selling dear."⁽⁹⁰⁾ Smith, however, went further and considered industrial profit, the alienation of value added. According to Professor Meek, Smith was made aware of the new meaning of profit by rapid industrialisation in Glasgow at the time he was writing, coupled with the agricultural revolution and the resultant separation

of landlord from capitalist-farmer. He was thus among the first to perceive the existence of a three-class social structure, with three distinct factor returns, and among the first not to confuse the wages of the capitalist-craftsman or the rent of an improving landlord with the profit accruing in each case. Meek even says that the essence of Smith's scientific contribution lay in his ability to derive ideas from changing material conditions. Smith's genius, according to Meek, lay in the ability to perceive "the manifest destiny of the time at a period when it was by no means manifest."⁽⁹¹⁾

(1) Smith considers three types of capital; circulating, fixed and human.

(a) Circulating capital is used to buy raw materials or labour power. In the latter case it is called the wages fund. The capitalist advances food and the necessities of life to the worker at the beginning of the period, and receives in return the whole product of labour at the end of the period. The wages-fund, like all accumulation of stock, is previous to the division of labour and the specialisation of the labourer:

"A stock of goods of different kinds ... must be stored up somewhere sufficient to maintain him, and to supply him with the materials and tools of his work."⁽⁹²⁾

The wages-fund sets to work "industrious people", whom the capitalists

"supply with materials and subsistence in order to make a profit from the sale of their work, or by what their labour adds to the value of the materials."(93)

This is a clear deduction from value-added by labour. Smith shows how in the "original state of things ... the labourer enjoyed the whole produce of his own labour", but how later he had to share it with the landlord (who "demands a share" once he has acquired ownership of the land) and the capitalist:

"It seldom happens that the person who tills the ground has wherewithal to maintain himself till he reaps the harvest. His maintenance is generally advanced to him from the stock of a master."(94)

Hence it is rare to find an independent workman. The need to possess working capital is an entry barrier no less formidable than statutes of apprenticeship or restrictive corporations:

"It sometimes happens, indeed, that a single independent workman has stock sufficient both to purchase the materials of his work and to maintain himself till it be completed ... Such cases, however, are not very frequent, and in every part of Europe twenty workmen serve under a master for one that is independent."(95)

If the worker could save enough in one period to advance himself food and materials in the next, he could sell the whole product himself and not be subject to a deduction for the capitalist (to reward him for being the "company store"). But the very fact he does not do so indicates he cannot do so:

"When the stock which a man possesses is no more than sufficient to maintain him for a few days or a few weeks, he seldom thinks of deriving any revenue from it. He consumes it as sparingly as he can, and endeavours by his labour to acquire something which may supply its place before it be consumed altogether. His revenue is, in this case, derived from his labour only. This is the state of the greater part of the labouring poor in all countries."⁽⁹⁶⁾

(b) Fixed capital is machinery, and is even more clearly industrial rather than mercantile. While Smith feels the wages-fund is the main type of capital, even in his pin-factory (to say nothing of the beaver-hunters, who surely did not kill the beaver with their bare hands!) there are tools as well as wire and wages.⁽⁹⁷⁾ Machines to "facilitate and abridge labour"⁽⁹⁸⁾ can be an important way of raising productivity (there is, after all, a limit to the amount of growth that can be squeezed out of the division of labour alone) and a way of moderating substantial wage-rises in a situation of labour-scarcity.

Some industries, however, are fixed-capital-intensive;

"In a great iron-work, for example, the furnace for melting the ore, the forge, the slitt-mill, are instruments of trade which cannot be erected without a very great expence. In coal-works, and mines of every kind, the machinery necessary both for drawing out the water and for other purposes is frequently still more expensive."⁽⁹⁹⁾

As these industries were not untypical of the way in which industry was moving, it is possible that the barriers to social mobility were on the increase. Smith, however, remained an optimist;

"We see every day the most splendid fortunes that have been acquired in the course of a single life from trade and manufactures, frequently from a very small capital, sometimes from no capital."(100)

(c) Human capital is a concept which Smith pioneered, and which refers to the return on "acquired and useful abilities";

"The acquisition of such talents, by the maintenance of the acquirer during his education, study or apprenticeship, always costs a real expence, which is a capital fixed and realized, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise of that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges labour and which, though it costs a certain expence, repays that expence with a profit."(101)

Learning a trade improves dexterity. A skilled man is analogous to an "expensive machine"(102), and receives a superior reward on top of his wage. This reward is not a rent to a scarce factor (after all, all men are basically equal) but a profit on his investment of time, energy and money. The reward is "a reasonable compensation for the time and labour which must be spent"(103) in acquiring a skill.

Once again, however, there are entry barriers to the acquisition of capital. The common people spend only a short time at school, for example:

"Their parents can scarce afford to maintain them even in infancy. As soon as they are able to work they must apply to some trade by which they can earn their subsistence."(104)

Possibly, however, on-the-job training can make the worker the proprietor of a human capital. This was certainly the case with grocers, whose qualifications were not only the ability to "read, write and account" but the need to be

"a tolerable judge of, perhaps, fifty or sixty different sorts of goods, their prices, qualities, and the markets where they are to be had cheapest. He must have all the knowledge, in short, that is necessary for a great merchant, which nothing hinders him from becoming but the want of a sufficient capital." (105)

(2) In modern industry, the manufacturer increasingly receives a profit on his capital which is not related to his own participation in the production process. Profit is not the "wages of superintendence" to a manager-entrepreneur, as Smith feels capitalists do not manage, preferring to hire overseers to manage for them. Thus he speaks of "principal clerks" carrying out the "labour of inspection and direction" so that the owner of capital (and recipient of profit) is "discharged of almost all labour." (106); and elsewhere he goes so far as to say that profits "bear no proportion to ... the supposed labour of inspection and direction." (107)

The pure capitalist is seen as a sort of rentier. If he also is actively an entrepreneur, his imputed wages as such must be deducted from his gross returns to arrive at pure profits. (108) Smith is insistent that the "profits of stock" is not "a different name for

the wage of a particular sort of labour"⁽¹⁰⁹⁾, and is qualitatively of a different nature from the reward of labour.

It is worthwhile noting, however, that in at least two places he does conceive of profits as a reward to management. First, in the example previously considered of variable proportions, the capitalist is able to substitute capital for labour when wages are rising; the cost saved goes to his profit. Second, he speaks as follows about an improved farm:

"It requires ... a more attentive and skilful management. Hence a greater profit becomes due to the farmer."⁽¹¹⁰⁾

There are, apart from management, three other explanations of the source of profit which Smith considers:

(a) innovation. Capitalists do innovate, and profit is clearly a reward for such innovation:

"The person who employs his stock in maintaining labour necessarily wishes to employ it in such a manner as to produce as great a quantity of work as possible. He endeavours, therefore, both to make among his workmen the most proper distribution of employment, and to furnish them with the best machines which can either invent or afford to purchase."⁽¹¹¹⁾

However, as we shall see in Chapter 10, better methods are constantly being discovered at all stages of the production process, and the workers innovate as much as or more than the capitalists do. In advanced industrial society, moreover, a caste of salaried professional inventors develops. Finally, the innovation theory of

profit is short-run and does not explain why non-innovating capitalists too receive profits.

(b) waiting or postponing consumption. The employer prudently seems to increase his future wealth by foregoing consumption in the present in exchange for the return of his capital plus a profit as a reward for abstinence.

"He could have no interest to employ (labour) unless he expected from the sale of their work something more than what was sufficient to replace his stock to him." (112)

Of course, to Smith the supply curve of capital may be backward-bending. At high rates of profit, the capitalist may substitute leisure and consumption for effort and sacrifice. He warns that high rates of profit are destructive of that parsimony "which in other circumstances is natural to the character of the merchant. When profits are high, that sober virtue seems to be superfluous and expensive luxury to suit better the affluence of his situation." (113)

Thus, beyond a point, redistribution of income from wages to profits for social reasons would cease to favour the lower classes. This is because the capitalist would substitute consumption and luxury for accumulation of capital, and thereby reduce the pool of capital (or its rate of growth) available to employ labour. There is as much danger that a high rate of profit will reduce the supply of capital as that a low rate of profit will do so:

"In every profession, the exertion of the greater part of those who exercise it is always in proportion to the necessity they are under of making that exertion." (114)

The rich capitalist might even withdraw his capital from industry and trade altogether, use it to buy land and live as other landowners did. (115) This was hardly a spur to growth.

