

The Role of Teleology in Adam Smith's *Wealth of Nations*: A Belated Comment on Kleer

James E. Alvey*

Recently in this journal, Richard Kleer discussed the role of teleology in Adam Smith's work (Kleer 2000)¹. He is one of the leaders of the 'new teleological and theological view' of Smith which contends that Smith's system of thought is founded on a belief in Providential design. This revisionist account opposes the mainstream, secular view of Smith. As Kleer's title indicates, he focuses on the *Wealth of Nations* (WN hereafter).² He shows that the mechanisms underlying economic growth are human instincts; teleology enters when Kleer claims that instincts are part of the divine plan. In this reply, I discuss some gaps in, and difficulties with, Kleer's interpretation.

Let us begin with a sketch of Kleer's article. It has four sections. The first section provides an introduction to the topic and an extensive literature review. The second section discusses the fundamental causes of economic growth. The third section turns to the analytical role of a benevolent deity in Smith's system. The final section provides his conclusion.

In the first section Kleer presents a nice summary of the commentaries on Smith's theological views. He argues that the initial commentators through to the latter half of the nineteenth century held that teleology and theology played an important role in Smith's writings; early in the twentieth century a more secular view arose; after World War II a *thoroughly* secular view was developed; and in the last decade or so, a 'new teleological and theological view'³ has arisen which returns, in large part, to the view of the early commentators. This characterisation of the trend of the literature has certain exceptions, such as Jacob Viner's work. Viner's teleological interpretation of Smith is given considerable attention by Kleer and other 'new view' commentators (Viner 1972; see Hill 2001). Whilst the secular presentation of Smith remains orthodox, the interpretations of those who adhere to the 'new view' have begun to have an impact.⁴

In addition to this general trend in the secondary literature, Kleer also mentions two other developments dating from early in the twentieth century. First, he refers to some of the secular commentators who argue that the teleological passages in Smith's texts are 'removable,' as they serve no analytical role (pp. 15-16, quoting Schumpeter 1954, pp. 30-1; see also Haakonssen 1981, p. 77). A second development was a twist on the previously-enunciated *Das Adam Smith Problem*. In the new version of the 'change of view thesis,' Smith switched from a supporter of teleology (in the *Theory of Moral Sentiments* [TMS hereafter]) to an opponent (in the WN). This view is still current and was adopted recently by Minowitz (1993). I will address both issues again later.

In the second section, Kleer correctly focuses on economic growth. As Heilbroner says: 'real long-term growth ... is unquestionably the great theme of *The Wealth of Nations*, providing the justification for the system of perfect liberty toward which the evolution of society has been proceeding' (1973, p. 248). In Kleer's account of Smith there are four factors responsible for economic growth: the division of labour; capital accumulation; order and good government (two

preconditions for capital accumulation); and discretion for capital owners to invest wherever they choose. Kleer traces each of them back to human instincts. I will comment on the first three factors.

Kleer traces back the origins of the division of labour, initially to the unique human 'propensity to truck, barter, and exchange' and, ultimately to the desire to persuade (pp. 17-18, citing *WN* I.ii.3 and *Lectures on Jurisprudence* [hereafter *LJ*] pp. 352, 493-4). Capital accumulation is traced back to the 'desire to better our condition,' which, in turn, is traced back to two other propositions: that humans derive pleasure from 'mutual sympathy' (namely, 'when they know that their own sentiments' are 'equal in intensity to the spectator's sympathetic emotions') and that they have a greater capacity to sympathise with joy than with sorrow (pp. 18-19 citing *TMS* I.i.2; I.iii.1.5; *WN* IV.ix.28). These factors are the foundation of the admiration of the rich. Further, the 'enjoyable sentiments produced by owning or contemplating wealth derive mainly from an instinctive fascination with well-crafted devices' (p. 19, citing *TMS* IV.i.3-8). Finally, we turn to order and good government (and here, along with his account of economic growth, Kleer includes material relating to stadial progress through history). Both factors, 'and their concomitants, the liberty and security of individuals,' existed in the Roman Empire but were lost after the fall of Rome; feuding feudal lords came into control of much of Europe and, in various ways, they destroyed order (p. 19, citing *WN* III.iii.1-16). The weakening of the troublesome lords and the restoration of centralised authority (good government) came about without human design; according to Smith, the factors responsible for the good result include vanity and obsessive purchasing of 'well-crafted devices' on the part of the lords, and acquisitiveness on the part of the traders (*WN* III.iv.15,17). In short, the factors underpinning economic growth are all *arbitrary characteristics of human nature* (as alternative instincts can be imagined).

