

## Adam Smith's Lost Legacy

# Adam Smith's Lost Legacy

By Gavin Kennedy

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*For Ron*  
*1936-1990*

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# Preface

This essay is about what Adam Smith (1723–1790) wrote or spoke about, and it criticises misleading ideas attributed to him, some of which were total inventions. By making the man and his work accessible to intelligent readers, I hope and intend that his legacy in some measure will be restored to him.

I approach Smith from a different perspective to his early biographers,<sup>1</sup> who left out important aspects of his life. Circumstantial evidence shows that, circumspect to a fault, he hid important sides of himself. He left Oxford in 1746 and accepted powerful political patronage to assure his election to a professorship in 1751. He deliberately failed to produce his history of jurisprudence despite keeping the pretence going that it neared completion until a few months before his death.

Because philosophy and economics could easily become a ‘lifeless’ story of disembodied ideas, I follow Smith’s habit of introducing little diversions. His university audiences, mainly of young boys (14 to 17), had short attention spans and he believed his diversions helped their recollection of his serious points. One former student, James Boswell, reported Smith mentioning that Milton did not wear buckles but tied his shoes with string. Many years later Boswell still remembered Milton’s aversion to buckles, though whether Smith’s other students remembered anything else about Milton is not known.<sup>2</sup>

The main thrust of my argument is that Smith wrote for his times, not ours, and he wrote too when religious superstition dominated the beliefs and attitudes of men and women to a degree not easily appreciated by some scholars<sup>3</sup> living in secular democracies today. The rabid hostility to dissenters in this life, and warnings of hell and damnation in the next, were very real personal threats, which emotionally and physically cowed Smith and his contemporaries (but not David Hume) into circumspection. He remained determined never to cause offence to the Church, not least to protect the sensibilities of his religious mother, but also to avoid persecution by zealots, of which Scotland had plenty at the time.

Unlike Karl Marx, Smith did not see philosophers having a self-appointed mandate to change the world; he showed why it should be changed, gradually, by persuasion. Smith felt that the scope for perfection in the human condition was limited. To anybody who listened to his lectures or read his books, he shed a healthy dose of realism about human nature, when he showed how the ‘great orders’, or classes, of society managed their relations. What *could* be changed by deliberate human intention he felt fell far short of what *should* be changed, and

what was changed in practice would always disappoint those who wanted everything to change in a hurry.

Perhaps by the third centennial anniversary of *Wealth of Nations* in 2076, the distinguished participants will convene to celebrate what Adam Smith actually intended and not merely to recount the fables created by those who misappropriated his legacy. That is my motive for writing *Adam Smith's Lost Legacy*.

# Acknowledgements

No book is an author's sole creation. Ideas, notions, feelings, themes and approaches mesh around in the background of the mind and memory, sometimes for many years, more than half forgotten, occasionally rising to the surface of the author's attention, only to be drawn back down from whence they came and to where they rest again until recalled for their next moments of attention.

My interest in Adam Smith began while an undergraduate student of economics in the 1960s under Professor (later Sir) 'Ken' (Kenneth) Alexander. Those were the high tide days of 'Keynesian Public Finance, and the 'enemies', much mocked, were the 'Classical' economists, a vague term of scholarly abuse that brooked no doubts about their errors, if not moral sins. Nobody required us to read anything written by this discredited school; we were only required to know their errors. To my lasting regret, I only found out later what Smith and others wrote by studying their original works for myself, years after graduation. No classes were offered in the history of economic ideas in any university I have studied in or taught at, though I have benefited from correspondence and the exchange of published and unpublished papers with several colleagues in a 'quasi-underground' of individuals interested in the ideas and interpretations of the past giants in our profession.