(c) Risk. There is no doubt that Smith saw the function of the capitalist chiefly as risking his capital. Net profit is his

"compensation, and in most cases it is no more than a very moderate compensation, for the risk and trouble of employing the stock." (116)

Without being compensated by profit, a manufacturer would not "hazard his stock". (117) The capitalist is (necessarily) a risk-averter (even though some young people, in search of adventure, may be risk-lovers (118)). To induce him into a new trade, such trades must offer higher than ordinary profits (possibly maintained artificially high by patents) to compensate him for the risk of having no profits and possibly making losses. (119) Profit is analogous to insurance taken out against a risk. (120) The higher the risk, the more the insurance one needs:

"The ordinary rate of profit always rises more or less with the risk. It does not, however, seem to rise in proportion to it, or so as to compensate it completely." (121)

The capitalist's function is to risk his capital, and the reward received must be sufficient to induce him to do so. If he does not earn "ordinary profits" in one trade, he will be induced by the invisible hand of self-interest to withdraw his capital from that employment and transfer it to another where the rate of return (allowing for non-pecuniary factors) is higher.⁽¹²²⁾

The long-run equilibrium rate of profit will obtain where a higher return cannot be secured by switching capital from one employment to another. This Smith calls the "ordinary rate of profit" in a given area. It will be established in all trades if there is "perfect liberty" to enter or leave employments. It is this "ordinary rate of profit" which is to be included in the "natural price of commodities" and is thus accepted as a necessary cost (unlike supernormal profits, which is a pure surplus over and above the minimum inducement necessary to retain the capital in the trade). Ordinary profit to a farmer, for example, is "the smallest share with which the tenant can content himself without being a loser."⁽¹²³⁾ Since labour and capital are mobile and can be shifted from a low-return to a higher-return employment, while land is immobile, if the price is so low that only ordinary wages and ordinary profits can be covered, then rents will have to be zero; the rent of land is a residual, while wages and profits are determined by opportunity cost.⁽¹²⁴⁾

By defining profit in terms of opportunity cost and mobility of capital, Smith cleverly avoided making a distinction between "adequate" compensation for bearing risk and "just adequate" compensation. Objective evidence is adduced to show that there is a secular downward trend in the rate of profit (caused by rising wages and falling prices, both resulting from industrial expansion and competition).⁽¹²⁵⁾ Yet he does not question the subjective motivation of merchants and manufacturers in low-profit countries. They did not give up the struggle and squander their capital on luxury and expence (they would impoverish themselves by doing so; and, since we are driven by the desire to "better our condition",⁽¹²⁶⁾ it would mean giving up the Faustian conflict to acquire social status, security, power and prestige, by effort instead of birth). If resources were shifted from capital to consumption the capitalist would soon cease to be a capitalist. Yet consumption yields satisfaction because of prestige-value, and this is the same return as accumulation provides. The virtues of parsimony and industriousness are causes of economic growth in Holland despite its unusually low rate of profit. The landlord suffers (once wages and profits have been paid, the residual surplus is not very great), as does the rentier (the low rate of interest resulting from the low rate of profit causes those previously idle to take employment); and these classes are both unproductive.⁽¹²⁷⁾ The low rate of profit is a disincentive to speculation, negligence or prodigality (we have already seen that a high rate of profit might not have been⁽¹²⁸⁾). "Mercantile and

-47-

manufacturing basis led to good government and security of contracts; and thus the merchant ("a citizen of the world"⁽¹²⁹⁾) was not attracted to take his capital abroad where profits might have been higher.

If, therefore, profit is a functional reward to the capitalist for risking his capital, it would appear possibly too high in Britain. It might be above the minimum necessary to maintain capital in an employment or a country. Capitalists might be persuaded to perform the same service for a lower return: Smith is not unaware that profits might be excessive:

"Our merchants frequently complain of the high wages of British labour as the cause of their manufactures being undersold in foreign markets; but they are silent about the high profits of stock. They complain of the extravagant gain of other people but say nothing of their own. The high profits of British stock, however, may contribute towards raising the price of British manufactures in many cases as much, and in some perhaps more, than the high wages of British labour."⁽¹³⁰⁾

Smith's theory is thus a bootstrap theory. He defines the ordinary rate of profit as opportunity cost, but does not explain what would happen if the general rate of profit were low and there were no more lucrative employments of capital in other industries or other countries. In Holland the bond rate was 2%,⁽¹³¹⁾ the magical

rate which some economists have taken as the liquidity trap. Yet the country prospered. Capital was not transferred out of productive employment. Moreover, a capitalist without capital loses his social position; he sinks back into the working classes. If the rewards from accumulation in the work of Adam Smith are truly psychological and sociological rather than purely "economic" (as we have argued in our chapter on Consumption), then there is reason to expect considerable inelasticity in the supply curve of capital with respect to profit.

In conclusion, therefore, Smith's theory of profit was less sociological than that of Francis Hutcheson (who defined moral profit as the level of profit which allowed the capitalist to maintain himself in his customary station in life⁽¹³²⁾) but more sociological than that of Keynes and especially of Hansen (since to Smith, factors such as prestige would prevent a withdrawal of capital from production at low rates of profit, particularly as the mass of profit would continue to grow with national prosperity and thus be a source of further employment, growth, capital and prosperity).⁽¹³³⁾

(3) The fact that part or all of profit may, to Smith, have been a surplus reminds us that social conflict over shares is increased by the presence of the landlord class, receiving a factor income in no way justified in terms of productivity. Douglas states:

"Rent is thought of by Smith in the main as a residual element and not as a cost."⁽¹³⁴⁾

It exists because the landowner owns the land, and thus must be paid out of value-added because there is no alternative save altering the social structure. Smith makes clear that rent arose out of appropriation of land:

"As soon as land becomes private property, the landlord demands a share of almost all the produce which the labourer can either raise or collect from it. His rent makes the first deduction from the produce of the labour which is employed upon land."⁽¹³⁵⁾

This engrossing of land by great proprietors was a "great evil",⁽¹³⁶⁾ occurring in the confusion following the fall of Rome. It allowed the landlord thereafter to "play the part of a monopolist"⁽¹³⁷⁾ (and Smith was no friend of monopoly⁽¹³⁸⁾). It means that conflict over relative shares once again is the order of the day:

"The rent of land, therefore, considered as the price paid for the use of the land, is naturally a monopoly price. It is not at all proportioned to what the landlord may have laid out upon the improvement of the land, or to what he can afford to take; but to what the farmer can afford to give."⁽¹³⁹⁾

Of course, the existence of rent does play a role in the economy, because it is differential rent, it equalizes rates of return on different capitals and helps to establish a single rate of profit.⁽¹⁴⁰⁾ But it is a residual. Moreover, as we have seen above Smith tends to personalise; he speaks of "the landlord" and "the farmer". He makes

no secret of his disrespect for the former sort of individual, who receives his rent regardless of his own effort and then wastes it on unproductive consumption. The landlord receives his rents regardless of his own efforts; and his secure, easy and lazy life makes him "indolent", "ignorant", "incapable of application of mind".⁽¹⁴¹⁾ Landlords "love to reap where they never sowed and demand a rent even for the natural produce (of the land)".⁽¹⁴²⁾

Even if there were no rent, land might not be withdrawn from use. Rent is thus a suitable subject for taxation. In some passages he foreshadows Henry George and the Single Tax Movement:

"A tax upon ground rents would not raise the rents of houses. It would fall altogether upon the owner of the ground-rent, who acts always as a monopolist, and exacts the greatest rent which can be got for the use of his ground ... without any care or attention of his own. Though a part of this revenue should be taken from him in order to defray the expences of the state no discouragement will thereby be given to any sort of industry."⁽¹⁴³⁾

In the process of economic growth, all classes do not benefit equally. The interest of the landowners (maximum rents) and of the workers (maximum wages) is in both cases "inseparably connected with the general interest of the society."⁽¹⁴⁴⁾ The profit rate, however, is, as we have seen, falling as the society experiences economic growth. This is paradoxical, perhaps, as both landlords and workers

are ignorant of business practice. Nonetheless, it does mark a conflict of interest. The capitalists try to fight a rear-guard action to safeguard their profit-rate by combining to keep wages low and prices high. Free trade thus is not in their class-interest.