The third section builds on the second. Following Viner's view that 'sub-rational' factors underpinned Smith's moral and economic analysis, Kleer says that 'Smith denied any significant role to conscious human foresight in the process of wealth formation' (p. 23; Viner 1972, pp. 77-81, cited by Kleer, p. 22). This concurs with several well-known statements in which Smith downplays human reasoning (see *WN* V.i.g.24; *TMS* VI.ii.1.20; VII.ii.1.47).

As the causes of economic growth were shown to be instinctive, Kleer asks, 'how did human beings come by those particular instincts' which are responsible for 'the spontaneous increase of national wealth,' which, in turn, has such beneficial effects (p. 23)? Kleer says that modern interpreters offer two major solutions: Darwinian natural selection and Hayekian spontaneous order. He says that these may be 'viable solutions' to the problem but they are *not* Smith's solution (p. 23; see also Hill 2001). Kleer says that Smith assumed that a 'divine being, with the objective of producing the greatest possible amount of human happiness, deliberately implanted the necessary sentiments ... in human nature at the time of creation' (p. 23). Most of the section elaborates upon this answer.

At the end of the section Kleer addresses a problem raised by Viner in his *early* writings: the latter said that Smith ultimately rejected teleology in the *WN* because of his recognition of imperfections in the natural order (Viner 1927). In addition to Viner's own change of view, Kleer mentions two viable responses to this problem. First, Smith's work was a variation on Stoic theodicy; in the Stoic view 'all things in the universe, both good and [apparent] evil, ultimately advance the beneficent ends of the author of nature' (p. 25; see Hill 2001, pp. 5, 16, 19-22).

Kleer adds that a thorough answer to Viner's early objection requires us 'to examine any apparent imperfections in the system in order to learn their concealed and ultimately-beneficial purpose' (p. 25, citing *TMS* II.iii.3.2). This is the Panglossian view adopted by Denis (1999) and Hill (2001). The other reply is that Smith 'attributed a desire for economy to the author of nature' (p. 25). In this case, the divine architect is not concerned with 'every trifling evil'; rather He constructed a system of human instincts which ensured 'only that [H]is main ends could not be thwarted' (p. 25; see *LJ*, p. 571). Kleer may be the first to raise this second possibility.

In his conclusion, Kleer returns to his opening themes. Rejecting the view that teleology is 'removable' from Smith's work, he says that teleology answers 'the central explanatory puzzle of the book,' namely, why the wealth of nations tends to increase spontaneously (p. 25). Second, by building a model of economic growth on the foundation of human instinct, 'the principle of a benevolent deity' provided 'the fundamental structure of Smith's whole analytical framework' (p. 25). Third, the concept gave his book its 'original persuasive power' (p. 26). Only a firmly-held 'belief in the genuine existence of a benevolent natural order could have induced contemporary readers [and potential statesmen] to overcome ingrained habits' and accept the desirability of non-intervention in the economy (p. 26). This concludes my outline of Kleer's article.

With this background in mind, let us now turn to what I consider to be gaps in Kleer's account of Smith. First, although the term appears in the title of his article, Kleer does not define teleology or describe the rise and fall of this doctrine. The term denotes final causes in nature; 'final cause,' in turn, derived from the Scholastic treatment of Aristotle's theory of causation. Aristotle said that there were four 'causes': the material cause (the material out of which something is formed); the formal cause (the form or defining characteristics of the thing); the efficient cause (the agent immediately producing the change in the thing changed); and the final cause (the end or purpose of the thing changed or produced) (see Aristotle, *Physics* II.3). Aristotle's typology of causes was widely used in Smith's time, assumed as background knowledge and used by Smith himself (*TMS* II.ii.3.5; II.iii.3 title). Teleology rose to prominence in the Roman Empire and again in Britain after Newton. In Smith's day it was conventional, but it fell out of fashion after the popularisation of the Darwinian thesis (Hurlbutt 1985; Clarke 2002).

Second, Kleer implies that teleology means the arrangement of the human passions as the efficient causes which spontaneously bring about benevolent final causes. I call this teleology immanent in the human constitution (Alvey 2003, p. 1) and Kleer uses this type of teleology constantly in his article. In addition, does Kleer accept that the term 'teleology' also applies to a providential path through history? I call this historical teleology (Alvey 2003, p. 1). In his discussion of order and good government, Kleer implies that this second type of teleology also applies (pp. 19-20). If he accepts that Smith also adopts historical teleology, many problems are encountered. I have addressed these problems at length elsewhere (see Alvey 2003, pp. 215-27). For example, concerning the stadial theory, Smith stated that a number of climatic and terrain factors prohibit many societies from reaching the commercial stage (*WN* I.iii; *LJ*, pp. 213, 220-3, 408-9).

Third, in a teleological account, the operations of nature are designed with one or more purposes in mind. As we have seen in his response to the *early* Viner, Kleer accepts that there are 'ends of nature'. How are these ends defined? For example, do they apply to each individual or only to the species as a whole? Denis

is one of the few to address this point. He suggests that Smith's final view is that the ends apply to the species as a whole, *not* to individuals (Denis 1999; see also Alvey 2003, pp. 261-2, 275-8). Does Kleer agree?