In prime position among colleagues who have contributed to the germination of my ideas into *Adam Smith's Lost Legacy*, and to whom my debts can only be acknowledged inadequately, is Professor Sir Alan Peacock, a scholar interested in ideas for their own sake and not for personal adornment. His books on public finance and classical economic theory were great sources of enlightenment over the years that I taught economics and on many occasions since we became colleagues at Heriot-Watt University, including from his selfless loan of books from his library on Smith. He read and commented on most chapters and corrected them by his questioning of those ideas that lacked the necessary strength to go out into the world on their own. He is, of course, absolved from my disregarding his advice on some few occasions – a dangerous hubris in any author – but he can claim credit for any merits you may find in this book.

I have also been appreciative of the stoical patience of Professor Alan Thompson, for allowing our discussions to be hijacked for three years by 'das Adam Smith subject', for his comments on various themes, and for his corrective suggestions about what Smith would have called the proprieties of leaving statements as I originally wrote them. Dr. Hamish Thompson (University of Western Kentucky), provided a philosopher's slant on Smith's essay on astronomy and pointed out where David Hume took a critical stance on Smith's theme of the 'connecting chain of events'.<sup>4</sup>

Charles Ritchie read early drafts of the book. His frank comments on my grammar and style would have pleased Adam Smith, the rhetorician. Professor Keith Lumsden, Director of Edinburgh Business School, was indulgent of my wandering attention to my School duties for three years. His encouragement of the project from its start is most appreciated.

Sally MacLeod, PA to the Executive Board, managed to keep my day job on an even keel while I juggled many demands on my time associated with the final stages of preparing the manuscript. I am also grateful for the assistance of Connie Anderson at EBS who piloted the manuscript, kept it in order and delivered it to the Publisher with her usual professional coolness. Thanks must go to Amanda Hamilton, the commissioning editor from Palgrave who said 'yes' to the concept of the *Lost Legacy* and encouraged me throughout its transformation into a publishable project, and also to Dr Stephen Lloyd, Senior Curator at the Scottish National Portrait Gallery, who introduced me the gallery's collection of prints and Tasse medallions of Adam Smith, almost bringing him to life with his obvious enthusiasm.

Professors Brian Main, David Simpson, Patrick O'Farrell, and Alexander Scott read versions of the book during its genesis and I have incorporated many of their suggestions.

An anonymous referee made many helpful and positive suggestions (some of them in the form of imperatives!) and I am extremely grateful for all of them. The referee is of course absolved from any remaining errors or misjudgements and for my wilful disregard for his or her authoritative advice on a couple of occasions.

I should add that though some of my criticisms of some of the ideas of a few distinguished academics remains a bit robust at times despite the advice of the above mentioned colleagues nothing detracts from my overall respect for the distinguished persons upon whom I have occasionally 'turned the mouth of the cannon' (to use a phrase from one of Smith's colleagues at Glasgow when criticising his approach to Frances Hutcheson).<sup>5</sup> Academic debates can get a trifle tetchy at times, but only when we forget that we are criticising ideas and not the people who hold them.

Many authors of books on Adam Smith also contributed to the project, not the least, Professor Andrew Skinner, whose reputation in Smith scholarship is second to none. His editorial association with the Glasgow Edition of Smith's Works, and his own works on Smith, demonstrate the debts of all Smith scholars to his influence. I could not have gone far without access to his works, as my quotations from, and many references to, them show.

All quotations from the Glasgow Edition of the 'Works and Correspondence of Adam Smith' are by permission of Oxford University Press.

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# Bibliographical Note

Throughout the text I refer to Adam Smith's Works by reference to their abbreviated initials and short titles as published by Oxford University Press as the 'Glasgow Edition of the Works and Correspondence of Adam Smith'.

His Works are:

[TMS and *Moral Sentiments*] *The Theory of Moral Sentiments*, 1759, edited by D. D. Raphael and A. L. Macfie, 1976, Oxford University Press; Liberty Fund, edition, 1982.

