A Selective Appreciation of Adam Smith's Continuing Relevance in the Fields of Philosophy, Moral Welfare and Political Economy

This essay is divided into three major sections. The first examines Smith's analysis of the nature of 'scientific progress', the second looks at the fundamentals of his welfare theory, and the third section explores aspects of his political economy. There are two reasons for this procedure. The first, as we shall see, is that it serves to illustrate the essential unity of Smith's thought, and an appreciation of Smith's contemporary significance is much heightened by the recognition of such unity. The second is that Smith's views on each of the topics considered are of specific interest to present day workers in the relevant areas.

A concluding section questions whether Smith's thought is becoming less relevant with changing social and institutional circumstances.

I

The cry is being increasingly heard in academic circles that Adam Smith's view of the nature of scientific progress is 'surprisingly modern'. Such a cry is uncharitable to say the least! A more just comment might be that we are becoming increasingly aware of the relevance of his views to present day discussions of epistemology and methodology. It would seem appropriate, then, to examine Smith's 'philosophical principles' in some detail, as expressed in his essay The Principles which lead and direct philosophical Enquiries demonstrated by the history of Astronomy.¹
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According to Smith, there is a natural tendency for man to philosophise, that is to search for 'connecting principles of nature'. This tendency is based on the psychological unpleasantness of 'surprise' — 'the violent and sudden change produced upon the mind' — which can for instance arise 'when one accustomed object appears after another, which it does not usually follow'. This sentiment then gives way to that of 'wonder', 'that uncertain and anxious curiosity excited' either by a 'singular' observed phenomenon or the observations of the repeated coincidence of seemingly unrelated phenomena. 'Nature ... seems to abound with events that appear solitary and incoherent with all that go before them', thus introducing 'confusions and distractions' in the mind. 'Philosophy ... endeavours to introduce order into this chaos of jarring and discordant appearances, to allay this tumult of the imagination, and to restore it ... to that tone of tranquility and composure, which is most agreeable to itself, and most suited to its nature'.

It may immediately be noted that this is not an 'absolutist' approach. Smith does not ask 'what is a true theory or philosophical system?' Rather, he addresses himself to the question of why men philosophise, and what type of theory is acceptable to them. This approach necessarily leads to a relativist view of science, and one where social conditions can assume importance. Thus, Smith thought that wonder, as the mainspring of philosophic enquiry, was less evident in savage societies because of an inimical material and social environment. But, 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 ... and more desirous to know what is the chain that links them all together.

Smith illustrates and amplifies this essentially psychological theory through a brilliant interpretation of the history of astronomy. The 'first regular system of astronomy' was that of 'concentric spheres', which connected 'together, in the imagination, the grandest and most seemingly disjointed appearances in the heavens'. It was plausible and aesthetically pleasing, and 'if there had been no other bodies in the heavens besides the sun, the moon, and the fixed stars, this old hypothesis might have stood the examination of all ages, and gone down triumphant to the remotest posterity'. So much for any
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absolutist notion of 'the truth'! Later planetary observations, however, made it necessary successively to increase the number of celestial spheres, and the system became increasingly complex.

This defect led to its supplantation by the more economical Ptolemaic system of eccentric spheres and epicycles, which was also marked by the invention of an imaginary 'circle called the equalising circle' from whose centre the eccentric spheres 'should all appear perfectly equable' and hence aesthetically pleasing. Smith goes on to comment: 'Nothing can more evidently show, by how much the repose and the tranquility of the imagination is the ultimate end of philosophy, than the invention of this equalising circle'. It was the harmonious nature of this system which caused it to hold sway over the 'stoical sect' whose system afforded 'no principle of connection'.

Though an improvement, the Ptolemaic system 'was still too complex for the imagination to rest in it with complete tranquility' and, in addition, astronomical tables based on it required periodic revision. Despite the authority of the early philosophers, and the 'piety' in which they were held, the scene was eventually set for what we might today describe as the 'Copernican Gestalt Shift'.