Fourth, Kleer does not enumerate the ends of nature. He implies that the ends of nature include preservation, procreation, order, happiness and perfection (see pp. 23-4; see Alvey 2003, p. 1). What are the ends of nature? Does Kleer accept the vast number of ends that Hill attributes to Smith (Hill 2001, pp. 11-13 and throughout)?

Fifth, let us turn to the relationship between the ends. Are the ends of nature mutually compatible or can they clash? If the latter occur, how are conflicts between the ends resolved? Recall that in response to the *early* Viner's concerns about imperfections in the natural order, Kleer provides two possible 'replies': all apparent imperfections turn out to serve some benevolent purpose; and the 'author of nature' only strives to achieve his 'main ends' (p. 25). Which of these views, in Kleer's opinion, does Smith adopt? If Kleer adopts the former option, Smith is a thoroughgoing optimist or Panglossian (see Denis 1999, and Hill 2001). This does not seem to fit the nature of Smith's texts. This point will be developed further below. If Kleer adopts the latter option, further questions arise. At the time of Smith's writing, how orthodox was this view? What items are included in the 'main ends'? What is the status of the other ends? Are they non-functioning ends? Is there any point calling them ends?

From gaps in Kleer's account, I turn to two substantive disagreements: Smith's teleological consistency and coherence. Let us discuss his consistency first. In Kleer's account of the teleological machinery, instincts are the efficient causes that mechanically bring about the providential final causes(s). This *type* of teleology does exist in Smith's writings. Nevertheless, many questions arise concerning whether Smith consistently adhered to an instinct-based teleology.

The economic issues that are addressed within the *WN* seem to fall into four (overlapping) groupings: theoretical accounts; historical accounts; institutional analyses and recommendations; and specific policy analyses and recommendations. Smith discusses economic growth under the first three headings. Whilst human reasoning must play some role at the institutional level, Kleer stresses the "sub-rational" domain of human nature'; three of the foundations of economic growth 'deny any significant role to human foresight' (p. 22). Hence the type of teleology that Kleer finds in Smith is one in which instincts are the essential efficient causes (see also Hill 2001).

On the other hand, there are many economic matters where Smith departs from this view. In these cases, he accepts that human reasoning and design are crucial to the delivery of benevolent outcomes. In matters concerning merit goods, public goods and market failure, Smith recommends a wide range of market interventions. In recommending numerous public policies (see Viner 1927), Smith suggests that the order of nature will *not* deliver beneficial results in the absence of deliberate human intervention. Smith smuggles human reasoning back into his presentation of economic matters when the need arises.

Further, at the higher, institutional level, the creation and persistence of Mercantilism (which interfered with the operation of the 'system of natural liberty' (*WN* IV.ix.51) and reduced the potential growth rate of the nation) presented itself as a problem for Smith. After economic growth, the overturning of Mercantilism was the next great theme in Smith's *WN*, yet Kleer is virtually silent on this matter. If human reasoning instituted Mercantilism, could human instincts alone overcome

it? Once again, Smith denies this. It is human reasoning in the form of enlightened statesmanship (no doubt guided by the *WN*) which has to find a way of overcoming Mercantilism. Just before his death, Smith completed major revisions to the final edition of the *TMS*; these suggest that he gave a very large role to statesmanship. Some ‘new view’ commentators, such as Evensky (1989) and Tanaka (2003, pp. 144-7), imply that within his optimistic, teleological vision, Smith gradually became more *pessimistic* about the actual path of commercial society; the means of bringing about the final ends shifted from human instincts to human rationality. Fitzgibbons (1995), another ‘new view’ theorist, says that Smith became more *optimistic* over time. Nevertheless, all three commentators accept that a major role is allocated to statesmen and legislators in Smith’s system, especially in overturning Mercantilism (*WN* IV.vii.c.44; see also IV.ii.39-40). They imply that the early Viner’s view is not correctly answered by Kleer.

Contrary to Kleer, a significant role for human reasoning exists in the *WN*.⁵ A teleological approach may admit a major role for human reason, but this is not the case in Kleer’s presentation. Does he admit that, throughout his lifetime, Smith allows a significant role for human reasoning within his teleological account? Alternatively, does Kleer accept the view of Evensky and Tanaka (fellow ‘new view’ theorists’) that, over time, Smith quietly shifted from one type of teleology to another?

