

The Moral And Political Foundations of *The Wealth of Nations*

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Athol Fitzgibbons, *Adam Smith's System of Liberty, Wealth and Virtue: The Moral and Political Foundations of the Wealth of Nations*, 1995 (Oxford : Clarendon Press), pp.vi + 214, ISBN 0-19-828923-5

I read Athol Fitzgibbons' book not long after contemplating the end of my own research programme on Adam Smith -- premature contemplation precipitated by reflection on Vivienne Brown's *Adam Smith's Discourse: Canonicity, Commerce and Conscience* (1994). According to Brown, who, by the way was strongly influenced by the philosophers Foucault, Bakhtin and Rorty, we cannot meaningfully grasp authorial intention, all the more so in Adam Smith's vast and diverse literary output. According to this perspective, reading Adam Smith's texts in the standard manner of historical reconstruction involves

"recovery or reconstruction of authorial intention, and this provides the goal, however elusive, of the interpretative process as well as the overarching criterion of assessment; those interpretations which are thought to provide a greater understanding of the author's intentions are those which are more highly valued. Once it is accepted, however, that language has a kind of fecundity with a potential proliferation of different readings, it is no longer axiomatic that the 'meaning' of a text is given by authorial intent. The notion of historical reconstruction then becomes deeply problematic because, without such an assumption, the author's intention becomes irrevocable and there are no means of testing an interpretation against it. All that is possible is the attempt to read the various texts with the greatest possible fidelity, but this leaves as an issue of judgment in each particular case just how those texts should be read. For this reason, the 'meaning' of a text is now seen as the product of a process of reading rather than implanted by the author in the act of writing." (Brown 1994, p.3).

Yet this goal, to recover Adam Smith's intention, is precisely the object of Fitzgibbons' book. Indeed, the first chapter, going by its title, seeks clarity on "Smith's Intention" (p.3), and its content amounts to dismissing the simplistic view that Smith deliberately "disguised his intentions" (p.10) in order not to have his ideas too closely associated with David Hume's. Having read Fitzgibbons' superb study in conjunction with Ian Simpson Ross' *The Life of Adam Smith* (1995) I am persuaded that Smith was in fact, on some substantial moral, political and economic matters, the best guide to his own work. The *Theory of Moral Sentiments*, for example, can be a guide to Smith's utterances in the *Wealth of Nations*. Vivienne Brown's admonition against searching for authorial intention suggests that Smith unwittingly used discourse to disguise his intentions; evidently, Smith's discursive practices were not self-conscious, despite the existence of his *Lectures on Rhetoric and Belles Lettres*.

Fitzgibbons demonstrates that there is another more fruitful way to understanding Smith which does not rely on a version of the current fad for discourse analysis or for

'deconstructing' Smith's language. For in the book under review, Smith's political economy is embedded in a larger intellectual context. The contemporary philosophical and religious background is fully investigated and "the great intellectual systems that Smith opposed" (p.v) are compared with an account of Smith's system.

From the beginning it is accepted that "there are extensive textual and intellectual overlaps between his [Smith's] books, essays and lectures (p.4); to ignore any aspect of his work would therefore render incomplete any explanation of the moral and political foundations of the *Wealth of Nations* (hereafter, *Wealth*). What follows is a masterly survey of the "character of Smith's system" which presents much new material on the eighteenth century intellectual context of the *Wealth*. This part of the book is especially engaging because it introduces a distinction between "Hume's nihilistic version of a liberal society" and Smith's "moral version of the liberal state" (p.15). This theme runs through most of the book. The *Lectures on Jurisprudence* and the *Theory of Moral Sentiments* are given close attention in these early chapters. Smith is distinguished from Hume by emphasising that Smith adopted a Ciceronian, stoic idea of virtue and an associated philosophy founded on Nature and natural religion (as opposed to Christian virtue where nature is apparently not relevant in this life). Smith did not follow Hume in a search for a positivist science of economic and social phenomena. Nevertheless he wished to provide a scientific basis for a moral, liberal system. Science for Smith "meant laws of Nature with a capital N" (p.18). It might be objected that Hume's vision for a liberal, wealthy society should be labelled 'nihilistic'; because since Hume could not analyse public morals in what he thought was a scientific manner he ignored them. Nihilism implies rejection of all existing principles, values and institutions, yet the liberal society Hume envisaged, while dispensing with moral absolutes, surely accepted some other value be it moral relativism or some other notion such as an inchoate utilitarianism? Fitzgibbons describes Smith's supposed, implicit attitude to Hume's vision as one based on a "dangerous liberal valuelessness" (p.20) which seems too strong for this reviewer. To be sure, Hume could not demonstrate that his liberal society "could be durable, or in other words consistent with virtue" (p.19). This is Fitzgibbons' fundamental point. However, was it Smith's intention to establish an intellectual system "to rival Hume's system of social science" (p.21) and to paint Hume's system as dangerous and valueless? It is hard to gather this conclusion from Hume's criticisms of parts of the *Theory of Moral Sentiments* and from the Hume - Smith correspondence (Ross 1995:179-83).