The wealth of the landowners is probably not as much a source of social conflict as the wealth of the capitalists. They are a long-established hereditary class, and hereditary greatness is always preferable, in Smith's view, to "upstart greatness", at least in the eyes of "the great mob of mankind".

III

In this section we shall try to show that capital occupies a central role in Smith's thought for social reasons. Its importance is not mainly in its function of helping to increase the supply of "baubles and trinkets", but rather because it sets to work previously unemployed labourers and helps to redistribute income away from capitalists and towards workers.

It is important to remember that Smith had in mind an underdeveloped economy with a large pool of unemployed or underemployed labour. In his chapter on money, he gives an almost Keynesian account of how an increase in the money-supply will lead to increased output, not rising prices; after all, an increase in money (or economies of scale in the holding of idle balances) will "give constant

employment to a greater number of industrious people."⁽¹⁴⁵⁾

An increase in capital will allow the economy to tap supplies of potentially productive labour, which is abundant while capital is scarce:

"The number of productive labourers can never be much increased but in consequence of an increase of capital, or of the funds destined for maintaining them."⁽¹⁴⁶⁾

Or elsewhere:

"The increase in the quantity of useful labour actually employed within any society must depend altogether upon the increase of the capital which employs it; and the increase of that capital again must be exactly equal to the amount of the savings from the revenue, either of the particular persons who manage and direct the employment of that capital, or of some other persons who lend it to them. If merchants, artificers and manufacturers are ... naturally more inclined to parsimony and saving than proprietors and cultivators, they are, so far, more likely to augment the quantity of useful labour employed within their society, and consequently to increase its real revenue, the annual produce of its land and labour."⁽¹⁴⁷⁾

In the above passage he refers to the need for savings to increase capital if the pool of unemployed labour is to be reduced, and if growth is to take place whatever augments capital augments employment:

"The demand for those who live by wages ... necessarily increases with the increase of the revenue and stock of every country, and cannot possibly increase without it."(148)

In short, saving leads to employment. As we have seen, he argues that monopoly leads to high profits, which is reprehensible because such high profits "destroy that parsimony which in other circumstances is natural to the character of the merchant."(149) Monopoly causes the manufacturer or merchant to substitute "superfluous luxury" for the rigorous discipline of capital accumulation and increased employment. He does not seem very concerned with the effects of monopoly on the welfare of the consumer. He does seem concerned, however, with its effects in wasting capital. As he says elsewhere: "Stock cultivates land, stock employs labour."(150) For the same reason a burdensome tax should not be levied on profits, as the capitalist ("a citizen of the world") might transfer his capital to another country. The danger would be the loss of tax-revenue to the state and of jobs for the workers, not of production and consumption opportunities per se.

Smith's case for free trade is couched at least largely in terms of the need to reduce duties to increase the supply of capital, not to increase the supply of consumables. A typical passage is:

"The industry of the society can augment only in proportion as its capital augments, and its capital can augment only in proportion

to what can be gradually saved out of its revenue. But the immediate effect of every such regulation is to diminish its revenue, and what diminishes its revenue is certainly not very likely to augment its capital faster than it would have augmented of its own accord, had both capital and industry been left to find out their natural employments."⁽¹⁵¹⁾

Or (speaking of international trade and settlements):

"As a merchant who has a hundred and ten thousand pounds worth of wine in his cellar is a richer man than he who has only a hundred thousand pounds worth of tobacco in his warehouse, so is he likewise a richer man than he who has only a hundred thousand pounds worth of gold in his coffers. He can put into motion greater quantity of industry, and give revenue, maintenance and employment to a greater number of people than either of the other two."⁽¹⁵²⁾

Focus is on capital, employment, industry, output and growth, but not on the consumption of that output. To a philosopher like Smith, the greatest satisfaction from "baubles and trinkets" is that to produce them jobs are provided. Elsewhere, for example, talking about the "manifest absurdity" of growing grapes in Scotland, it appears he is concerned not with lost consumption opportunities but with the waste of "capital and industry".⁽¹⁵³⁾ And his case against the government, as we have seen, is based largely on its wastefulness, and on the fact that it is "a great enemy to good management."⁽¹⁵⁴⁾

As well as in the provision of jobs, capital affects the living standards of the lower classes in a second way. In a stationary economy, with abundant labour relative to a fixed supply of capital (mainly a wages-fund, as we have seen), competition for employment among members of the reserve army forces wages down to subsistence level.⁽¹⁵⁵⁾ In such a situation, it is easier for employers to collude and form cartels to fix wages. The "natural wage", after all, is only the market price of labour in a competitive situation. The abundance of labour relative to capital means wages might be forced down to subsistence levels even in the absence of cartels to force wages below the natural level.

China is an example of a country where, because of oppressive "laws and institutions", growth had ceased. In this stationary state, wages were subsistence only; and

"The poverty of the lower ranks of people far surpasses that of the most beggarly nations in Europe."⁽¹⁵⁶⁾

The masses were reduced to eating "any carrion, the carcase of a dead dog or cat, for example", and, since the population was already excessive, infanticide was rife.

Yet absolute wealth was greater in China than in Europe.⁽¹⁵⁷⁾ It was concentrated in the hands of "grandeers" who used it to purchase and hoard gold and silver rather than to set productive labourers to work.⁽¹⁵⁸⁾ The market-mechanism decreed accordingly

that the prices of gold and silver should be unusually high in China, and the price of food unusually low. This is a verdict which

Smith is unwilling to accept. Economic growth would alter the situation, but here too there are institutional obstacles. The state protected owners of considerable fortunes, but owners of small capitals enjoyed hardly any security. They were

"liable, under the pretence of justice, to be pillaged and plundered at any time by the inferior mandarines." (159)

This was no incentive to investment and enterprise, and the economy remained stationary.

Now consider the case of a growing economy. There is a growing supply of capital and (at least in the short-run) a fixed supply of labour. Moreover, cartels break down as employers are forced to compete for labour (whose bargaining position is thus strengthened by economic growth):

"Those masters who want more workmen bid against one another in order to get them, which sometimes raises both the real and the money price of their labour." (160)

High wages mean an increase in population:

"The demand for men, like that for any other commodity, necessarily regulates the production of men." (161)

Nationally, of course, more labourers is a good thing. Labour is the source of value:

"The annual produce of the land and labour of any nation can

be increased in its value by no other means but by increasing either the number of its productive labourers, or the productive powers of those labourers who had before been employed. The number of its productive labourers, it is evident, can never be much increased but in consequence of an increase of capital, or of the funds destined for maintaining them."(162)

In short, capital employs labour and labour creates value. However, from the labourer's viewpoint, the increase in population will sooner or later re-establish the previous minimum subsistence wage for all; increased capital will have simply been matched by increased labour-supply. For this reason, the condition for wages to remain high is that capital must continue to grow, and to grow as rapidly as or more rapidly than the supply of labour:

"It is not the actual greatness of national wealth but its continual increase which occasions a rise in the wages of labour. It is not, accordingly, in the richest countries but in the most thriving, or in those which are growing rich the fastest, that the wages of labour are highest."(163)

Or:

"The proportion between the real recompence of labour in different countries, it must be remembered, is naturally regulated, not by their actual wealth or poverty, but by their advancing, stationary or declining condition."(164)

Or elsewhere:

"It is in the progressive state, when the society is advancing to the further acquisition, rather than when it has acquired its full complement of riches, that the condition of the labouring poor, of the great body of the people, seems to be the happiest and the most comfortable. It is hard in the stationary and miserable in the declining state. The progressive state is in reality the cheerful and the hearty state to all the different orders of the society. The stationary is dull; the declining melancholy." (165)

In a growing economy there is more capital to support labour, and thus a tendency for the masses to be better off:

"The wages of the labourer ... are never so high as when the demand for labour is continually rising, or when the quantity employed is every year increasing considerably." (166)

As an example of a growing economy, consider North America. Wages were higher in the American colonies than in Britain (although wages were rising in Britain as well, since there was growth at home too (167)). In America the absolute stock of capital was less than in Britain, but the relative rate of increase of capital to labour was more rapid. Whereas in China infanticide was practised to destroy excessive population, in America the opposite was true:

"A young widow with four or five young children, who among the middling and inferior ranks of people in Europe would have so little chance for a second husband, is there frequently counted as a sort of fortune. We cannot therefore wonder that the people in North America should generally marry very young. Notwithstanding the great increase occasioned by such early marriages, there is a continual complaint of the scarcity of hands in North America. The demand for labourers, the funds for maintaining them, increase, it seems, still faster than they can find labourers to employ."(168)

This contrasts with Bengal, the example Smith gives of a declining economy where the shrinking capital stock meant surplus population. The result was "want, famine and mortality", and this would continue

"till the number of inhabitants in the country was reduced to what could easily be maintained by the revenue and stock which remained in it."(169)

Smith, unlike many of the mercantilist writers⁽¹⁷⁰⁾ who preceded him (and who feared high wages would price British goods out of world markets), welcomed high wages. Partly his reasons were humanistic:

"Servants, labourers and workmen of different kinds make up the far greater part of every great political society. But what

improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part are 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."(171)

Partly, however, his reasons were tied up with his general equilibrium view of the economy. High wages would mean a rising population, more labour, more value, more growth, more capital, and thus sustained high wages:

"The liberal reward of labour ... as it is the effect of increasing wealth, so it is the cause of increasing population. To complain of it is to lament over the necessary effect and cause of the greatest public prosperity."(172)

Furthermore, just as the lower classes contribute most to production, so, on the other side of the circular flow, their consumption provides the greatest market for that output:

"Though the expence of those inferior ranks of people, ... taking them individually, is very small, yet the whole mass of it, taking them collectively, amounts always to by much the largest portion of the whole expence of the society."(173)

As Smith was not aware of the possibility of a deficiency in aggregate demand, this passage cannot be taken to mean that he

advocated high wages as a means for keeping total consumption (and therefore production and employment) high. Nonetheless, the passage is strikingly Keynesian in some respects.

Moreover, high wages were desirable because the supply curve of effort (as well as of "lumps of labour") was upward sloping. Work is by definition a burden; if not, there would be no need to compensate a worker for sacrificing a "portion of his ease, his liberty, his happiness."⁽¹⁷⁴⁾ Whereas the rich (especially the new rich) are characterised by "avarice and ambition", in the poor one finds "the hatred of labour and the love of present ease and enjoyment."⁽¹⁷⁵⁾ The very rich have a high leisure preference, and landowners are typically "indolent".⁽¹⁷⁶⁾ After all, "it is in the interest of every man to live as much at his ease as he can".⁽¹⁷⁷⁾ If work were pleasureable (and not to procure the necessities of life), it would be performed without remuneration (e.g. hunting and fishing as recreations in advanced society).⁽¹⁷⁸⁾

Whereas, however, the mercantilists had often argued that high wages only encourage idleness, Smith believed that high wages lead to improved industry and application of the worker. So strong is the income effect relative to the substitution effect that high wages may even lead to overwork:

"The liberal reward of labour, as it encourages the propagation, so it increases the industry of the common people. The wages of labour are the encouragement of industry which, like every other human quality, improves in proportion to the encouragement it receives.

A plentiful subsistence increases the bodily strength of the labourer, and the comfortable hope of bettering his condition and of ending his days perhaps in ease and plenty, animates him to exert that strength to the utmost. Where wages are high, accordingly, we shall always find the workmen more active, diligent and expeditious than where they are low: in England, for example, than in Scotland; in the neighbourhood of great towns, than in remote country places. Some workmen, indeed, when they can earn in four days what will maintain them through the week, will be idle on the other three. This, however, is by no means the case with the greater part. Workmen, on the contrary, when they are liberally paid by the piece, are very apt to overwork themselves, and to ruin their health and constitution in a few years."⁽¹⁷⁹⁾

And, speaking of greater wealth acquired through trade:

"This greater abundance, as it must have increased enjoyments, so it must likewise have augmented ... industry."⁽¹⁸⁰⁾

Thus, policies that increase the rate of accumulation of capital lead to higher employment and rising wages. This assumes that the accumulation is of circulating and not fixed capital. Should machines be substituted for men, there might be less employment and falling wages. On the other hand, the use of machinery may cause price of goods to fall.⁽¹⁸¹⁾ The net effect on real wages is thus not clear.

-177-

Smith is concerned with the optimal allocation of capital through the free market because he is convinced this is the means of giving "maintenance and employment to great multitudes".⁽¹⁸²⁾ Growth also increases the state's revenues (which Smith sets as one of the goals of "political economy"). Consumer satisfactions seem to be an afterthought, the motive for action but not (to Smith, at least) its true end. Consider the following passage, in which he is arguing for the abolition of taxes on the necessities of life:

"The labouring poor would thus be enabled to live better, to work cheaper, and to send their goods cheaper to market. The cheapness of their goods would increase the demand for them, and consequently for the labour of those who produced them. The increase in the demand for labour would both increase the numbers and improve the circumstances of the labouring poor. Their consumption would increase, and together with it the revenue arising from all those articles of their consumption upon which the taxes might be allowed to remain."⁽¹⁸³⁾

The fact that to Smith the main purpose of capital accumulation is to improve the lot of the masses does not mean he neglected "rising living standards" per se. The only way to improve the living standards of the poorer classes is to create a market for the goods they produce, thereby inducing the capitalist to accumulate. A consumption mentality, albeit "a deception", is the necessary instrument to procure capital accumulation and higher output. When⁽¹⁸⁴⁾ Smith says "consumption is the sole end and purpose of all production,"

he is simply stating a fact, without consumption there would be no production, employment, or rising living standards of the poor. Consumption takes the place of an incomes policy or a social revolution.

He does not deny that free trade will benefit the consumer as well as the poor. The abolition of apprenticeship, for example, would increase competition, with the result that "the public would be a garner, the work of all artificers coming in this way much cheaper to market."⁽¹⁸⁵⁾ Proprietors of vineyards in France,⁽¹⁸⁶⁾ like tobacco planters in America,⁽¹⁸⁷⁾ have raised the price of their products by keeping the market understocked. Laws discriminating against the corn merchant raised the market price of corn.⁽¹⁸⁸⁾ Yet the accommodation of the European peasant is superior to that of an African king.⁽¹⁸⁹⁾ Our argument, however, is that to Smith capital accumulation was not desirable simply and solely to increase consumption opportunities. Employment of the poor is never far from his argument. Condemning the mercantilist preoccupation with accumulating idle gold and silver, he says

"The expence of purchasing an unnecessary quantity of gold and silver must, in every country ... necessarily diminish the wealth which feeds, clothes and lodges, which maintains and employs the people."⁽¹⁹⁰⁾

And speaking of the increased wealth of farmers and aristocrats under free trade:

"They ... would buy more goods ... and would employ more labour."⁽¹⁹¹⁾

Thus, "in a well governed society ... a general plenty diffuses itself through all the different ranks of the society." (192)

And:

"The money price of labour in Great Britain has, indeed, risen during the course of the present century. This, however, seems to be the effect, not so much of any diminution in the value of silver in the European market, as of an increase in the demand for labour in Great Britain, arising from the great and almost universal prosperity of the country ... In Great Britain, the real quantities of the necessaries and conveniences of life which are given to the labourer has increased considerably during the course of the present century." (19)

IV

The Physiocrats (194) and Utilitarians shared a belief in natural harmony. Given proper economic policies, worker, capitalist and landowner would work together harmoniously to secure maximum output from scarce inputs. Contemporary marginalism takes up the baton and relays it a stage further by demonstrating mathematically with Euler's Theorem that, if factor rewards equal the marginal revenue product resulting from the employment of one more unit of each factor, there will be no exploitation. (195)

Adam Smith, however, did not share the optimism of most other economists. As we have seen, he related social conflict to economic activity. Perhaps he felt conflict was objectively justifiable (if

labour was the only source of value and if capital and rent were deductions from it with no *raison d'être* except the superiority in bargaining power that the strong have over the weak). Perhaps he felt it was functionally necessary (all competition involves a tug-of-war, although the hostility involved in collective bargaining as Smith describes it seems to rule out an analogy to a game or football match). Perhaps he felt it was no more than a thing of the mind, a purely subjective sensation, (the worker is aware that high wages mean low profits, and that the distribution of the product is not based on an immutable, eternal law, but on the battlefield of the market; and longs for independence and self-respect, denied to him by entry barriers to the capitalist class in a world where social mobility for the first time is tantalisingly possible). Whichever view Smith held, it is clear that economic growth and capital accumulation can mollify but never eliminate the sense of division and bitterness. However Smith was not unwilling to compromise, and accepted some conflict as the price of growth.

