

# THE POLITICAL ECONOMY OF ADAM SMITH

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Political Economy belongs to no nation; it is of no country: it is the science of the rules for the production, the accumulation, the distribution, and the consumption of wealth. It will assert itself whether you wish it or not. It is founded on the attributes of the human mind, and no power can change it.<sup>(1)</sup> In these words accompanying an admission that the Irish Land Bill, which he nevertheless defended on other grounds, 'offended against the principles of political economy' Mr. Lowe gave expression last session to the conception of one school of the followers of Adam Smith, that Political Economy is, not what Adam Smith called his own treatise, 'An Inquiry into the Nature and Causes of the Wealth of Nations,' but a final answer to the inquiry a body of necessary and universal truth, founded on invariable laws of nature, and deduced from the constitution of the human mind.

I venture to maintain, to the contrary, that political economy is not a body of natural laws in the true sense, or of universal and immutable truths, but an assemblage of speculations and doctrines which are the result of a particular history, coloured even by the history and character of its chief writers; that, so far from being of no country, and unchangeable from age to age, it has varied much in different ages and countries, and even with different expositors in the same age and country; that, in fact, its expositors, since the time of Adam Smith, are substantially divisible into two schools, following opposite methods; and that the method of one of them, of which the fundamental conception is, that their political economy is an ascertained body of laws of nature, is an offshoot of the ancient fiction of a Code of Nature and a natural order of things, in a form given to that fiction in modern times, by theology on one hand, and a revolt against the tyranny of the folly and inequality of such human codes as the world had known on the other.

No branch of philosophical doctrine, indeed, can be fairly investigated or apprehended apart from its history. All our systems of politics, morals, and metaphysics would be different if we knew exactly how they grew up, and what transformations they have undergone; if we knew, in short, the true history of human ideas. And the history of political economy, at any rate, is not lost. It would not be difficult to trace the connection between every extant treatise prior to the 'Wealth of Nations,' and conditions of thought at the epoch at which it appeared. But there is the less occasion, for the purpose of these pages, or of ascertaining the origin and foundation of the economic doctrines of our own day, to go behind the epoch of Adam Smith, that he has himself traced the systems of political economy antecedent to his own to a particular course of history, to 'the different progress of opulence in different ages and nations,' and 'the private interests and prejudices of particular orders of men.' What he did not see was, that his own system, in its turn, was the product of a particular history; that what he regarded as the System of Nature was a descendant of the System of Nature as conceived by the ancients, in a form fashioned by the ideas and circumstances of his own time, and coloured by his own disposition and course of life. Still less could he see how, after his time, 'the progress of opulence' would govern the interpretation of his doctrines, or how the system he promulgated as the system of liberty, justice, and divine benevolence, would be moulded into a system of selfishness by 'the private interests and prejudices of particular orders of men.'

'The Wealth of Nations,' says Mr. Buckle, 'is entirely deductive. Smith generalizes the laws of wealth, not from the phenomena of wealth, but from the phenomena of selfishness. He makes men naturally selfish; he represents them as pursuing wealth for sordid objects, and for the narrowest personal pleasures.'<sup>(2)</sup> This description is not misapplied to a political economy of later days, which has guided Mr. Buckle's interpretation of the system of Adam Smith; but with respect to that system itself, it involves two fundamental misconceptions. Selfishness was not the fundamental principle of Adam Smith's theory; and his method, though combining throughout a vein of unsound a priori speculation, was in a large measure inductive. The investigation which establishes this will be found also to exhibit the connection between his economic system and the chief problems pressing for solution in his time; the methods which the philosophy of the age provided for their solution; and the history and phenomena of the economic world in which he lived, and from which his ideas, his inductions, and his verifications were drawn.