I now turn to the final theme: Smith’s coherence. As stated previously, Kleer’s presentation focuses on the teleological foundations of economic growth. In other words, the wise, divine design of the human instincts underpins growth. For this story to make sense, within a teleological process, economic growth must be either an end of nature itself or intimately connected to the satisfaction of genuine ends of nature. Otherwise, Kleer’s second and third sections (which are the substance of the article) are irrelevant to the purported theme of his article. After raising some questions about the relationships between teleology, the ends of nature and economic growth, I will turn to the pessimistic side of Smith’s vision: the end of history.

In the context of economic growth, let me commence with some questions which arise due to Kleer’s silence on the enumeration of the ends of nature. Is economic growth an end of nature (an end in itself)? Is it only a fundamental *means* to the satisfaction of some (or all?) of the ends of nature? If economic growth only satisfies some of the ends, which ones does it satisfy? Which ones does it not satisfy? Answers to these questions are important because without them we cannot assess how central economic growth is to the achievement of human flourishing (the simultaneous satisfaction of the set of the ends of human nature (Alvey 2003, p. 2)) or to Smith’s system of thought as a whole (which includes his work on morality, jurisprudence and other areas).

Let us now move to a second level, assuming that, in Kleer’s view of Smith, economic growth is an end of nature or an essential means to genuine ends. In either case, *continuing economic growth* is required. As is well known, Smith refers to several types of stationary states (Hollander 1987, pp. 66, 84, 163, 176). I will focus, however, on the stationary state which *inevitably* emerges at the end of history (*WN* I.viii.43; I.ix.14-20; see Heilbroner 1973).

As land scarcity emerges, wages and profits are driven down; in the permanent stationary state, prosperity is lost, the working population finds life ‘hard’ and ‘dull,’ and the population is fixed (*WN* I.viii.43; see I.ix.14). As J.S. Mill says, ‘Adam Smith always assumes that the condition of the mass of the people ...

must be pinched and stinted in a stationary condition of wealth' (Mill 1987, p. 747). Smith did not imagine the high-wage stationary state that Mill later proposed (Mill 1987, pp. 748-51; Heilbroner 1973, pp. 250, 255). As stated earlier, Heilbroner says that Smith justified the system of natural liberty on the basis of its beneficial results; the stationary state means that 'the material betterment of mankind' which originally justified the system no longer applies; his system is a 'failure, in its own terms' (1973, pp. 254-5; see also p. 261). Although Heilbroner does not endorse a teleological reading, his view of the paradoxical nature of the stationary state within Smith's system is highly relevant in the current context: in the stationary state the divine order fails to deliver. Kleer's eerie silence on this 'pessimistic' end of history is surprising.

The discussion above raises an important question. Can Kleer explain the permanent stationary state *within* the teleological interpretation of Smith that he presented in the article? This concludes our substantive response to Kleer.

Kleer has made a great contribution to the profession by promoting the 'new view' of Smith. He has helped to open up an important research programme. Whilst broadly sympathetic to the 'new view,' and Kleer's interpretation in particular, I have tried to suggest that some gaps exist in his account. In addition, on some matters of interpretation we appear to differ.

Teleology exists in Smith's work and it cannot be removed like an ornament. This has been demonstrated by Kleer and others in the 'new view.' What needs discussion, however, is how coherent and consistent Smith is in his adoption of a particular type of teleology. Concerning coherence, the stationary state that lies at the end of history represents a major stumbling block for a teleological interpretation of Smith. Concerning consistency, even some 'new view' theorists have raised doubts about Smith's views. By making Smith so coherent and consistent, Kleer runs the risk of imposing a type of theology on Smith. Like the mainstream, Kleer's 'new view' of Smith encounters problems. Scope remains for further work on the puzzling writings of Smith.

* On leave from Massey University, New Zealand. Currently visiting at the Department of Language and Information Sciences, University of Tokyo, Komaba, 3-8-1 Komaba, Meguro, Tokyo 153-8902, Japan. Email: jealvey@attglobal.net.

Notes

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2 Textual references are to Smith unless otherwise noted. My citations from him follow the practice of the editors of *The Glasgow Edition of the Works and Correspondence of Adam Smith*, citing not the page number but the relevant Book, Chapter, Section and paragraph (i.e. *WN* I.x.b.3 = *The Wealth of Nations* Bk. I, Chap. X, Sect. b, para. 3). References to other philosophers usually follow this pattern. Abbreviations of Smith's works: *LJ* = *Lectures on Jurisprudence*; *TMS* = *Theory of Moral Sentiments*; *WN* = *Wealth of Nations*.

3 Advocates of the 'new view' include Kleer 1995; Fitzgibbons 1995; Denis 1999; Kleer 2000; Hill 2001; Clarke 2002; Tanaka 2003.

4 Of course, many commentators retain the secular interpretation of Smith (Haakonssen 1981; Minowitz 1993; Haakonssen 1996; Griswold 1999).

5 Perhaps the regular principle was instinct and the contrapuntal principle was human reason.

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