

Adam Smith: the Prophet of Free-Enterprise?

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When Adam Smith died 200 years ago today, the event was greeted in the *Times* by a supercilious obituary which alleged that he had courted local opinion in a commercial town by converting his chair of moral philosophy at Glasgow into "a professorship of trade and finance".

In 1990, this unperceptive description of *The Wealth of Nations* (WN) would presumably count as high praise in those circles that set the tone for discussions of higher education. It would be taken as a welcome sign that some academics were offering their students topics of vocational relevance that politicians, exponents of the enterprise culture, and university administrators sensitive to the official mood could appreciate.

Faced with *The Wealth of Nations* itself, however, it would be necessary to overlook the more insulting remarks about exactly these social groupings: those persistent asides about that "insidious and crafty animal" the politician, the "mean rapacity and monopolising spirit" of merchants and manufacturers, and the "negligence, profusion and malversation" of bureaucrats. Smith's opinion that businessmen were peculiarly unfitted to take part in deliberations on matters of public interest would be a difficult pill to swallow. But if any disgruntled academic tried to make too much of this, it would always be possible to respond by citing Smith on idle Oxford dons, and his belief that university teachers would perform better if part of their income came directly from students. Smith was not in the business of handing out bouquets to any organised interest groups. One of the advantages he claimed for his provincial and academic location was that it enabled him to view the wider world from the perspective of the impartial spectator - a stance on moral issues which he had expounded in his other main work, *The Theory of Moral Sentiments* (TMS).

But the remark of the *Times* obituarist was an early sign that *The Theory of Moral Sentiments* was not to be an equal partner in sustaining Smith's posthumous reputation. The complementary parts of his ambitious plan were to live separate lives, with ethics and economics no longer co-existing under the same philosophical roof. The irony here is that Smith spent most of the last year of his life making extensive revisions to the TMS in the clear belief that it was at least as important as the WN.

Smith played an accidental part in aiding the separation. Just before his death, he destroyed those unpublished parts of his project for "a theory and history of law and government" which would have linked WN and TMS more closely, helping create the problem known to German scholars at the end of the 19th century as *Das Adam Smith Problem* - how to reconcile the early sympathetic "idealism" of TMS with the later egoistic "materialism" of WN. This way of posing the problem is based partly on a simple error in dating Smith's views.

It also entails a mistaken attempt to treat "sympathy" (not to be confused with benevolence) - the central psychological mechanism of *TMS* - as being in opposition to prudential "self-interest", the motive that underlies a good deal of behaviour in anonymous market settings, where benevolence (though not sympathy) is irrelevant. The way in which the problem was originally posed tells us less about Smith than it does about German philosophical and political preoccupations. The current Adam Smith Problem is to convince those who have become the chief custodians of Smith's reputation - economists and the apostles of the free market - that *TMS* is still an essential supplement to an understanding of *WN*.

The Theory of Moral Sentiments supplies the social and psychological background to Smith's account of economic self-seeking. It also provides the basis for his views on natural justice, thereby explaining what he means when he speaks - as he frequently does in *WN* - of institutions and policies being unjust as well as inexpedient. Smith would not have considered it worth pursuing an inquiry into the wealth of nations that confined itself to "value-free" propositions. Mrs Thatcher recognised this when commending *WN* as realistic political economy rather than the arid theorising of economists, insensitive to the urgent needs of those re-shaping the modern world. True, but then neither were questions of ethics and justice simply Sabbatarian pursuits for Smith. Although both *TMS* and *WN* were, apparently, on the list of required reading compiled by Sir Keith Joseph when the Government first took office, it seems natural to assume that busy Ministers read neither. They presumably knew, or could deduce, the main message of *WN*, while *TMS* remained a puzzling luxury.

No author can take out a patent to protect his meaning, and no historian would be bold enough to claim one on Smith's behalf - unless, of course, he had ideological axes to grind. And lop-sided though it may be, what possible grounds could Smith's scholarly admirers now have for complaining about his current reputation? The process of canonisation as the saint of free enterprise economics which began in the 19th century has been renewed with a fervour that makes the centenary celebrations for *WN* presided over by Gladstone in 1876 seem a tepid affair. Two hundred years after his death, Smith had left many of the figures who contributed to the pre-Thatcher "progressive consensus" trailing in his wake. Once more, Mrs Thatcher was early on the scene, in 1976, when she stated that Adam Smith's claim on our attention was that he understood that: "there are ... some economic, physical and also moral laws which just cannot be repealed, even by the most authoritarian regimes". The potential addition of much of eastern Europe to Smith's empire gives this remark special significance. Instead of simply being a muddled bourgeois precursor of Marx - the official line still followed by many western Marxists - he can now be read for his intrinsic interest.

Reflecting such confidence, Lord Rees-Mogg has recently avowed that Smith is now a "living prophet", while Marx is merely an interesting historical figure. This grants almost biblical status to Smith's writings, or those parts of them that can be made to serve a particular view of the modern world. Lord Rees-Mogg also holds that Britain's post-war problems would have been less severe if we had adhered to Smith's inheritance instead of whoring after Keynes and Co. Smith, usually with Locke, has been reinstated as the founding father of acquisitive liberal individualism.

Curiously, this assumption is widely shared by the new right and their opponents

on the left, the only difference being the nature of the signs, positive or negative, attached to the outcome. Although this turns the scholarly clock back a generation or two, it serves the Manichaean purposes of political enthusiasts well.