By supposing the earth to spin on its axis, and the planets to revolve round the sun the system of Copernicus 'connected together, by fewer movements the complex appearances of the heavens'. 'It did this too, by a more simple, and intelligible, as well as a more beautiful machinery'. In addition the Copernican based Prutenic tables were more accurate than 'Ptolemaic' tables, though Smith notes that this ought not to form any prejudice 'in favour of (the Copernican) hypothesis' for 'the same observation might have been accommodated to the system of Ptolemy'. Despite these advantages, many adapted the system of Tycho Brahe in which the earth continued to be the 'immovable central of the universe' and which 'did less violence to the usual habits of the imagination'.

During his discussion of Kepler's discovery that the orbits of the planets were not circular but elliptical, Smith suggests that the very act of observation is at least partially subjective, for Galileo and Gassendi ignored these 'seeming irregularities' altogether, and 'even those astronomers...convinced of the justness of his corrections, were still so enamoured with the circular orbits and equal motions, that they endeavoured to compound his system with those ancient, but natural prejudices'.

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The Copernican system slowly gained acceptance, aided by the 'unfortunate' Galileo's research into 'the composition of motion'. The final objection to the Copernican system was removed by Descartes' hypothesis, which taught the 'fancy' to conceive the planets 'as floating in an immense ocean of ether'. It was quite agreeable to (the fancy's) usual habits to conceive, that they should follow the stream of this ocean, how rapid soever'.\(^{15}\) Smith acutely remarks: 'it is not easy to imagine, how much probability and coherence this admired system was long supposed to derive from that exploded hypothesis. The system of Tycho Brahe was every day less and less talked of, till at last it was forgotten altogether'.\(^{16}\) The major drawback to the Cartesian philosophy was that it could not 'explain' the 'irregularities' of the planetary orbits.

After the 'laws of impulse', there is no other quality 'with which we are so well acquainted, as that of gravity'.\(^{17}\) When Newton 'discovered that he could join together movements of the Planets by so familiar a principle of connection, (he) completely removed all the difficulties the imagination had hitherto felt in connecting them'.\(^{18}\) Smith lauds the aesthetic appeal or beauty of Newton's Theory, its simplicity, its coherence and its descriptive and predictive qualities, all features which promoted its general acceptance. Smith concludes, in a true philosophic spirit, 'And even we, while we have been endeavouring to represent all philosophical systems as mere inventions of the imagination, to connect together the otherwise disjointed and discordant phenomena of nature, have insensibly been drawn in to make use of language expressing the connecting principles of this one, as if they were the real chains which Nature makes use of to bind together her several operations'.\(^{19}\)

By any standards, Adam Smith's exposition of the 'principles which lead and direct philosophical enquiry' is a remarkable *tour de force*, and the above account does but scant justice to the learning and erudition he displays in his essay. For Smith, as we have seen, a 'successful' theory will tend to be 'economical' in postulates, employ 'familiar' principles of connection, and be predictive. Because of the essentially psychological nature of theorising in the first place, Smith adapts a relativist approach, accepts the subjectivity of observation, and takes note of historical and social factors in the progress of science. But, strangely enough, economists have tended to overlook the importance and relevance of Smith's insights and have, *by and*
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large, adopted a more absolutist logical/empiricist approach.\textsuperscript{20}

Recently, philosophers such as Kuhn,\textsuperscript{21} Hanson\textsuperscript{22} and Feyerabend\textsuperscript{23} have seriously questioned the 'objectivity' of even the so-called 'physical' sciences. They have questioned, indeed, the 'neutrality' of observation and fact. It has been suggested that a new theory supplants another not because the old theory is refined and extended, but because of a 'gestalt switch' such that, though the two theories may have something in common, the core and observations relating to the core, are in many senses non-comparable. Subjectivity, and the non-specificity of fact, are features greatly removed from the 'scientific' assumptions espoused by most economists. On the other hand, philosophers such as Kordig\textsuperscript{24} and Scheffler\textsuperscript{25} dispute some of the hypotheses put forward by the 'revolutionaries'. Scheffler for instance suggests 'Our expectations strongly structure what we see, but do not wholly eliminate unexpected sights. To suppose they do would be, absurdly, to deny the common phenomena of surprise, shock, and astonishment, as well as the reorientation of belief consequent upon them'. Smith's philosophy of science evidently has features in common both with the recent 'revolution' in scientific outlook, and with its critics.