It is tempting to follow Professor Cropsy in interpreting Smith as a Hobbesian, and The Wealth of Nations as a treat on the struggle for existence. After all, we have seen in this chapter that Smith's preoccupation with growth was closely linked with the improvement of living standards for the lower classes, who were nearest to the subsistence level: (196)

"Self-preservation and the propagation of the species are the great ends which nature seems to have proposed in the formation of all animals."(197)

The principle of sympathy in Smith's writings does not make him less Hobbesian; after all, Hobbes's Fifth Law of Nature was "that every man strive to accommodate himself to the rest".(198) Nor does Hobbes's political absolutism make him less Smithian in economic matters, where both defended individualism and prudence: "A plain husband-man is more prudent in affairs of his own house than a Privy Counsellor in the affairs of another man."(199) Moreover, both Hobbes and Smith took a supply-and-demand approach to the value of a human being, and the following passage from the Leviathan is reminiscent of Smith's whole theory of collective bargaining:

"The value or worth of a man is, as of all other things, his price, that is to say, so much as would be given for the use of his power; and therefore is not absolute but a thing dependent on the need and judgement of another."(200)

It might be objected that Hobbes means political power while Smith is thinking of economic power; but Professor MacPherson has re-interpreted Hobbes as the creature of nascent capitalism, not the Civil War. While MacPherson's approach has been much criticised for relating ideas mainly to the material infrastructure, it would be remembered that this would probably have been Adam Smith's own method

if he had chosen to write a study of Hobbes. According to MacPherson, Hobbes argued backward from the possessive individualism of his own market society to the state of nature. Man's love of power is not natural, nor is the state of war a constant threat, except in a market society with inequality of property, capital and power. Hobbes denied that man has an essence independent of time and place, and MacPherson applies this result to Hobbes himself:

"He mistakenly attributed the characteristics of market society to all societies, and so claimed a wider validity for his conclusions than they can have ... The natural condition of mankind is within men now, not set apart in some distant time or place." (201)

If one accepts this deterministic interpretation of Hobbes, it helps to reconcile some of the differences between him and Smith. For one thing, both saw wealth as the means to power. To Hobbes, this meant the ability to accumulate a stock of friends and servants for defence in case of aggression in a world where the weakest man can kill the strongest. To Smith, it meant command over labourers (who had nothing else to sell but their labour⁽²⁰²⁾) and over the produce of labour:

"Wealth, as Mr. Hobbes says, is power. But the person who either acquires or succeeds to a great fortune does not necessarily acquire or succeed to any political power, either civil or military ... The power which that possession immediately and directly conveys to

him is the power of purchasing; a certain command over all the labour or over all the produce of labour which is then in the market." (203)

In both cases, men are naturally equal; in both cases it is the accumulation of capital which conveys unequal power, arising from unequal wealth.

Moreover, if one accepts MacPherson's view that Hobbes modeled his discussion of the state of nature on commercial society, then possibly both Hobbes and Smith were developing theories of conflict in modern society, not in some fictitious "state of nature" for which no empirical evidence remains. Smith, when he does discuss the earliest stages of human history, seems to see them as a state of peace; in the absence of inequality of property or division of labour, there was no need for government or for one man to perform less rewarding tasks than another. (204) Hobbes sees the state of nature as a state of war, and deduced the original social conflict from the need for a non-aggression pact enforced by an earthly God, an absolute ruler. Smith, of course, did not share Hobbes' view of the existence of an original contract. Like Hume and Ferguson, he felt that man had always been in society and did not need a contract. Nor did he share the Hobbesian belief in the executive; the problem of political power would be better solved, he felt, by diversification (in society and in government), and a balance of countervailing powers.

Smith in one sense translated Hobbesian philosophy into a sort of neo-Marxian sociology. Hobbes neglected social stratification and a class-struggle, or the relationship between economic and political power. Smith, by emphasizing conflicts over relative shares, or accession of the propertied and propertyless to positions of responsibility in industry and state, was opening a debate that was, in the nineteenth century, to bring in question the very social stability he valued so highly. The market may have prevented rather than promoted cohesion. Smith did not like "the selfish and confined system of Mr. Hobbes",⁽²⁰⁵⁾ but his own is only marginally more benevolent. Benevolence is in conflict with prudence, essential for wealth (which is essential for physical and social preservation). Although refinement of manners is expected to result, there is no assurance that feelings of conflict and the drive for acquisition will not gain the upper hand. The reason, however, is not natural but purely social.

Given that there was conflict in Smith's model, perhaps it was intentional - either performing a function (as Simmel argued it could⁽²⁰⁶⁾) or keeping man healthy and on his toes (the theory of Adam Ferguson⁽²⁰⁷⁾). As we have already seen that conflict does have a function (e.g. in collective bargaining), but that the hostility Smith describes goes beyond that of even the most prolonged strike, we must go beyond Simmel to explain Smith. Ferguson welcomed conflict as invigorating:

"Without the rivalry of nations and the practice of war, civil society itself would scarcely have found an object or a form. Mankind might have traded without any formal convention, but they cannot be safe without a national concert.

.... To overawe or intimidate or, when we cannot persuade with reason, to resist with fortitude, are the occupations which give its most animated exercise and its greatest triumphs to a vigorous mind; and he who has never struggled with his fellow creatures is a stranger to half the sentiments of mankind."(208)

There is no reason to think Smith took such a view, however. The best way to reconcile the feelings of conflict discussed in the first three sections of this chapter with Smith's avowed belief that "avarice and injustice are always shortsighted"(281) seems not to attempt any reconciliation at all. Conflict over shares is simply the price of growth.

It is surprising to find so acute a sense of conflict in Smith's writings at all, since at times he seems to argue as if economic growth would lead to refinement of manners, economic motivation to cordiality, and exchange to cohesion. Commerce ought not to breed "discord and animosity"; it

"ought naturally to be, among nations as among individuals, a bond of union and friendship."(210)

Trade between nations is not exploitation or a form of warfare. It is economically advantageous to both countries when trade is opened up between them; A wider market is a great incentive to the division of labour⁽²¹¹⁾, and the economies of scale realised are made available to the domestic market as well as to one's customers abroad. The exchange of surplus products⁽²¹²⁾ means a widened range of choice for the consumer. Thus, rich countries (e.g. France and England) are natural markets for one another's goods,⁽²¹³⁾ and the extension of this trade would create interdependence and solidarity. Of course, in wartime such interdependence could be inconvenient (as could rich neighbours if they were enemies); and merchants and manufacturers would even in peace time never cease grumbling about unfair and detestable competition.⁽²¹⁴⁾ Such competition, however, is clearly in the interest of the consumer. For one thing, it increases the probability of obtaining supplies quickly and reliably in time of scarcity:

"Were all nations to follow the liberal system of free exportation and free importation, the different states into which a great continent was divided would so far resemble the different provinces of a great empire. As among the different provinces of a great empire the freedom of the inland trade appears, both from reason and experience, not only the best palliative of a dearth, but the most effectual preventative of a famine; so would the freedom of the exportation and importation trade be among the different states into which a great continent is divided."⁽²¹⁵⁾

Thus, economic interdependence among nations leads to a realization that their interests are complementary, not competitive. Organic solidarity replaces rivalry. Nations become able

"to relieve one another's wants, to increase one another's enjoyments, and to encourage one another's industry."(216)

Peace among nations is further encouraged by the balance of power which results from the equalizing tendencies of trade. In his discussion of the discovery of America he comments:

"Hereafter, perhaps, the natives of those countries may grow stronger, or those of Europe may grow weaker, and the inhabitants of all the different quarters of the world may arrive at that equality of courage and force which, by inspiring mutual fear, can alone overcome the injustice of independent nations into some sort of respect for the rights of one another. But nothing seems more likely to establish this equality of force than that mutual communication of knowledge and of all sorts of improvements which an extensive commerce from all countries to all countries naturally, or rather necessarily, carries along with it."(217)

In short, commerce and exchange are productive of solidarity among nations, both because they increase the pool of material commodities and because they create a balance of power that protects one actor from the aggression of another, even in the absence of contracts and kings.