One consideration to be carried in mind in the interpretation of the 'Wealth of Nations' is that its author's system of philosophy ought to be studied as a whole; his economic system was part of a complete system of social, or, as he called it, moral philosophy. Mr. Buckle, who on other points has much misconceived the 'Wealth of Nations,' properly says of it, and the 'Theory of Moral Sentiments,' that the two must be taken together and considered as one, both forming part of the scheme embraced in his course of moral philosophy at Glasgowa course which, it is important to observe, began with Natural Theology, and included, along with Ethics and Political Economy, the Philosophy of Law. Again, as his social philosophy should be considered as a whole, so the whole should be considered in connection with the philosophical systems or methods of investigation of his time. Two 'essentially opposite systems of reasoning respecting the fundamental laws of human society were before the world at that epoch, which may be respectively designated as the theory of a Code of Nature, and the inductive system of Montesquieu the former speculating a priori about 'Nature,' and seeking to develop from a particular hypothesis the 'Natural' order of things; the latter investigating in history and the phenomena of the actual world the different states of society and their antecedents or causes, in short, the real, as contrasted with an ideal, order of things. The peculiarity of Adam Smith's philosophy is, that it combines these two opposite methods, and hence it is that we have two systems of political economy claiming descent from him, of which Mr. Ricardo was the founder, reasoning entirely from hypothetical laws or principles of nature, and discarding induction not only for the ascertainment of its premises, but even for the verification of its deductive conclusions; the other of which Malthus in the - generation after Adam Smith, and Mr. Mill in our own, may be taken as the representatives combining, like Adam Smith himself, the *a priori* and the inductive methods, reasoning sometimes, it is true, from pure hypotheses, but also from experience, and shrinking from no corrections which the test of experience may require in deductions. Of the two schools, distinguished by their methods, the first finds in assumptions respecting the nature of man, and the course of conduct it prompts, a complete 'natural' organization of the economic world, and aims at the discovery of 'natural prices,' 'natural wages,' and 'natural profits.'

An examination of Adam Smith's philosophy enables us to trace to its foundation the theory upon which the school in question has built its whole superstructure. We shall see that the original foundation is in fact no other than that theory of Nature which, descending through Roman jural philosophy from the speculations of Greece, taught that there is a simple Code of Nature which human institutions have disturbed, though its principles are distinctly visible through them, and a beneficial and harmonious natural order of things which appears wherever Nature is left to itself. In the last century this theory assumed a variety of forms and disguises, all of them, however, involving one fundamental fallacy of reasoning a priori from assumptions obtained, not by the interrogation but by the anticipation of Nature; what is assumed as Nature being at bottom a mere conjecture respecting its constitution and

arrangements. The political philosophy flowing from this ideal source presents to us sometimes an assumed state of nature or of society in its natural simplicity; sometimes an assumed natural tendency or order of events, and sometimes a law or principle of human nature; and these different aspects greatly thicken the confusion perpetually arising between the real and the ideal, between that which by the assumption ought to be and that which actually is. The philosophy of Adam Smith, though combining an inductive investigation of the real order of things, is pervaded throughout by this theory of Nature, in a form given to it by theology, by political history, and by the cast of his own mind. 'The great and leading object of his speculations,' says Dugald Stewart, by no means intending a criticism, for Mr. Maine had not then explored the fallacies lurking in the terms Nature and Natural Law, 'is to illustrate the provisions made by Nature in the principles of the human mind, and in the circumstances of man's external situation, for a gradual and progressive augmentation in the means of national wealth, and to demonstrate that the most effectual means of advancing a people to greatness is to maintain that order of things which Nature has pointed out.' At the end of Book IV. of the 'Wealth of Nations' we find the Code of Nature and its institutions definitely marked out: 'All systems either of preference or restraint being completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. According to the system of natural liberty, the State has only three duties to attend to:' namely, to protect the nation from foreign aggressions, to administer justice, and to maintain certain great institutions beyond the reach of individual enterprise a supposed natural limitation of the province of law and government which has been the cause of infinite error in both theoretical political economy and practical legislation.