One would not wish to claim too much for Smith here — the scope and nature of the analysis in the \textit{Principles} may readily be criticised. But, undoubtedly, his discussion is of interest and relevance to the recent revival, especially among economists, of epistemological and methodological issues.

II

\textbf{This short section} will set out some of the essentials of Smith's social welfare analysis, which is principally to be found in the \textit{Theory of Moral Sentiments}, and comment on their relevance to modern welfare economics. At the same time, the scene will be set for a discussion of certain of Smith's economic policy principles, the subject matter of section III.

Smith employs the same basic approach in the \textit{Theory of Moral Sentiments} as in the \textit{Principles}: that is, his starting off point is a basically empiricist analysis of man as a social animal. Smith may in this sense be regarded as a follower of his friend Hume\textsuperscript{26}, but at the same time his contribution marks a significant advance in moral philosophy.
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According to Smith man has a 'sympathy' with his fellows, in that to some extent he enters into the feelings of others, by imagining his own feelings under similar circumstances. Naturally enough, he is aware that others in turn enter into his own feelings in the same way. This reflective imagining, and a desire for the approval of one's fellows, is the basis of judging the 'propriety' of one's behaviour and of one's self esteem. Smith used the term 'impartial spectator' to denote the concept involved. Thus, if an individual 'would act so as that the impartial spectator may enter into the principles of his conduct, which is what of all things he has the greatest desire to do, he must ... humble the arrogance of his self-love, and bring it down to something which other men can go along with'.

Smith's analysis led him to conclude that the 'impartial spectator' would endorse the virtues justice, prudence and beneficence, but to a greater or lesser degree depending on the organisation and type of society concerned. Quite simply, Smith believed man to be an animal such that the more prevalent are these virtues, which must by their nature be social, the greater would be the associated moral welfare of the individuals in society. At the same time, there are inter-relationships between welfare variables of a moral nature and variables of an economic nature, as we shall see.

The prevalence of justice is absolutely essential to society. Hobbes would find little to quarrel with in Smith's comment: 'Society may subsist, though not in its most comfortable state, without benefice; but the prevalence of injustice must absolutely destroy it'. On an immediate level, the 'violation of justice is injury', and we feel ourselves under a 'strict obligation to act according to justice', so much so that the use of force is approved to 'constrain us to observe (its) rules'. If one behaves with injustice, remorse is felt, 'of all the human sentiments ... the most dreadful'. From the point of view of the viability of society, injustice is likely to produce disintegrative forces, make co-operation increasingly difficult, and greatly reduce potential economic and moral welfare. Though Smith's concept of justice has a different basis, from a prescriptive point of view it has a good deal in common with John Rawls' 'justice as fairness'. For Rawls, 'justice as fairness' is the underlying principle according to which free agents would agree to participate in society, and has precedence over all other principles, including that of efficiency.
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Beneficence is a virtue with a strong positive moral welfare content. 'We have always ... the strongest, disposition to sympathise with the benevolent affections' ('generosity, humanity, kindness, mutual friendship and esteem ...'). 'They appear in every respect agreeable to us. We enter into the satisfaction both of the person who feels them, and of the person who is the object of them'. Thus, the greater is the prevalence of beneficence, the greater is the moral welfare of society, and, in addition, Smith opines that such a society will tend to be 'flourishing', presumably because of the positive material side effects of the freely given co-operation which must necessarily be a feature of such a society.