Certainly it was Smith's hope that the same result would be obtained through trade at home. After all, "artificers stand ... in need of the assistance of one another."⁽²¹⁸⁾ As result of the division of labour, men are "of use to one another"⁽²¹⁹⁾, they act in "concert"⁽²²⁰⁾ because they are in need of one another's "co-operation and assistance."⁽²²¹⁾ Hence,

"without the assistance and co-operation of many thousands, the very meanest person in a civilized country could not be provided ... the easy and simple manner in which he is commonly accommodated."⁽²²²⁾

A customer who buys a coat is contributing to the maintenance of myriads of unknown workmen (the number "exceeds all computation")⁽²²³⁾. Instead of the abuse of personal dependence, a workman is dependent only on the market, the anonymity of which is underlined by the role of money:

"The butcher seldom carries his beef or his mutton to the baker, or the brewer, in order to exchange them for bread or for beer; but he carries them to the market where he exchanges them for money, and afterwards exchanges that money for bread and for beer."⁽²²⁴⁾

The artificer is employed by a large number of customers, and is dependent on none of them for a substantial percentage of his income.⁽²²⁵⁾ When, therefore, a customer buys a coat, he is buying the product of a large number of workmen, each one employed for a short time. A coat is

"the produce of the joint labour of a great multitude of workmen. The shepherd, the sorter of the wool, the wool comber or carder,

-207-

the scribbler, the spinner, the weaver, the fuller, the dresser, with many others, must all join their different arts in order to complete even this homely production." (226)

It would be possible to argue that such a system is productive of unhappiness. If goods are exchanged for money and not other goods, there is reduced human contact between tradesmen. Sub-division of labour means that a commodity obtains an identity of its own independent of the labourers who produced it; there is no subjective feeling of solidarity between the consumer of a pin and the worker responsible for producing one-eightieth of it. Yet Smith does not find these new conditions of production cold. Without money an extensive division of labour would be impossible, (227) and, feudal abuses of power showed how necessary dispersion of contacts and dependence was for individual liberty. (228) In general, the gains from trade are in all cases

"mutual and reciprocal, and the division of labour is advantageous to all the different persons employed in the various occupations into which it is subdivided." (229)

Thus, once again Adam Smith chose to take two views on a vital question. He was, after all, an empiricist and a scientist, and was temperamentally adverse to anything eternal, dogmatic or ideological. Any proposition, he felt, is true only within the circumstances to which it relates. Each of his two labour theories of value refers to

a different situation, as do his two theories of the effects of the division of labour on the worker. It is no less clear that cohesion and conflict both result from trade. Maximum cohesion results from exchanging among independent craftsmen, and maximum conflict is the product of the wage-profit relationship. What is true of the market for goods thus is not true for the market of labour. Yet the market for goods presupposes a market for labour. The consumer cannot enjoy the advantages of a higher standard of living without the division of labour, which means without spiritual impoverishment and a sense of exploitation on the part of the producer.

Adam Smith, however, was a creature of compromise. His goal was not the best of all possible worlds, but the best of all worlds possible once one had weighed the relevant costs against the relevant benefits. A commercial society means higher living standards for all, and this is especially important for the lower classes. It would weaken the Church, aristocracy and state, and thus institute freedom of speech,⁽²³⁰⁾ contract and property in place of dependence, insecurity and arbitrary aggression. Opulence is a prerequisite for humanity and science. By analogy with the competitive spirit in industry and trade, "rational religion"⁽²³¹⁾ would be established by competition among confessions; and universities would be forced to give up teaching "exploded and antiquated systems"⁽²³²⁾ when indeed they taught at all. Science would take the place of superstition. Balance and moderation would result at all levels of

society. Such an optimistic view of progress could have come from the pen of the most extreme of philosophers, of Condorcet or Turgot.

Thus the latter wrote:

"The interests of nations and the success of good government reduce themselves to a sacred respect for the liberty of persons and of labour, to the inviolable maintenance of the rights of property, to justice between all, from which condition necessarily result a greater production of things useful to man, the increase of wealth and of enjoyments, and of enlightenment and all the means of happiness." (253)

But Adam Smith also explored the dark side of the moon. While the philosophers saw commerce as the revolutionary antithesis to the Bastille and the lettres de cachet, Smith was aware of the possibility of merely replacing one prison with another. New conditions of bondage (contractual and through the labour market) and new forms of enslavement (to "baubles and trinkets") might result which would cancel out the liberating effects of the destruction of personal dependence. In terms of the quality of life (and apart from the quantity of goods), a man like Smith might have seen little difference between Louis XVI and Robespierre or Guizot, between the Tsar and Stalin or Kossyga.

Smith was of the opinion that excessive devotion to the acquisition of "baubles and trinkets" was a bad thing. The consumption of commodities itself yields only modest marginal utility, while excessive

ambition and hard work may yield much greater utility. Social mobility based on wealth might upset the balance of power between social classes, and might even lead to the enfranchisement of the masses. The new mercantile virtues of prudence and the exchange of equivalents would surely lead to rule by "the mercenary exchange of good offices according to an agreed valuation."⁽²³⁴⁾ After all, material basis leads to intellectual superstructure; and as long as mercantile society means maximisation of utility through consuming, as long as wealth is the means to social mobility, "the agreeable bonds of love and affection" would come to play an ever smaller role in the preservation of social order.

Smith agreed with Durkheim that man's capacity for happiness through the acquisition of material commodities was limited; but unlike Durkheim he was unconvinced that social cohesion would result from the division of labour. Instead there would be social conflict over relative shares; "mental mutilation" and "gross ignorance" as result of boring and unfulfilling work; the neglect of martial virtues; the decay of family life⁽²³⁵⁾; anonymity in large industrial towns; reduced opportunities for human contact in a great manufactory; confusion about the propriety of one's own behaviour in a changing society and without the aid of a reliable impartial spectator. The fact that Smith ultimately came down in favour of commercial society, therefore, does not mean he was unaware of its disadvantages.

Smith saw that the price of better living standards for the masses and of weakening the hold of the upper classes was likely to be alienation and anomie in varying degrees of severity. Independence could mean isolation. As Ferguson had warned, it is in a competitive commercial state that man is most likely to be "found a detached and solitary being". (236)

Commerce means that each benefit has its price. Smith wanted the benefit. He was prepared to pay the price.

Notes

- (1) M. Myers, "Division of Labour as a Principle of Social Cohesion", Canadian Journal of Economics and Political Science, August 1967.
- (2) ibid p. 439.
- (3) R.G. West, "The Political Economy of Alienation: Karl Marx and Adam Smith", Oxford Economic Papers, October 1969, p. 7.
- (4) EN I p. 17.
- (5) WN I p. 72. The same idea is found on WN I pp. 49, 51, 66, 67, 68, 80.
- (6) WN I p. 72. On p. 75 he speaks of the attitude of the workers to "the great profit which the masters make by their work". (italics mine).
- (7) J. Rae, The Sociological Theory of Capital (New York: MacMillan, 1905).
- (8) Lord Lauderdale, An Inquiry Into the Nature and Origin of Public Wealth (1804) (New York: Augustus M. Kelley, 1962), p. 138.
- (9) J. Miller, An Historical View of the English Government, (London: Newman, 1803), Vol. IV, pp. 118-22.
- (10) F. Douglas, "Smith's Theory of Value and Distribution", in T.W. Clark and others, Adam Smith 1776-1926 (New York: Augustus M. Kelley, 1966), pp. 98, 77.
- (11) R. Heck, "Adam Smith and the Classical Theory of Profit", loc. c
- (12) M. Bowley, Nassau Senior and Classical Economics (London: Allen and Unwin, 1937).
- (13) ibid, p. 138.