The same fundamental conception pervades both Smith's system of ethics and his philosophy of law. Investigating the character of virtue, he treats first of 'the order in which Nature recommends objects to the care of individuals' for their own personal happiness; next, of 'the order which Nature has traced out for the direction of our powers of beneficence: first, towards other individuals; and, secondly, towards societies.' So, in the description given by himself of his proposed history of jurisprudence, he states that 'every system of positive law may be regarded as a more or less imperfect attempt towards a system of natural jurisprudence;' and that the main end of jural inquiry is to ascertain 'what were the natural rules of justice, independent of all positive institutions' a description, perfectly coinciding with Mr. Maine's, of the place which the law of Nature filled in the conception of the Roman jurist. 'After Nature had become a household word, the belief gradually prevailed among the Roman lawyers that the old Jus Gentium was in fact the lost Code of Nature. The Roman conceived that, by careful observation of existing institutions, parts of them could be singled out which either exhibited already, or could by judicious purification be made to exhibit, the vestiges of the reign of Nature.'<sup>(3)</sup>

But abstraction would never have played so great a part in Adam Smith's philosophy, would never have resulted in such sweeping generalizations respecting the beneficent and equitable economy resulting from the play of the natural inclinations and individual interests of men, had not the classical conception of Nature's harmonious code become blended with the theological conception of 'that great, benevolent, and all-wise Being, who directs all the movements of Nature, and who is determined to maintain in it at all times the greatest possible quantity of happiness.' Ideas thus derived from early philosophy became converted into the plans of Providence. Mr. Buckle displays less than his customary erudition when he states that theology had been finally separated from morals in the seventeenth century from politics before the middle of the eighteenth.

Natural theology makes the first part of Adam Smith's course of moral philosophy, and its principles pervade every other part. The law of Nature becomes with him an article of religious belief; the principles of human nature, in accordance with the nature of their Divine Author, necessarily tend to the

most beneficial employments of man's faculties and resources. And as the classical conception of Nature supposed simplicity, harmony, order, and equality in the moral as in the physical world, in Adam Smith's philosophy it becomes associated with divine equity and equal benevolence towards all mankind, and by consequence with a substantially equal distribution of wealth, as the means of material happiness. Nothing, therefore, is needed from human legislation and this conclusion was powerfully fortified, as we shall afterwards see, by the political ideas of the age beyond the maintenance of equal justice and security for every man to pursue his own interest in his own way. In the 'Wealth of Nations,' after laying it down that every individual endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value, and Therefore necessarily labours to render the annual revenue of his own nation as great as he can, Adam Smith adds: 'He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry that its freedom may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.'

So in the 'Theory of Moral Sentiments':<sup>(4)</sup> 'The produce of the soil maintains at all times nearly that number of inhabitants which it is capable of maintaining. The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and, in spite of their natural selfishness and rapacity, though they mean only their own conveniency, though the sole end which they propose from the labours of all the thousands whom they employ be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life which would have been made had the earth been divided into equal portions among all its inhabitants; and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species. When Providence divided the earth among a few lordly masters, it neither forgot nor abandoned those who seemed to have been left out in the partition.'

The mischief done in political economy by this assumption respecting the beneficent constitution of Nature, and therefore of all human inclinations and desires, has been incalculable. It became an axiom of science with many economists, and with all English statesmen, that by a natural law the interests of individuals harmonize with the interests of the public; and one pernicious consequence is, that the important department of the consumption of wealth has though Mr. Lowe properly includes it in his definition of political economy been in reality either altogether set aside, as lying beyond the pale of economic investigation, or passed over with a general assumption, after the manner of Mandeville, that private vices are public benefits. The real interests which determine the production, and subsequently, in the course of consumption, in a great degree the distribution, of wealth, are the interests of consumers; although the truth is veiled by the division of labour, the process of exchange, and the intervention of money, which makes wealth in the abstract, or pecuniary interest, seem the motive of producers. If every man produced for himself what he desires to consume or use, it would be patent how diverse are the interests summed up in one vague general term, self-interest interests which vary in different individuals, different classes, different nations, and different states of civilization. And economic investigation would long since have penetrated beneath the surface of pecuniary interest to the widely different character of the real aims determining the nature and uses of wealth, but for that assumption of an identity between public and private interest which Adam Smith's authority converted into an axiom. Under its influence we find him assuming that the great landowners of the sixteenth century, in enclosing their 'manors and dismissing tenants, retainers, and labourers, to purchase luxuries for themselves, employed no less national labour than before; although the land fed sheep instead of men, and the wool of the sheep, in

place of clothing labourers at home, went from the country to foreigners in exchange for wines, silks, velvets, and trinkets, for the personal consumption of the lord of the manor. When William the Conqueror afforested at once some three-score parishes, he did only what landowners have done from the fifteenth century to the present time. To take the children's food and give it unto dogs is, by this reasoning, to give it back to the children!