Prudence is a virtue that 'commands a certain cold esteem' rather than 'ardent love or admiration'. It is naturally a virtue strongly related to economic self interest. A prudent man will sacrifice 'the ease and enjoyment of the present moment for the probably expectation of the still greater ease and enjoyment of a more distant but more lasting period of time'. Moderation in behaviour is essential to prudence, and if self interest becomes greed or otherwise extreme, then the impartial spectator's approval will be lost. Prudence is of considerable welfare significance, for 'as prudence, combined with other virtues, constitutes the noblest, so imprudence, combined with other vices, constitutes the vilest, of all characters'. According to Smith's economic analysis, a prudent society will tend to have a high rate of growth and hence a high per capita income.

It is clear that these virtues have a strong direct effect on moral welfare, and a further indirect effect via their influence on variables of a more strictly economic nature. In a similar vein, economic variables influence the moral characteristics of the community. Wealth is essential to civilisation, and 'among civilised nations, the virtues which are founded on humanity are more cultivated than those which are founded upon self denial .... The abstinence from pleasure becomes less necessary, the mind is more at liberty to unbend itself, and to indulge in its natural inclinations'. Beneficence, for example, will be more in evidence, and we may infer that the ethos of a poverty stricken society will tend to be inimical to moral welfare. There is an obvious parallel here with Smith's previously quoted comment as to the objective prerequisites for philosophical enquiry to progress.
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We can thus see that Smith's social welfare function contains an inter-connected set of variables of a moral nature, as well as an economic set, and that the two sets have crucial inter-relationships so far as social welfare is concerned. It is quite extraordinary how fruitful such a seemingly simple, but general, approach can be — in marked contrast to the analysis typically offered by most welfare economists until very recently. Modern welfare economists have asked the question 'when can we economists unequivocally show that social state A is better than social state B?' Despite great sophistication of analysis they have been unable to give a clear cut answer to this type of question, feeling unqualified to make pronouncements of a moral or political nature. One must of course have some sympathy with the view, expressed by many economists, that it would be improper for them to make 'value judgements' — though it is indeed difficult to conceive how 'economic science', let alone economic welfare or policy theory, can be completely devoid of them.

It can be claimed, too, that the inadequacy of the economists' analysis is even more profound than has so far been suggested. Quite apart from not attempting to analyse the nature of the moral and political factors that must be involved in any policy recommendation, the behavioural and psychological assumptions employed have been fundamentally unsound. The apparatus typically used assumes constancy in individual tastes, 'rational' behaviour — which precludes any love of variety for its own sake — and an atomistic concept of individual welfare. If other social scientists had been as technically accomplished as economists, such assumptions would have been laughed out of court many years ago. More recently, it is only fair to add, economists have been attempting to liberalise the scope of their inquiry. Rothenburg, Galbraith and Scitovsky are symptomatic of this widening of perspective, and the influence of sociologists such as Parsons and Smelser, and moral philosophers such as Rawls, has increasingly been felt.

III

In the next few pages we will see how the specific application of Smith's welfare criteria led to his non dogmatic espousal of certain 'economic policy' principles.
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On the Laws of Settlement, Smith comments: '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'.

More pertinent, perhaps, to the present day is his attack on apprenticeship restrictions on the freedom of labour: 'The patrimony of a poor man lies in the strength and dexterity of his hands; and to hinder him from employing this strength and dexterity in what manner he thinks proper ... is a manifest encroachment upon the just liberty both of the workman, and of those who might be disposed to employ him'.

Though, in most cases, liberty is a condition that must be met for justice to prevail, there are a few cases of incompatability, that is, the unbridled liberty of some can sometimes lead to injustice to others. This problem is one that has long exercised the mind of moral philosophers. Justice requires the exercise of individual liberty, but the state may have to be called on to ensure that the liberties of individuals are not in conflict. The danger is, of course, that the state, in carrying out this task, may instigate a worse tyranny than that resulting from unconstrained individual behaviour.

Smith's comments so far are condemnatory of any directly coercive institutional arrangement, from whatever source. But though not directly coercive, some liberties may operate against the basic security of society, or groups within the society. Thus Smith supports banking regulations, on the grounds that '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'.