Notwithstanding concerns about Smith's intentions, this book reconstructs the underlying intellectual sequence in Smith's major works in an entirely convincing manner. The system of wealth and virtue is first constructed on laws of nature explicated in *History of Astronomy and Essays on Philosophical Subjects*. The moral code of a commercial society is established in *Theory of Moral Sentiments*. The *Lectures on Jurisprudence* "analysed the constitutional and cultural implications of the moral code". Finally, the *Wealth* "demonstrated the possibility of laws that would combine a moral culture with economic growth" (p.21 and figure 1 p.20). Commentators have often been perplexed by Smith's expressed desire not to promote materialism *per se*. (E.g. Hollander 1973:254). Donald Winch's (1983:502) study of the nature and scope of the "science of the legislator" approach to political economy goes so far as to point out that "Smith's advice to the legislator depends on considerations that do not flow from economic reasoning alone" (emphasis in original). Compared with Winch's contributions, a feature of this book is that it throws into sharp relief Smith's stoicism and its influence on his economic reasoning. That influence resulted in a system which was "not meant to promote materialism, but to provide a political and cultural alternative to Hume's godless commercial society and to the impoverished and violent world of the past" (p.32). While societal relief from material poverty mattered for Smith, it was not the only thing that mattered. Smith recognised that a society of the kind envisioned by Plato and Cicero would

have to resort to tyrannical, oppressive government so as to inculcate high virtue; in the circumstances, material advancement would not be rated highly (pp.47-48).

In formulating his concept of the impartial spectator Smith had produced a principle of moral impartiality which would protect fundamental human freedoms without the need for government oppression. The employment of sympathy by the impartial spectator "would bring virtue into everyday active life" (p.63), so much so that, to use Smith's phrase in the *Theory of Moral Sentiments*, "any passion whatever" may be admitted as a candidate for the operation of sympathy. To admit only the very highest degrees of Stoic virtue would be far too stringent and far too unbalanced given the imperfections of human conduct in everyday life. Fitzgibbons' crowning achievement is to bring out Smith's idea of moral impartiality in the *Theory of Moral Sentiments* and to show its congruity with what is written about human behaviour in the *Wealth*. Thus, in the account of chapter 5, it is explained how Smith adopted and modified Stoic philosophy in such a way that the "impartial spectator would still bring human motives towards the light of self-knowledge, as in the traditional [Stoic] theory of virtue, but by encouraging moderation and balance, rather than complete eradication, of the individual's natural desires" (p.61). And the inferior virtue paraded on the pages of the *Wealth* is mentioned by Smith in passing in the *Theory of Moral Sentiments*: "The most vulgar education teaches us to act upon all important occasions with some degree of impartiality between ourselves and others, and even the ordinary commerce of the world is capable of adjusting our active principles to some degree of propriety" (quoted at p.62).

If culture and laws were to be founded on moral impartiality and the pursuit of virtue in active life, a commercial society would be viable and enduring. Completely unpalatable for Smith were authoritarian solutions dependent on "military heroism or fatalistic virtue, or a commercial society based on self-love without any values at all" (p.94). Smith's science of morals is linked with the Smithian perspective on social and political laws in chapter 7. Jurisprudence was dependent on moral impartiality, that is, "impartiality with respect to others was justice, and self-command, which was evidently impartiality towards oneself, was the origin of the higher virtues". Moreover, "laws were derived from what the impartial spectator judged should actually be enforced" (p.98). Smith was mainly concerned with the general principles of jurisprudence rather than with black-letter, particular laws, although Book IV of the *Wealth* seems to be an exception. There follows a discussion of property rights and the possibility of commerce without virtue. The contrast between Smith's moral approach to economic growth in which commutative justice played a significant role and the "liberal valuelessness" of Hume is brought to the fore once again (pp.102-104). Fitzgibbons' sketch of the higher cardinal virtues (prudence, justice, beneficence and self-command) shows how these virtues buttress the laws of commutative justice already established. In all things Smith is depicted as a philosopher, adamant that liberalism and economic growth need not be accompanied by moral degeneration.