The Nature hypothesis had, however, with Adam Smith another powerful ally besides theology in the idea of liberty. The idea of civil and religious liberty, of resistance to arbitrary government and unequal laws, of confidence in individual reason and private judgment as opposed to the dictates of external authority, had begun even in the seventeenth century to spread from the world of religion and politics to the daily business of life. At the beginning of the second half of the eighteenth century the predominant form which this idea took was the liberation of individual effort in the world of industry and trade from oppressive restrictions and arbitrary and unequal imposts; and it found in the Code of Nature a quasi-philosophical basis on which to build a complete economic 'system of natural liberty.' The French Revolution, of which the seeds were then being sown by the Economistes (or Physiocrates, as they were afterwards called, from the name they gave to their system, a name denoting the government of society by nature or natural laws), was, in its origin, an economic revolution, a 'rebellion of the belly,' stirred up *ab initio* by the Economistes, who saw in the fetters and insecurity of industry the cause of the poverty of France, and in the superior freedom and security of its cultivators and tradespeople the secret of the superior prosperity of Great Britain. Living in such a world of human misgovernment and suffering toil, beholding, as the Physiocrates did, all the natural sources of wealth locked up by human laws, it is not surprising that the doctrine of a Code of Nature, of natural rights of liberty and property, of a natural organization of society for the increase of human prosperity and a just distribution of the fruits of the earth and of industry, came upon them like a new revelation, and carried the authority of one. Thus, like Adam Smith, on whom their doctrines had no small influence, the Physiocrates invested the ideal Code of Nature, which had come to them through the lawyers of their country from the jurisprudence of Rome, with a divine origin, and found in it a complete circumscription and definition of the province of human sovereignty. The three same fundamental conceptions derived from the three same sources from Graeco-Roman speculation, from Christian theology, and from the revolt of the age against arbitrary interference with private industry and unequal imposts on the fruits of labour, formed the groundwork of the political economy of Adam Smith and the Physiocrates: the sole difference in this respect is, that the latter gave the name political economy to the whole of social philosophy, while Adam Smith limits the particular name to a department of social philosophy relating to wealth, and that they enunciated these doctrines as laws of Nature and God with more passionate emphasis. Adam Smith had not derived any of the three fundamental ideas of his political economy from the Physiocrates for those ideas came to both from the history and philosophy of the past, and from the circumstances of the age but he was strongly confirmed in them by his visits to France, his personal intercourse with them, and his study of their writings; he caught from them, moreover, not only particular propositions and expressions, but something of the form which his doctrine of natural distribution has taken, and also the precise limitation which he gives to the functions of the State.

Smith was himself so sensible of his debt to the Physiocrates, that he not only speaks of Quesnay's system as 'the nearest approximation to the truth that had been published upon the subject of political economy,' but was prevented only by Quesnay's death from dedicating to him his own great treatise. He was, however, under a much more solid obligation to a much greater Frenchman, the illustrious Montesquieu. Mr. Buckle, who in his excellent chapters on the 'Intellectual History of France' justly traces to England the origination of the spirit of liberty which in the eighteenth century took possession of French philosophy, nevertheless does injustice at once to France and to Great Britain in overlooking