A further source of conflict arises when an institutional, or individual, arrangement operates so as to reduce the justness of the environment for others. Smith had this kind of thing in mind when he discussed the possible adverse effects of certain types of commercial co-operation. 'People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public or in some contrivance to raise prices'. This in itself, however, is not sufficient justification for state regulation. 'It is impossible indeed to prevent such meetings, by any law which could be executed, or would be consistent with liberty and justice. But ... the law ... ought to do nothing to facilitate such assemblies, much less to render them necessary.'
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The position appears to be that the state should, if necessary, prevent direct coercion, protect the security of society, but should not outlaw the free association of individuals into groups, even if some aspects of societal welfare may thereby be reduced. The dividing lines between these three cases are admittedly blurred, so the policy principles involved would appear to be guidelines rather than hard and fast rules.

So far, Smith's welfare theory, and his policy principles, make no distinction between different types of men, or between different initial advantages they might have. Indeed Smith believed that men are very nearly homogenous. 'The difference of natural talents in different men is, in reality, much less than we are aware of; ... The difference between the most dissimilar characters ... seems to arise ... from habit, custom, and education'. Though we would not go so far as this today, no one would deny the important moulding influence of environmental factors, and even if natural differences were present, to base policies on such supposed differences is both morally dubious and politically dangerous. But what of the unfair advantage and influence possessed by some because of inherited wealth or rank? Smith had little love for inherited privilege, as is evidenced by his criticism of entails, laws 'introduced to preserve a certain succession' of property and office. 'They are based upon the most absurd ... suppositions that every successive generation of men have not an equal right to the earth and all it possesses'. If each successive generation of men do indeed have this right, one might, perhaps, go a little further and suggest that the state should be used as a great economic leveller, both between and within generations. Though Smith was against entails, and gave some measure of support to progressive taxation in that he thought it 'not very unreasonable that the rich should contribute to public expense, not only in proportion to their revenue, but something more than in that proportion', he would undoubtedly have been appalled by such a suggestion.

At first sight, this seems rather odd. One would have supposed that Smith's belief in the basic equality of men would lead him to advocate economic equality, if necessary implemented by the state, especially as 'the distinction of ranks and the order of society' could involve 'the corruption of our moral sentiments'. There are two primarily moral reasons why he does not do so. The first rests on his
conception of justice through liberty. This concept naturally leads on to the freedom by the individual to own property, and hence to the inviolability of property rights. If the state were to take away such rights, it could only do so by unjust coercion. The second is that, in a just society, the exercise of prudence is necessary to personal and social accumulation. If the state were to nullify such acts of prudence, it would necessarily destroy a prime social virtue, to the detriment of individuals' moral and economic welfare.

Nevertheless, one should not slur over the very real difficulty which is involved here. It is difficult to morally justify men's relative positions in society if these depend upon what is, in effect, a lottery of wealth or talent; and it is equally difficult to justify state appropriation of such talent or property.

It is, of course, true that Smith's sociological analysis (which had a firm historical base) led him to suppose that inequality was inevitable, even if not entirely desirable. Thus, the division of labour 'from which so many advantages are derived'\(^{48}\) depends upon the accumulation of capital, which in turn gives rise to a capitalist class. Again, it must have been difficult for Smith to have conceived of a practicable 'modern' society in which land was not an object of private property. Thus, a class system is likely to arise in the course of the progress of society. The particular class system will to a large extent depend upon productive methods employed, though Smith regarded social institutions and productive techniques as interdependent, rather than cause and effect, in contrast to 'vulgar marxism'. It must be emphasised here that Smith's analysis of philosophy, of moral sentiments, and of political economy was in no sense metaphysical or utopian, as is evidenced by remarks such as 'But this original state of things, in which the labourer enjoyed the whole produce of his own labour, could not last beyond the introduction of the appropriation of land and the accumulation of capital ... and it would be of no purpose to trace further what might have been its effect upon the recompense of wages and labour'.\(^{49}\)