- (14) WN I p. 53. It is assumed implicitly that the disutility per hour of beaver-hunting is the same as the disutility of deer-hunting.
- (15) E.G. West, Adam Smith, (New Rochelle: Arlington House, 1969), pp. 169-70. It is also the view of H. Bittermann. See H. Bittermann, op. cit., p. 706.
- (16) WN I p. 59.
- (17) WN I p. 61.
- (18) WN I p. 54. A similar passage relating to the rent of the landlord is found on p. 351.
- (19) WN I p. 55. Italics mine.
- (20) WN I p. 164. See also II pp. 85, 186.
- (21) WN I p. 353.
- (22) WN I p. 73. Thus, whereas Locke traced the origins of property to labour, and thence to scarcity, Smith noted that property rights were maintained by "sympathy" and felt that to question them further, or to inquire into their origins, would be excessively abstract, to say nothing of socially destabilising in its implications. Smith is willing to accept the status quo in property rights. His refusal to consider non-capitalist forms of industrialism is matched by his refusal to consider what would have happened to the distribution of the product in the absence of land-owners and capitalists.
- (23) WN I p. 34.
- (24) idem. He takes the same view in the Lectures: "It is to be observed that labour, not money, is the true measure of value. National opulence consists therefore in the quantity of goods."
LJ p. 191.

- (26) WN I p. 36. See also pp. 207-9.
- (27) WN I p. 37.
- (28) idem. See also pp. 41-3.
- (29) WN I p. 35.
- (30) WN I p. 56.
- (31) WN I p. 35.
- (32) WN I p. 117. In a pre-market economy, on the other hand,
we have no choice but to use labour-time as our index, i.e.
that the disutility of hunting beaver for one hour is the same
as the disutility of hunting deer.
- (33) P. Douglas, loc. cit., p. 87. See also J. Schumpeter, op. cit.,
p. 188.
- (34) WN I p. 62.
- (35) WN I p. 15-20.
- (36) WN I pp. 63-4.
- (37) WN I pp. 65, 69.
- (38) WN I p. 37. "The real price of every thing, what every
thing really costs to the man who wants to acquire it, is the
toil and trouble of acquiring it." WN I p. 34.
- (39) See for example I, pp. 51, 195, 210, 212, 214, 228, 242-3.
- (40) LJ p. 157.
- (41) LJ pp. 176-7.
- (42) WN I pp. 32-3. The word "no" poses a subsidiary problem:
to be saying that a commodity can have value even if it is not
exchanged at all, that value in exchange is not a prerequisite
for the existence of value. But perhaps he is thinking of
free goods such as air.

- (43) WN I p. 195.
- (44) H.M. Robertson and W.D. Taylor, "Adam Smith's Approach to the Theory of Value", Economic Journal, June 1957, p. 193.
- (45) E.G. WN I p. 378-9. It is worth noting that the view taken in this chapter is at variance with that of many other commentators, including E.G. West. West says Smith "discussed the two questions of the measure of value and the determination of value. In Chapter V of Book I he used as an index of welfare a "labor-command" standard to measure long-run real income. Each man was better off the more he could avoid irksome labor and impose it on others; his desire for such transfer of effort encouraged the use of the division of labour; the ultimate standard of wealth was the amount of other people's labour he purchased with it in the market. Marx was later to argue that Smith here made a confused attempt at a labor theory of value. This is largely an erroneous interpretation, however. There is a crucial difference between using something as an index of value and arguing that this same something is the sole cause of value." E.G. West, Adam Smith, pp. 169-70. See also E.G. West's article in Oxford Economic Papers, loc. cit., p. 8.
- (46) WN I p. 438. This means the poorer-classes no longer vote automatically for the magnates (as they did when they were dependent on them). See LJ p. 25.
- (47) WN II p. 232. Italics mine.
- (48) WN I p. 16. See also II pp. 131, 154, 180.
- (49) WN I p. 90.
- (50) WN I p. 277. See also LJ p. 163.
- (51) WN I p. 36. See also I p. 65, 67, 495; II pp. 30-1, 33, 366-7.

- (52) WN I p. 154. And probably will not become rich, since opulence is not proportional to work. IJ p. 163.
- (53) WN I p. 74.
- (54) WN I p. 75.
- (55) WN I p. 144.
- (56) WN II p. 32. See also I p. 140-1, 483-4.
- (57) WN II pp. 88, 152, 259.
- (58) WN II p. 173.
- (59) WN I p. 74-5.
- (60) WN I p. 483. See also II pp. 31-2, 380, 408, 411.
- (61) WN I p. 77. See also p. 96.
- (62) WN I p. 101.
- (63) WN II p. 77.
- (64) WN I p. 89.
- (65) WN I p. 97.
- (66) WN I p. 269.
- (67) WN I p. 273.
- (68) WN I p. 292. Italics mine. See also pp. 298, 304, 364.
- (69) WN I p. 93.
- (70) WN II p. 76. See also II p. 358.
- (71) WN I p. 411.
- (72) WN I p. 414.
- (73) WN I p. 441.
- (74) WN I p. 404.
- (75) WN II p. 67. On Greece see p. 66.
- (76) KN II p. 76.
- (77) idem.
- (78) WN I p. 93.

- (79) WN II p. 317.
- (80) idem.
- (81) WN I p. 93. See also p. 358. On the other hand, proximity leads to benevolence ("colleagues ... frequently call each other brother" MS p. 328). It is, however, the fellowship of the debased individuals, if one accepts the debasing effects of the work-function.
- (82) See WN I pp. 144, 167, 176-7, 196, 477, 492, 517;
WN II p. 443.
- (83) WN I p. 15.
- (84) WN I p. 18.
- (85) WN I pp. 251-2. This was not, however, the case with English wool because of counteracting forces. WN II p. 171.
- (86) WN I p. 437. Italics mine.
- (87) WN I p. 370-1.
- (88) Only the state treated slaves with "common humanity". WN II p. 100
- (89) WN I p. 437.
- (90) R. Meek, op. cit., p. 19. Smith, however, was aware that some profit was mercantile profit. WN I pp. 294-5. Smith states the three-class view of society on WN I p. 276.
- (91) R. Meek, op. cit., p. 33.
- (92) WN I p. 291.
- (93) WN I p. 54. See also I pp. 291, 384; II p. 186.
- (94) WN I p. 73.
- (95) WN I p. 74. See also p. 60, 77-8, 93.
- (96) WN I p. 294. See also p. 354, II p. 67. Smith states: "The patrimony of a poor man lies in the strength and dexterity of his hands". WN I p. 136.

- (97) Fixed capital is defined on WN I p. 295.
- (98) WN I p. 212, 298.
- (99) WN I p. 295.
- (100) WN I p. 397. See also p. 126-7.
- (101) WN I p. 298.
- (102) WN I p. 113.
- (103) WN I p. 53.
- (104) WN II p. 305.
- (105) WN I p. 125.
- (106) WN I p. 55.
- (107) WN I p. 51.
- (108) See WN I pp. 60, 125.
- (109) WN I p. 54.
- (110) WN I p. 170.
- (111) WN I p. 292. Italics mine. See also pp. 96-7.
- (112) WN I p. 54. See also p. 109.
- (113) WN I pp. 127-8.
- (114) WN II p. 203.
- (115) WN II p. 338. Smith does not seem, however, to have made up his mind on this matter. In one place he says that a merchant who became a landowner would "think he ought to live like other men of large revenues; and to spend a great part of his time in festivity, in vanity and in dissipation" (II p. 338). In another place, he says: "Merchants are commonly ambitious of becoming country gentlemen, and when they do, they are generally the best of all improvers." (I p. 432).