the influence of Montesquieu over Scotch philosophy in Adam Smith's age. And the same oversight, coupled with a view of political economy which Mr. Buckle himself adopted from Ricardo and his school, leads him to describe Adam Smith's method as entirely deductive. The philosophy of Great Britain, Mr. Buckle affirms, owes nothing to France; and he represents the intellect of Scotland as having~ under clerical guidance, become wholly deductive, referring as a crucial example to Adam Smith, Scotland's most eminent political philosopher. The clerical system of deductive reasoning certainly runs through and warps the whole philosophy of Adam Smith. Nevertheless, his philosophical love of truth, and of interrogating nature itself in its real phenomena, and the inductive method of doing so which Scotch philosophy in his age had adopted from Montesquieu, preserved him from many errors into which the method of deduction from assumptions respecting Nature and its laws has led one school of his followers, which at the present day is not backward in claiming the clerical prerogative of orthodoxy. It has already been observed that two opposite systems of reasoning were before the world in Adam Smith's age, and that he combined them both the system of reasoning from a theoretical law of Nature, and the historical inductive method of Montesquieu, which traces the real order of things, and seeks in the circumstances and history of society the explanation of its different states in different ages and countries. The latter method had a powerful attraction for a new school of political and jural philosophy in Scotland to which Adam Smith belonged. Lord Kaimes, his literary patron, and Millar, his own pupil, alike followed Montesquieu's method. Dalrymple, also a disciple of Lord Kaimes, states in the dedication of his `History of Feudal Property` a work which seems to have afforded Adam Smith not a few important suggestions that much of his manuscript had actually been `revised by the greatest genius of the age, President Montesquieu.' And Millar expressly states that in his lectures on the Philosophy of Law, his great master `followed the plan which seems to have been suggested by Montesquieu; endeavouring to trace the gradual progress of jurisprudence from the earliest to the most refined ages, and to point out the effect of those arts which contribute to subsistence and to the accumulation of property in producing corresponding improvements in law and government.' But, as Mr. Buckle himself says, Adam Smith's political economy and the rest of his philosophy were `part of a single scheme.' And a comparison of Books iii., iv., and v. (chapter i.) of the `Wealth of Nations' with Adam Smith's own description, on the one hand, of the work he had previously contemplated on the History of Law, and Millar's account of his lectures, on the other, shows how closely connected were his economic and his jural researches. So closely indeed were they so, that internal evidence confirms the statement of Dugald Stewart, that he actually published in the `Wealth of Nations' a valuable part of the work he had long before announced on the jural history of mankind; and we have in this fact a probable explanation of the story that he destroyed a few days before his death the manuscript of his lectures on jurisprudence. He preserved in the `Wealth of Nations' what he probably thought their most valuable results. [\(5\)](#)

The problem which Adam Smith proposed to himself was by no means only the illusive one, What is a priori the order of Nature, or `the natural progress of opulence?' He inquired further' What had been the actual order of things, the actual progress of opulence, and its causes?' What had occasioned the slow progress of Europe from the time of the barbarian conquests down to modern times? What the more rapid advance of Great Britain than of France and other parts of the continent? To answer these inquiries he subjected the phenomena of history and the existing state of the world to a searching investigation, traced the actual economic progress of different countries, the influences of laws of succession, and of the political distribution of property, the action and reaction of legal and industrial changes, and the real movements of wages and profits so far as they could be ascertained. Nor was he content with the inductions of the closet from written evidence though necessarily the most important field of inductive investigation in social philosophy he compared all the phenomena which careful personal observation, both in his own country and in France, had brought under his view. In short, he added to the experience

of mankind a large personal experience for inductive investigation. Even the Physiocrats, although their study of actual phenomena was much less comprehensive and minute, though they were far more given to accepting at once their own unverified ideas as laws of nature, yet by no means neglected experience entirely. They had studied the economic condition of their own country, and compared it with what they knew of Great Britain; and they believed their theories of the natural order of things founded on the evidence of the results of interference with industry and spoliation of its fruits on the one hand, and of individual liberty and security of property on the other. The extent to which observation guided their doctrines is remarkably illustrated by their division substantially into two schools, whose conclusions, though converging in the main, were reached by different paths of personal experience, and moulded by it. Quesnay, the son of a small farmer, reared in the country amid the sufferings of the peasantry and the stagnation of agriculture under despotic restriction and ruinous imposts, and knowing of what imprisoned riches the soil was possessed, taught that land was the sole original source of wealth, agriculture the sole really productive employment, to whose fruits other industries gave only changes of form or place. Gournay, on the other hand, a merchant himself, and of a line of merchants, made the freedom of trade his staple doctrine, and summed up in the maxim, *Laissez faire et passer*, the duties of government.<sup>(6)</sup> The distinction exemplifies, moreover, that influence of personal history on the forms of political economy to which reference has been made.