The chapter on the "Moral Foundations of Economic Growth" brings together many ideas which have appeared in less complete studies notably those of Rosenberg (1990), Prasch (1991), and Muller (1993). Here the distinction between self-love and self-interest is critical; the latter is not meant to connote pure greed because it mitigates self-love with Smithian virtue. Self-love is controlled through legal and non-legal forms of social control. Legal constraints emphasised preservation of commutative justice. Fitzgibbons corrects much secondary literature which presumes that Smith's *Wealth* was a rationalisation of capitalistic forms of economic organisation built on unconstrained greed and which equates self-love and self-interest. (See also Ross 1995: 418-419). That viable economic growth presupposed a compatible cultural setting is something this book brings into full view by a careful combination of materials from all of Smith's work, not just the *Wealth*.

In the *Wealth*, economic growth is closely connected to capital accumulation which was in turn dependent on the virtues of prudence and self-command. A balance of virtue in general and self-love in particular, was required for a viable commercial society. There is a critical examination of Hla Myint's early claim that Smith minimised the role of economic efficiency in the *Wealth*, and that instead, Smith stressed the importance of capital accumulation (pp.147-48). The critique provided is not very successful. Would that Myint (1977) had been consulted as well, for in that article Myint uses the distinction between efficiency and accumulation as an artificial expository device. Certainly the distinction is not made by Smith. Fitzgibbons proceeds to remark that "Smith had expected that the dismantling of the commercial system would liberate the British rural sector at the expense of manufacturing" (p.149). While this is correct as far as it goes, it is not the complete story because manufacturing was expected to flourish without encouragement. Hence Myint's (1977:240) research which portrays parts of the *Wealth* as a "study of the long-run mutual interaction between foreign trade and domestic economic development". According to Fitzgibbons, Smith was a "good Ciceronian" whose outlook connected virtue with rural life. Since mercantilism discriminated against rural activities, "Smith expected that free trade would reduce international exchange and encourage national autarky" (p.150, emphasis in original). At the very least, this statement deserved elaboration; it would seem valid only if discriminatory policies were maintained against agriculture in favour of international trade, but that would not be consistent with genuinely free trade. The statement appears invalid in the long-run when capital is sufficiently accumulated and allocated according to the principle of profit equalisation across sectors. At any moment of time, relative profit rates determine capital allocation. I find no textual evidence in the *Wealth* supporting the proposition that genuinely free trade must lead to autarky.

Several comments in this book about Smith's attitude to economic development through international trade seem curious. There is much literature on the 'dynamic' benefits resulting from an expansion of international trade. One of the more prominent arguments in the *Wealth* turns on widening markets and increasing opportunities for the division of labour (Bloomfield 1975:468-70; Elmslie and James 1993). By contrast, Fitzgibbons makes the extraordinary remark that "Smith..... did not advocate increased international trade" (p.188). This remark may be compared with a comment in the "Introduction" where it is foreshadowed that the book would show Smith as a proponent of "moral principles that would preserve cultural viability [and also] give the most encouragement to trade and economic growth" (p.16, emphasis added). The reader is left uncertain just how Smith could have constructed a "long-run programme for economic growth" (p.193) without advocating increased foreign trade at particular stages in a nation's economic development. Book II of the *Wealth* explains how capital, as it is accumulated, is to be allocated. Relative profit rates suitably adjusted for 'security' are crucial (Endres 1996). Smith denounced premature government encouragement of capital flows into one sector, or premature diversion of capital from one sector to another (e.g. to foreign trade) when relative profit signals did not dictate such allocations (*Wealth* II v.20 and IV ii.6 and *passim*). Otherwise foreign trading activities had a significant role in extending the market and the dynamic feedback effects on the growth of domestic agriculture and manufacturing would follow. We may agree with Fitzgibbons that there are no sections in the *Wealth* headed "The Optimum Allocation of Resources" (p.172), but the insight that resources yield the highest return if they are permitted to move freely to those sectors where profits are relatively highest, is available in the *Wealth*, most notably in Book II. The textual basis of Smith's position in favour of expanding international trade at the appropriate stage of a nation's economic development is well outlined in Myint (1977). Myint's summary judgement is worth quoting here in full: "Smith was concerned with the mutual interaction between foreign trade and domestic development. In order to bring out the effect of foreign

trade on domestic economic development, he required a conceptually 'open-ended' model of the economic system in which the *incomplete development* of the internal economic organization would leave room for its long-run productive potentialities to be brought out more fully by the forces introduced by foreign trade" (Myint 1977:242, emphasis in original).