Smith's ultimate justification of property rights, however, is by appeal to an extended utility principle. He does more than tamely accept an historically dictated status quo; instead, his analysis led him to believe that welfare would be maximised only if property rights were upheld by the law. It must be remembered in this context that moral sentiments and economic prosperity are not regarded as ends
in themselves, but as means which promote the 'happiness and perfection of the species'. Smith pointed out that though some moral sentiments and aspects of societal organisation might appear somewhat paradoxical — or even unjustifiable — from the philosophically 'ideal' point of view, their social consequences were frequently of great benefit. Thus, he notes that men's evaluation of behaviour shows an 'irregularity' of sentiments in that undue emphasis is placed on the results of some action, rather than on the motive behind it. 'Nature, however, when she implanted the seeds of this irregularity in the human breast, seems, as on all other occasions, to have intended the happiness and perfection of the species'. A closely analogous line is presented in the Wealth of Nations, when he asserts that even if an individual 'intends only his own gain ... he is in this, as in so many other cases, led by an invisible hand' to promote the interest of society. Similarly, Smith considered that unequal wealth distribution had a slight negative social welfare effect in a static context, a strong positive dynamic effect, and that, in any case, the probable inefficiency of alternative distributional arrangements would greatly reduce welfare.

Smith's static analysis, especially in the Theory of Moral Sentiments, led him to conclude that the consumption patterns of the rich do not compete with the needs of the poor, and that the distribution of necessaries is very much the same as it would have been 'had the earth been divided into equal portions among all its inhabitants'. This argument is not repeated with the same force in the Wealth of Nations, because Smith recognised that the rich might hire 'unproductive' labour, which would diminish the output of necessaries; though the distribution of necessaries actually produced may be more or less egalitarian, the real wages of labour would then be lower than if the earth really were divided into equal portions. In so far as the rich invest their revenues, however, rather than merely consume unproductively, the interests of the rich and poor are less in conflict. At this level, then, we can see that the consequences of unequal wealth distribution need not be so unjust as appear at first sight.

Property rights upheld by law — which must lead to unequal wealth distribution — are supposed by Smith to have a strong positive dynamic welfare effect. The argument here is the familiar one of incentive, and its effect on growth. Men have an incentive to
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better their position, both for the respect in which they will consequently be regarded by their fellows, and for the improvement in their future material well being. If this aspect of prudence is nullified by government policy, both private savings and private investment will be greatly reduced. At the aggregate level, Smith had good reason to suppose that such reduction would lead to a fall in the economy's growth rate. Unless the rate of growth of investible funds at least equals the rate of growth of the labour force, the wage rate will fall, and the poor will experience poverty and distress. 'It deserves to be remarked ... that it is in the progressive state, while the society is advancing to further acquisition ... that the condition of the labouring poor, of the great body of the people, seems to be the happiest and most comfortable. It is hard in the stationary, and miserable in the declining state'.54 It may also be remarked that prudence is likely to be strengthened in an unequal society, which offers tangible proofs of its rewards, so long as there is reasonable opportunity for self advancement.

Finally, there is the question of how the control of economic activity may otherwise be regulated, if not left to the self interested prudent behaviour of private individuals. The only feasible alternative would seem to be for the state to take over the specific direction of the economy.

The crux of Smith's misgivings in this respect relate to the different nature of the constraints which apply to government and its officials as compared with private individuals. So long as there are competitive conditions, the attempts by private individuals to maximise their rates of return on investments will, by and large, direct funds into socially optimal channels. Private interest and social interest here coincide. Naturally enough, if the state directs society's investments instead, one would hope that society's interest would be equally well served. But in this case, the state would be a monopolist, and much less affected by the competitive discipline imposed on private investors. Should private investors earn less than normal profits, they are the losers thereby, and may face the 'shock' of bankruptcy, 'the greatest and most humiliating calamity which can befall an innocent man.... The greater part of men, therefore, are sufficiently careful to avoid it'.35 The state, having much greater scope for manipulation of the terms under which it trades, and its officials not bearing the same risks as private persons,
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is likely to be far more arbitrary in its disposal of investments. Even if the state were strongly commercially oriented, in the same manner as a private firm, it would be a bad sovereign. One may deduce Smith's views on this question from his comments on the fate of colonies exclusively controlled by privileged companies, which 'prefer ... the ... profit of the monopolist to the great and permanent revenue of the sovereign'.56 The temptation and ability to use monopoly power, either to survive, or to have an easy life, or to placate political factions of whatever social grouping, must be far greater for a powerful state organisation than for a competitively constrained private firm.