There ran thus through the political economy of both Adam Smith and the Physiocrats, though much more extensively and systematically in the former, a combination of the experience philosophy, of inductive investigation, with *a priori* speculation derived from the Nature hypothesis. Hence, while on one hand the inductive method preserved the great Scotchman from grave errors into which not a few of his English followers in the mother-country of inductive philosophy have been led by the *a priori* method, on the other hand the bias given by preconceived ideas was so strong in the case of Smith himself, as to cause him to see in all his inductions proofs of a complete code of nature of a beneficent order of nature flowing from individual liberty and the natural desires and dispositions of men. Like the Physiocrats, he blended the so-called 'evidence,' or self-evidence, of the law of nature in itself, with the evidence of phenomena carefully collated and sifted. The truth is, that Smith wrote before the physical sciences had developed canons of induction, and he thought an induction complete when he had obtained an immense number of instances, and a theory proved when it seemed to fit every observed case. Throughout history, and over Europe, he saw nothing but disorder and misery from such human legislation as the world had known, wherever it went beyond protecting personal liberty and property; he saw on all sides a mass of poverty traceable to State interference; the only sources of whatever wealth and prosperity existed were the natural motives to industry, and the natural powers of production of individual men, and he leaped to the conclusion that nothing was requisite but to leave Nature to itself, that complete harmony existed between individual and public interests, and that the natural conduct of mankind secured not only the greatest abundance, but an equal distribution of wealth. He thought he found in phenomena positive proof of the Law of Nature, and of the character of its enactments. We find here the explanation of the seeming contradiction which Adam Smith's combination of the theory of natural Law with the inductive historical method gives to Mr. Maine's proposition 'that the book of Montesquieu, with all its defects, still proceeded on that Historical Method, before which the Law of Nature has never maintained its footing for an instant.' It is incontrovertible that historical investigation convicts the Nature hypothesis of reproducing a mere fiction of ancient philosophy; nevertheless Adam Smith, partly under the bias given by the theory itself, partly because the method of interrogating Nature itself was new, and the canons of induction unsettled, conceived that the method of Montesquieu proved the truth of the theory of Nature; in short, that nature, when interrogated, confirmed his anticipations of Nature.

One cause of the misconception that Adam Smith's economic method was one of mere a priori deduction is the arrangement he has adopted in the order of the five books of the 'Wealth of Nations.' In the order of logic the third and fourth books come before the first and second. They contain the induction on which is based the conclusion that the State has only to protect individual liberty, and the natural effort of every individual to better his own condition, in one word (with which his first book begins), labour will supply in the most ample manner all the necessaries and conveniences of life, will divide its functions spontaneously in the best manner, and will distribute its produce in a natural order, and with the utmost equality. It has already been suggested that no such complete organization for the distribution of wealth is made by individual action, or what Adam Smith called Nature. Mr. Mill has shown the fallacy of defining political economy as the science of exchanges; a definition which, besides omitting some of the most important conditions determining the production of wealth, overlooks the truth that human institutions, laws of property and succession, are necessarily chief agencies in determining its distribution. And it affords an instructive exemplification of the two methods which Adam Smith combined, *a priori* deduction from supposed principles of Nature, and inductive investigation of facts, that when the order of Nature is present to his mind, he finds a complete natural organization for the distribution of wealth, and no function for the State in the matter; but when he traces the actual progress of opulence, his readers are confronted at once with laws of succession, to which he traces the slow and irregular course of European progress after the barbarian conquests; laws founded on those conquests, and designed to perpetuate the unequal distribution of wealth they effected; laws which are potent agencies in the distribution of wealth in England to this day, and in the determination of its whole social and industrial economy.