Ignoring the pre-industrial and pre-democratic nature of Smith's thinking, it is not difficult to see how the enthusiasts have constructed their icon. For them, Smith is simply the apologist for liberal capitalism, the celebrant of the uninterrupted desire of individuals to better themselves, the spokesman for free trade, the opponent of mercantile regulation and the corporate state, a believer that consumers should not be sacrificed to the interests of producers, the upholder of limited government, and the castigatior of all governments as inherently profligate. His qualifications to *laissez faire* when dealing with the duties of the sovereign under the headings of justice, defence, education and public works are conveniently side-stepped. Yet Smith also told his students that "there are many expenses necessary in a civilised country for which there is no occasion in one that is barbarous". He believed that governments should be strong and adaptable, and their activities would expand - a view that is quite compatible with opposing detailed intervention in the economic field.

If Smith's priorities were to be used as criteria for judging the Thatcher revolution, some important changes in our industrial and political life since 1790 would no doubt present themselves to those who now see him as a prophet. For example, Smith did not live in the era of mass party organisation with the attendant need for business and trade union finance. He thought the "standing army" of such interests posed a threat to legislators. I doubt if he would be any less alarmed today. They might not be bargaining for legislative privileges, but they have been known to want special terms for taking public assets into the private domain; and they continue to put a suspiciously high value on the services of ex-ministers and civil servants.

What makes the choice of Smith for the role of liberal capitalist ideologue so inappropriate is his scepticism and moderation. Few philosophers with an equivalent interest in public affairs have been as mistrustful of the capacity of politicians to act on knowledge. (He was rather more optimistic about an ideal, even imaginary animal, called the "statesman") This has created another stereotype of Smith as deterministic - the invisible hand makes political agency seem pointless. Those who truly believe in immutable economic and moral laws do not have to search, as he did, for alternative ends or means.

A scrupulous administrator, as well as the archetypal absent-minded professor, Smith wrote no topical pamphlets (not even for the contemporary equivalent of the *Institute of Economic Affairs*). His achievement was essentially that of a highly observant but ever-systematising philosopher, 18th-century style. Uncertain about the projectability of his ideas into the future, and a confirmed anti-Utopian, politically he was some kind of Whig. He was neither a 19th century Liberal *avant la lettre*, nor, of course a Conservative. He was perhaps rather conservative in believing that changes should be introduced gradually and adapted to circumstances and feelings, but the conservatism was of a commonsense variety, quite unlike the mystical form given to it by Burke after the French Revolution.

Smith's criticisms of the conceited "man of system" who seeks to impose his plan of government wholesale, regardless of individual or collective interests, has often been cited against planners and theorists of the wrong persuasion. Yet it applies

against all enthusiasts - all conviction politicians one could say. But these remarks are in *TMS*, along with a good deal more about the corruption of our moral sentiments that goes with economic self-seeking and the propensity to defer to the rich and powerful. Appreciation of the incidental benefits of the pursuit of wealth was entirely compatible with concern about the undesirable effects of its attainment.

An instructive contrast can be drawn between the 1990 celebrations being mounted in this country by the *Adam Smith Institute* and business groupings, and one that has already taken place in Japan. The international conference in Nagoya (sponsored by private funds, I hasten to add) focussed on Smith himself, though with little hagiography and a good deal of attention being paid to both of Smith's main works. Smith has always provided the Japanese with an indirect means of discussing the problems of combining economic individualism, civil society, solidarity and citizenship. He has never been made to stand for free enterprise and minimal government alone.

While this no doubt speaks to the Japanese condition, it also suits the trend of scholarship in recent decades better. That scholarship has been marked by attempts to rescue Smith from those predominantly 19th century perspectives, Liberal or Marxian, which have dominated our thinking. That is why recent revivalism sets the clock back - strangely enough, by setting it forward from Smith's 18th-century world into a Victorian one that has become the focus for nostalgia. The black-and-white distinctions, especially those based upon anachronistic labels such as individualism and socialism, do not help us to understand Smith. It makes more sense to ask what kind of Whig he was, why commerce (not capitalism) was important to him, and why the American republic was the focus of many of his hopes.

Public choice theorists rightly see him as some kind of constitutionalist, yet have to concede that he is doctrinally unsound on other matters. For all his emphasis on individuals as producers and consumers, for example, he was not a thorough-going subjectivist in the Austrian manner, believing that there were no objective standards according to which behaviour could be judged. Moreover, it is precisely in that large intermediate arena between state and civil society that Smith is most interesting and was extraordinarily fertile in suggesting institutional expedients to link the two realms.

The left and right of our political spectrum find it hard to believe that Smith was not setting out to provide a moral justification for self-interest. Its pursuit was not even problematic. For as he said, "we are not ready to suspect any person of being defective in selfishness". More interesting were those aspects of social behaviour which required reinforcement through the operation of the impartial spectator. Smith was answering those who believed that all human behaviour could be deduced from self-interest, not joining them. Nor were all the unintended consequences of its pursuit beneficial, as his treatment of the effects of specialisation on the mass of society shows.

Some years ago, Sam Brittan gave convincing reasons why *WN* would not have qualified for an Economic and Social Research Council grant. As the member of a small philosophy department in a provincial university, Smith might even have been a candidate for early retirement. We must be thankful for the Scottish university system of his day that welcomed his existence. Although impartial spectators, as opposed to spokesmen for a corporate interest, may be as rare in universities as

statesmen are in a world of politicians, it is still worth encouraging them. If Smith was simply the person celebrated by the new right, or, for that matter, criticised by its opponents, his interest would have been exhausted long ago. The fact that this is not the case should ensure that Smith will still be celebrated, probably for different reasons, in 2090.

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