The larger and less responsive are government institutions to local and immediate influences, the less efficient are they likely to be. Decentralisation is recommended by Smith in various fields of government. 'The abuses which sometimes creep into the local and provincial administration of a local and provincial revenue, however enormous soever they appear, are in reality, however, almost always very trifling, in comparison of those which commonly take place in the administration and expenditure of the revenue of a great empire'.57 One reason for the superior relative performance of smaller, localised administrative units could be that the officials concerned are more aware of local feeling and behave accordingly. Otherwise, however, man's natural desire for the approval of his fellows is likely to lead government officials to prefer ostentatious projects to more mundane ones, however useful the latter may be. 'To execute a great number of little works, in which nothing that can be done can make any great appearance, or excite the smallest degree of admiration ... and which have nothing to recommend them but their great utility, is a business which appears ... too mean and paltry to merit the attention of ... (a) ... great ... magistrate'.58 It may also be noted in passing that Smith took a highly jaundiced view of the way in which government posts were often awarded.59

So far, the waste and efficiency of government has mainly been stressed, but Smith also readily passed on to its consequent general extravagance. 'Kings and ministers are ... always, and without and exception, the greatest spendthrifts in the society'.60 And because the state 'foresees the facility of borrowing ... (it) ... dispenses itself with the duty of saving'. The consequent 'enormous debts ... oppress, and will in the long run probably ruin, all the great nations in Europe'.

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Smith’s public finance analysis might be naive, but many would agree that spendthrift government is the primary cause of present day world wide inflation.

Finally, there are more subtle but no less profound dangers latent in the unconstrained growth of state activity and increasing executive power. ‘In the progress of despotism the authority of the executive power gradually absorbs that of every other power in the state’,61 including that of the judiciary. But, according to Smith, ‘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’. Otherwise impartiality in the administration of justice will be ‘sacrificed to ... politics’,62 and, as we have seen, justice is absolutely essential to a society’s survival.

IV

It is often claimed, with some justification, that Smith was a superb eclectic synthesizer, rather than a great originator of ideas. But his eclecticism and breadth of vision lends Smith’s contribution a great strength which is often lacking in today’s more specialised studies. Despite the very considerable analytic progress that has since been made in the fields covered by Smith, there is undoubtedly a danger that the attendant narrowness of subject matter can lead to increasing aridity. To study Smith today is not only worthwhile in that it broadens one’s own conceptual vision; it can also be seminal in that it prompts new lines of inquiry.

This essay has also examined some of the things Smith had to say on issues of current controversy, in particular those of property and the proper role of government. Our discussion has necessarily been selective, and a dogmatic supporter of crude laissez faire63 would find much in Smith with which to take issue. In addition, changed economic and social circumstances should lead one to be cautious in applying his conclusions today. For example, the state now has such a powerful influence on the operational circumstances of the private sector that (especially if we follow the theory of the ‘second best’)64 we can be less certain of the general efficiency of private investment. Again, it might be argued that changes in the nature of man as a social animal have reduced the relevance of Smith’s analysis. Moreover, there have been changes in the
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in institutional structure both of government and of private enterprise. The former is probably less venal, and the latter has assumed some of the characteristics against which Smith inveighed in the former (such as the size of business unit, the divorce of ownership from control, etc.). Nevertheless, these objections are by no means wholly convincing, and it would seem that increasing uneasiness with the present omnipotence of government is investing a new significance to Smith's views. Certainly, his arguments need to be answered, and rather more convincingly than they have been hitherto.