But even while tracing in his first book the 'natural' distribution of wealth by exchange, or as he expresses it, 'the order according to which the produce of labour is naturally distributed among the different ranks of the people,' Adam Smith has been preserved by the inductive method which he combined with a priori deduction from enormous fallacies into which the school of Ricardo has since been betrayed by their method of pure deduction. The ancient theory of natural law involved the idea of uniformity and equality; and this idea in Adam Smith's case was powerfully reinforced both by that of an ideal order deducible from the equity and equal benevolence towards mankind of the Author of Nature, and by the love of system, symmetry, and harmonious arrangement which plays a conspicuous part in the 'Theory of Moral Sentiments,' because it did so in the author's own mind. With all these conceptions the theory of a complete equality of the advantages and disadvantages of different human occupations, and an equality, in that sense, of wages and profits, had obviously a powerful attraction for Smith. It affords surprising evidence of his true philosophical spirit of inquiry into facts that he should nevertheless have denied the actual equality of wages and profits, traced the great actual inequalities to their causes, and defined the conditions of equality and inequality, and the actual effect of industrial progress on these movements, in such a manner as to indicate the very progressive divergence which can be shown to have since taken place, and which a school of modern economists not only ignores, but sometimes angrily denies, as inconsistent with its a priori deductions. Adam Smith, for his own part, not only limited ab initio the tendency to equality to what was practically the same neighbourhood, but pointed out that the kingdom was in fact divided into a number of different neighbourhoods with very different rates. Secondly, he traced many of the actual inequalities to pernicious institutions, a class of causes of inequality which later economists have done much to perpetuate by affirming a substantial equality. Thirdly, in place of insisting that competition alone determines the rate of wages, and gives the labourer the utmost value of what he produces, Adam Smith maintained that combination on one hand, tacit or open, on the part of employers, was the normal condition of things; while, on the other, the necessitous position of the labourer exposed him to the exaction of very unequal terms. Fourthly, he expressly confined the tendency to equality in the case of both wages and profits, even where



competition was in full and free activity, to a stationary and simple condition of the industrial world. Fifthly, he showed that in place of equalizing wages, industrial progress had already produced great inequalities in England, and was beginning to do so in Scotland.

After observing that the price of labour varied much more in England than in Scotland, he adds: 'In the last century the most usual day wages of common labour through the greater part of Scotland were sixpence in summer and fivepence in winter. Three shillings a-week, the same price very nearly, still continues to be paid in some parts of the Highlands. Through the greater part of the low country the most usual wages of common labour are now eightpence a-day; tenpence, and sometimes a shilling about Edinburgh, in the counties which border upon England, and in a few other places where there has lately been a considerable rise in the demand for labour, about Glasgow, Carron, Ayrshire, &c. In England the improvements of agriculture, manufactures, and commerce began much earlier than in Scotland. The demand for labour, and consequently its price, must necessarily have increased with those improvements.'

Manufactures and trade on a great scale were only beginning in Scotland; the steam-engine had not yet been brought to bear on the mine or the loom when the 'Wealth of Nations' was composed; and the great inequalities in the local demand for labour throughout the kingdom, which have followed in the wake of steam, were yet to appear. Adam Smith, in truth, lived in a very early industrial world; the only steam-engine he refers to is Newcomen's; the word 'manufacture' had not lost its true meaning and become as inappropriate as hideous. In the clothing manufacture, he expressly says, the division of labour was nearly the same as it had been for a century, and the machines employed were the same; adding that only three improvements in them of any importance had taken place since the reign of Edward IV. In place of the infinite diversities of complexity and difficulty in the different employments of capital which have followed the progress of mechanics and chemistry, all modes of employing capital were, he says, about equally easy. The foreign trade of the kingdom was so small that he computed the annual importation of corn at only 23,000 quarters, and concluded that the freest importation never could sensibly affect prices in the home market.

In short, he applied the doctrine of equality only to a simple and almost stationary condition of industry and neighbourhood trade, in which few changes in the mode of production or the channels of trade took place from one century to another, and in which the inhabitants of each neighbourhood might comparatively easily estimate the profits and prospects of each different employment; and even to such a world, only with many modifications and exceptions. To such a world, in positive terms, he limited the tendency to equality which has been made by his successors, not only an unconditional assumption, but the basis of finance. The truth is, that the doctrine of a tendency to equality is a mere theorem in political economy; and a theorem which imports the tendency only under special conditions well enunciated by Adam Smith conditions the opposites of those which prevail in the present industrial world.