The chapter on the "Principles of Economic Science" will be tantalising for those who have studied any aspect of Smith's economics in the *Wealth*. The view that "Smith was *not* an incipient neoclassical economist" (p.171, emphasis in original) is upheld. This is not surprising given the moral and political bases of the *Wealth* so well explained in earlier chapters. It appears preposterous that so many Nobel laureates in economics, and several leading historians of economics still hold to this anachronistic position on the *Wealth*. Of course, Smith did not list a comprehensive set of equations constituting a general economic equilibrium; he did not imagine such a set of equations let alone think they could be solved. This book demonstrates that Smith was unequipped, philosophically, to conceive of the economic system in these terms. But Fitzgibbons goes further. For while Smith saw interdependence between elements in the economy, "Smith's disinterest in complex causal relationships precluded him from drawing any theoretical conclusions from this general economic interdependence" (p.180). Are there not important theoretical conclusions drawn by Smith from a recognition of widespread economic interdependence? I will offer one example; many others could be presented from the *Wealth*: "the money price of corn regulates that of all other home made commodities". Smith proceeds to draw several conclusions: the money price of corn "regulates the money price of labour" and the "money price of all other parts of the rude produce of the land..." and so on (*Wealth*, IV.v.a.11). It would be difficult to maintain that these are anything other than 'theoretical' observations derived from a general perspective on economic interdependence.

A nice schematic presentation of the *Wealth* as a species of scientific economics is contained in Table 3 (p.187). By this late stage of the book the reader has imbibed a rich, persuasive narrative which places the *Wealth* in a context supported by Stoic virtues, albeit modified by Smith. In "contrast to the ancients, who had emphasised the virtue of their political elites, Smith emphasised the rule of law, and gave virtues the role of complementing the rule of law" (p.187). The Stoic virtues of justice, wisdom, temperance and courage are translated by Smith into liberal virtues: commutative justice, prudence, self-command and benevolence. The economic implications of these virtues are outlined for each part of the *Wealth*. Omitted from Table 3 are any implications for what is written in Book IV of the *Wealth*. There were important trade policy reform prescriptions in Book IV. What virtues were consistent with the legislative prescriptions contained therein? What were the implications of Smith's moral theory for his policy recommendations in Book IV? And finally, what were the connections between Smith's moral theory and the political implications of his advisory style as demonstrated in Book IV? I have made a very imperfect attempt to characterise Smith's advisory style elsewhere, unfortunately without the benefit of Fitzgibbons' insights (Endres, 1995). Propriety and wisdom seem to be an essential part of the Smithian political economist's armoury when policy prescriptions are made relating to particular black-letter legislative changes.

That Smith's rejection of mercantilism had a moral basis, that Smith did not adopt the Humean version of science and values (later adopted, in turn, by neoclassical economists) and that Smith developed a moral philosophy to underpin his economic reasoning in a manner which contrasts sharply with later classical economists - all these findings are now pillars cemented in the literature by the publication of this book. There may be some quibbles arising from J. S. Mill scholars who might object that Mill too had a moral theory upon which to base his political economy that we may call utilitarianism. Doubtless, the limitations of Smith's Ciceronian stoicism can be debated (pp.168-69). Fitzgibbons debates with Smith on these

matters and he also engages major contributions to the secondary literature where relevant. In doing so the reader is steeped in Smith's moral philosophy and comes closer to grasping Smith's intention.

To use a phrase once employed by David Hume to describe the *Wealth*, Adam Smith's *System of Liberty, Wealth and Virtue* "has depth, solidity and acuteness". Like Hume, one may not agree with everything that is central to a book contribution to appreciate its importance. Those historians of economics working on any aspect of the *Wealth* will find this book essential for their professional library. There have been some studies of Smith's intellectual system of late which reflect on the *Wealth* in the light of the 'whole' Smith (Muller, 1993) or in the light of interdisciplinary studies (Copley and Sutherland, 1995). Fitzgibbons' book is analytically superior to these other treatments.

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