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I am much indebted to my colleagues Miss C.M. Lythe and Mr. E.H. Thomson for their critical comments on an earlier draft of this essay. The basic texts used are Adam Smith's Essays on Philosophical Subjects, edited by Joseph Black and James Hutton, London 1795; the 'New Edition' of the Theory of Moral Sentiment, (originally published in 1759), published by Bell and Sons in 1892; and Edwin Cannan's 1930 edition of The Wealth of Nations. This essay must be one of the last on Smith that does not use the new Glasgow Edition of the Works and Correspondence of Adam Smith commissioned by Glasgow University to celebrate, most fittingly, the bicentenary of the first publication of The Wealth of Nations. There are very few references made in this essay to the vast secondary literature on Adam Smith. It would be unthinkable, however, not to mention the excellent collection Essays on Adam Smith, edited under the auspices of the 'Glasgow Edition' by Andrew S. Skinner and Thomas Wilson, (Oxford 1975), and the earlier symposium Adam Smith, 1776-1926, (Chicago 1928). In addition, A.L. Macfie's The Individual in Society, Papers on Adam Smith (1967) and S. Holland's The Economics of Adam Smith (1972) are both outstanding.

1 Henceforth referred to as Principles. J.A. Schumpeter comments in his History of Economic Analysis (Oxford 1954). 'Nobody ... can have an adequate idea of Smith's intellectual stature who does not know' this essay. The Essays were published posthumously, and the date they were first written is uncertain. As Dougald Stewart observed, however, 'The whole of this essay (the Principles) was written previous to (1758)', (Principles, f.n. 90), which places it at least a year, perhaps rather more, before the publication of the Theory of Moral Sentiments.

2 Principles 6.
3 Principles 20.
4 Principles 20.
5 Principles 25-6.
6 Principles 32.
7 Principles 39.
8 Principles 41.
9 Principles 45.
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10 Principles 53.
11 Principles 54.
12 Principles 57.
13 Principles 64.
14 Principles 75.
15 Principles 81.
16 Principles 82.
17 Principles 83.
18 Principles 84.
19 Principles 93.


22 N.R. Hanson, Patterns of Discovery (Cambridge 1958).
25 I. Scheffler, Science and Subjectivity (Indianapolis 1967).
26 Apart from David Hume, the views of Frances Hutcheson, John Locke, Bernard de Mandeville and Thomas Hobbes were evidently key influences in the development of Smith’s own views.


28 Theory of Moral Sentiments, 125. For Hobbes, of course, the imposition of justice was necessary to prevent bellum omnium contra omnes.

29 Ibid, 114.
31 Theory of Moral Sentiments, 124.
32 Ibid, 316.
33 Ibid, 318.
34 Ibid, 297


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40 Wealth of Nations, I, 142.
41 Ibid, I, 123.
43 Ibid, I, 130.
44 Ibid, I, 17.
46 Ibid, I, 327.
47 Theory of Moral Sentiments, 84.
48 Wealth of Nations, I, 5.
49 Ibid, 67.
50 Theory of Moral Sentiments, 152.
51 Ibid, 152.
52 Wealth of Nations, I, 421.
53 Theory of Moral Sentiments, 264.
54 Wealth of Nations, I, 83.
55 Ibid, I, 324, my emphasis.
56 Ibid, II, 137. Smith is here treating of the Dutch and English privileged companies, in particular the East India Company and its Indian dominions.
57 Ibid, II, 222. In business, too, a large size of concern, reduced nature of risk, and remoteness of control make for inefficiency. Hence, 'it seldom happens... that a great proprietor is a great improver', I, 362, and joint stock company directors show 'negligence and profusion', II, 233.
58 Ibid, II, 220.
59 Ibid, II, 351.
60 Ibid, I, 328.
61 Ibid, II, 220.
63 On this kind of question, see for example G.J. Stigler in the Essays and J. Viner in the 1926 Symposium.