- (116) WN II p. 374.
- (117) WN I p. 54.
- (118) WN I p. 123.
- (119) See WN I p. 128, 189; II p. 34, 73 (compare this with the returns to a lawyer I p. 120), 148.
- (120) WN I p. 171.
- (121) WN I p. 124.
- (122) WN I pp. 62-3, 67, 111, 150, 224, 252; II p. 185, 366.
- (123) WN I p. 161. He goes on to explain how differential rent equalizes profits.
- (124) WN I pp. 163, 108, 180, 182, 184, 186, 237.
- (125) WN I pp. 98, 100-105, 356; II pp. 112-13, 375, 383. IJ p. 220.
See also G.S.L. Tucker, Progress and Profits in English Economic Thought (Cambridge: The University Press, 1960), ch.4.
- (126) WN I p. 363-3, 367.
- (127) WN I p. 108. See also pp. 102, 109, 359.
- (128) WN II pp. 27, 127-8.
- (129) See WN I p. 102.
- (130) WN II p. 113. A similar passage is found on I p. 110.
- (131) WN I p. 102.
- (132) W.R. Scott, Francis Hutcheson (Cambridge: The University Press, 1900), p. 238.
- (133) WN I p. 104, 356.
- (134) P. Douglas, loc. cit., p. 115.
- (135) WN I p. 73. See also p. 56.
- (136) WN I p. 407.
- (137) WN I p. 132, 162; II p. 370.

- (138) E.G. I p. 165. "Monopoly is a great enemy to good management".
- (139) WN I p. 162.
- (1 WN I I pp. 163, 174, 193, 275.
- (1 WN I I p. 277.
- (142) WN I p. 56. See also p. 385.
- (143) WN II p. 370.
- (144) WN I p. 276-7. See also pp. 96, 103, 106, 108, 128, 162-163, 275, 356, 375.
- (145) WN I p. 318. See also pp. 309, 313, 459.
- (146) WN I p. 364. See also I p. 77. This emphasis on capital and employment helps explain why he rejected the verdict of the market and praised productive labourers while disparaging unproductive labourers. The labour of a menial servant "perishes in the very instant of its production". It seldom "leaves any trace of value ... for which an equal quantity of service could afterwards be procured." WN I p. 352. Productive labour, on the other hand, does provide a fund of capital out of which future labour can be supported. See also WN II p. 198. Saving is like "a public workhouse" WN I p. 360, while prodigals squander capital that might have supported productive labour. WN II pp. 18-19. This has substantial class implications. The upper classes maintain unproductive labour; the middle classes replace and increase capital. Thus redistribution of income towards the middle classes is the way to raise the standards of living in the lower classes, if the poor were given the money directly, they would squander and not accumulate it. See WN I pp. 354-5, 362-3.

- (147) WN II p. 197-8. See also I pp. 384-5, 491.
- (148) WN I p. 78; See also p. 364.
- (149) WN II p. 127. See also pp. 132-3.
- (150) WN II p. 376. See also I pp. 246-7.
- (151) WN I p. 479. See also I p. 10.
- (152) WN I p. 516. See also p. 318, 390; II pp. 57, 116, 118, 122-4, 126-8, 144.
- (153) WN I p. 480. See also p. 388.
- (154) WN I p. 165. See also I p. 307.
- (155) WN I pp. 76-78, 475-7. The subsistence wage is thus the long-run supply price of labour.
- (156) WN I p. 81. See also p. 211.
- (157) WN I p. 264.
- (158) WN I pp. 228-9.
- (159) WN I pp. 106-7. See also II p. 201.
- (160) WN I p. 96. See also pp. 77, 101, 277.
- (161) WN I p. 89.
- (162) WN I p. 364. See also I pp. 370, 387, 475; II p. 123.
- (163) WN I p. 78. See also p. 40.
- (164) WN I p. 211.
- (165) WN I p. 90-1.
- (166) WN I p. 277.
- (167) WN I pp. 82, 225.
- (168) WN I p. 79.
- (169) WN I p. 82.
- (170) See E. Furniss, The Position of the Labourer in a System of Nationalism (Boston: Houghton, Mifflin, Co., 1920).

- (171) WN I p. 88.
- (172) WN I p. 90. Note the general equilibrium formulation
"necessary effect and cause."
- (173) WN II p. 418. But Say's Law is invoked on I p. 359.
- (174) WN I p. 37.
- (175) WN II p. 232.
- (176) for example WN II p. 246.
- (177) WN II p. 284.
- (178) WN I p. 113.
- (179) WN I p. 91. See also pp. 92, 137, 251-2.
- (180) WN II p. 105. See also pp. 29, 106, 171.
- (181) E.g. I pp. 269, 270, 273, 304; II pp. 271-2.
- (182) WN II p. 351. See also I p. 479.
- (183) WN II p. 476. See also pp. 394, 401-3, 429.
- (184) WN II p. 179. See also p. 199. Even the passage on consumption
as a "deception" (WN p. 263-4) is concerned with the need to
find employment for the masses.
- (185) WN I p. 138. See also p. 259.
- (186) WN I p. 172.
- (187) WN I pp. 176-7.
- (188) WN II pp. 37-8.
- (189) WN I p. 16. For another example, see IJ p. 130, where Smith
describes how collusion among butchers raises the market price
of butcher's meat.

- (190) WN I p. 462.
- (191) WN II p. 43. See also LJ pp. 199, 205.
- (192) WN I p. 15. Growth means rising per capita national income.
Thus he speaks of the proportion between produce and potential consumers. WN I p. 1.
- (193) WN I p. 223.
- (194) WN II pp. 190-2.
- (195) E.g. J. Robinson, "Euler's Theorem and the Problem of Distribution" (1934), in Collected Economic Papers (Oxford: Blackwell, 1951), Vol. I.
- (196) For example: "Countries are populous, not in proportion to the number of people whom their produce can cloath and lodge, but in proportion to that of those whom it can feed." WN I p. 182.
- (197) MS p. 110.
- (198) T. Hobbes, Leviathan, ed. C.B. MacPherson (Harmondsworth: Penguin Books, 1968), p. 209.
- (199) ibid. p. 138.
- (200) ibid. pp. 151-2.
- (201) C.B. MacPherson, The Political Theory of Possessive Individualism (London: Oxford University Press, 1962), pp. 99, 25.
- (202) WN I p. 136.
- (203) WN I p. 35. See also pp. 178, 275.
- (204) WN II p. 231-2; LJ p. 226.
- (205) LRHL p. 53. See also LJ pp. 2-12.
- (206) G. Simmel, Conflict, tr. K.H. Wolff, (Glencoe: The Free Press, 1955).
- (207) A. Ferguson, op. cit..

- (208) A. Ferguson, op. cit., p. 24.
- (209) WN I p. 416.
- (210) WN I p. 519.
- (211) WN I pp. 461-3, 463-70.
- (212) WN I pp. 595, 514.
- (213) WN I pp. 486, 520-2. He says: "rich and civilized nations can always exchange to a much greater value with one another than with savages and barbarians". WN I p. 471.
- (214) WN I p. 522.
- (215) WN II pp. 47-8.
- (216) WN II p. 141.
- (217) idem.
- (218) WN I p. 403.
- (219) WN I p. 20.
- (220) WN I p. 17.
- (221) WN I pp. 18-
- (222) WN I p. 16.
- (223) WN I p. 15.
- (224) WN I p. 36.
- (225) WN I p. 438.
- (226) WN I p. 15. See also: "How many different traders are employed in each branch of the linen and woollen manufactures, from the growers of the flax and the wool, to the bleachers and smoothers of the linen, or the dyers and dressers of the cloth."
WN I p. 9.
- (227) WN I pp. 26, 36.

- (228) WN I pp. 395, 438.
- (229) WN I p. 401. See also LJ pp. 178-9, 205-7, 235. For a view that "trade is war", see WN II p. 278, and also I p. 489, II pp. 108-9.
- (230) LJ pp. 58, 61, 146.
- (231) WN II p. 315.
- (232) WN II p. 301.
- (233) A.R.J. Turgot, The Progress of the Human Mind, quoted in S. Pollard, The Idea of Progress (Harmondsworth: Penguin Books, 1971), p. 88.
- (234) MS p. 124.
- (235) LJ p. 257.
- (236) A. Ferguson, op. cit., p. 19.

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