A state of the industrial world which was exceptional in Adam Smith's time is the normal state in our own; and it is certain, both from his positive doctrine and from his close attention to the realities of life, that had he lived even two generations later, his general theory of the organization of the economic world and the results of the competition for economic life would have been cast in a very different mould. Alike in the theory of Nature which pervades his entire philosophy of society, and in his general conceptions of the industrial world, we trace the influence of the early world in which he lived. One striking example of this is that one-half of society has been almost entirely overlooked in his philosophy. His language appears at first sight to point to unrestricted liberty as the unconditional principle of a true political economy, and the indispensable requisite of the full development of the economic resources of nature; but on closer inspection it will be found that where he speaks of 'the natural effort of every

individual to better his own condition, when suffered to exert itself with freedom and security,' as the cause of national wealth and prosperity, he had only the half of the nation denoted by the masculine pronoun in his mind; he meant only what he elsewhere says, 'the natural effort of every man.' He seems to have been perfectly content though it involves an inconsistency which is fatal to his whole theory with the existing restraints on the energies of women; and the only effort on the part of a woman to better her own condition which he has in view is 'to become the mistress of a family.' In the only passage in the 'Wealth of Nations' in which women are referred to, we discover at once how far was he from having developed universal laws of industry and wealth, how far he was from escaping from the ideas of a primitive world. 'There are,' he said, 'no public institutions for the education of women, and there is accordingly nothing useless, absurd, or fantastical, in the common course of their education. They are taught what their parents or guardians judge it necessary or useful for them to learn, and they are taught nothing else. Every part of their education tends evidently to some useful purpose either to improve the natural attractions of their person, or to form their minds to reserve, to modesty, to chastity, and to economy; to render them both likely to become the mistresses of a family, and to behave properly when they have become such. In every part of her life a woman feels some convenience or advantage from every part of her education.'

Although 'the obvious and simple system of natural liberty' is the foundation of Smith's whole system, though he regarded it as the law of the beneficent Author of Nature, it turns out that he applied it only to one-half of mankind. The reason is that the law and the exception alike came to him from the age in which he lived, and the ideas of a yet earlier state of society. The insurrection against the oppressive and unequal economic regime of the past was as yet only on the part of men; and the very theory of the Law of Nature which men invoked for their own emancipation, as it was the offspring of the speculation of the ancient world, so it bore the impress of its narrowness and injustice.

#### NOTES:

1. *Speech on the Irish Land Bill*, April 4th, 1870.
2. *History of Civilization in England*, i. 228; ii. 449.
3. *Ancient Law*, pp. 56, 88.
4. *Theory of Moral Sentiments*. Part iv., chap. i.
5. An eminent Scotch philosopher of the present day, Mr. Alexander Bain, has expressed to me a doubt that Adam Smith destroyed anything which he considered valuable; adding, that he was little disposed to consider anything to which he had given research and thought of small value. The preservation of the chief results of his jural studies in the *Wealth of Nations* reconciles Mr. Bain's opinion on this point with the destruction of the manuscripts, of which there seems to me conclusive evidence.
6. *Les Économistes Français du XVIII<sup>me</sup> Siècle*, by M. Léonce de Lavergne, pp. 173-6.

Entangled Political Economy, the idea that the economy and the polity are a nexus of interrelations often with unplanned outcomes, is close to the concept of economics that Adam Smith presents, a concept which was not shaped by strict discipline barriers. I show that Adam Smith analyzes the nature and causes of the wealth of nations by analyzing the interaction of the economy with politics, ethics, and the law. In particular, Smith presents each of these systems as a network of relations with all the other systems: the economy is entangled not just with the polity, but also with other systems Smith was a Classical political economist (Mill, Locke). These ideas were subsequently developed by Neo-classical economists during the marginal revolution (Marshall, Jevons) and transformed into a political prescription by Libertarians and Austrian economists (Menger, Walras). Keynesians challenge this premise, however, they are incorrect and an example is concisely described in the Grand Failure (Zbigniew Brzezinski). People acting on their own enlightened self interest are contrary to the general good of society as a whole. Adam Smith pointed out just the contrary. Smith said when you give people freedom, economic freedom which means no or low taxes, because people are good in nature, people will do things unconsciously for the greater good.