[WN and *Wealth of Nations*] *An Inquiry into the Nature and Causes of the Wealth of Nations*, 1776, 2 vols., edited by R. H. Campbell and A. S. Skinner, Textual editor, W. B. Todd, 1976, Oxford University Press; Liberty Fund, edition, 1979.

[LJ and *Jurisprudence*] *Lectures on Jurisprudence*, 1762–3 and '1766', edited by R. L. Meek, D. D. Raphael, and P. G. Stein, 1978, Oxford University Press, Liberty Fund edition, 1982

[EPS and *Philosophical Enquiries*] 'The Principles which lead and Direct Philosophical Enquiries: illustrated by the History of Astronomy', *Essays on Philosophical Subjects*, edited by W. P. D. Wightman and J. C. Bryce, and *Dugald Stewart's Account of Adam Smith*, edited by I. S. Ross, General Editors, D. D. Raphael and A. S. Skinner, 1980, Oxford University Press; Liberty Fund edition, 1982

[Corr.] *Correspondence*, edited by E. C. Mossner and I. S. Ross, 1977, revised 1987, Oxford University Press; Liberty Fund edition, 1987

[LRBL and *Lectures on Rhetoric*] *Lectures on Rhetoric and Belles Lettres*, edited by J. C. Bryce, General Editor, A. S. Skinner, 1983, Oxford University Press; Liberty Fund edition, 1985

I gratefully acknowledge the contribution of the editors and publishers for making Adam Smith's Works available in these magnificent editions and for their standardised reference system, as commissioned by the University of Glasgow to celebrate the bicentenary of the *Wealth of Nations*.

# General Introduction

Adam Smith (1723–90), a famous contributor to the 18<sup>th</sup>-century Scottish Enlightenment, is well known for a relatively small part of his life's work and is often misunderstood for the little most people know about him. Many believe that he thought 'selfishness' was the most important motive of human economic behaviour, that he advocated *laissez faire* and that he favoured a minimalist 'night watchman' role for the State. However, these notions played no part in his intended legacy.

That misleading ideas about him are purveyed is reason enough to correct them. There are other reasons. Adam Smith showed that stable societies could prosper if they enjoyed liberty, justice and the rule of law and were free from the depredations of 'barbaric' neighbours, among which, incidentally, he included a minority of his fellow Scots – those 'naked and unarmed Highlanders' who 'alarmed the whole nation' in 1745.<sup>1</sup>

Adam Smith did not foresee an 'industrial revolution' nor did he anticipate 'capitalist' societies, neither knowing the words nor the phenomena. He did not consider it appropriate for society to be run by or for 'merchants and manufacturers' – 'perhaps, the worst of all governments for any country whatever'<sup>2</sup> – and nor did he accept that the rich and powerful, including kings, had the right to oppress a populace with punitive laws (hence his sympathy for the American colonists). He certainly did not encourage *laissez faire* (two words he never used) because he was aware of the limitations of markets and of the usefulness of the State (as well as the State's limitations), and nor did he support leaving the poor without realistic opportunities of sharing in their country's wealth. In short, Smith's ideas did not qualify him to become the 'High Priest of Capitalism' (and neither was he a sort of 'socialist'). He was, however, a firm believer in the positive influence of commerce on society.

## Different approaches

Smith was not aligned to any political faction, though some authors today extol his virtues from the 'left', and others laud his commercialism from the 'right'. He tried to influence Statesmen of high rank. Such advice as he gave was mostly private; he left his public advice to his books and lectures. He believed that the natural forces present in human nature and society, if allowed to operate without the interference of those desiring rapid change, and without the resistance of those as determined to prevent it, would make society more wealthy, more secure and, crucially, more harmonious.

Smith was no utopian ‘man of system’. Fanatics were out of touch with ‘how the world works’ and usually demanded, unrealistically, that everything be changed at once. This was not his way. He saw clearly the failings of such people and mocked their arrogance. A revolutionary reformer, he wrote:

seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces on a chess-board. He does not consider that the pieces upon the chess-board have no other principle of motion besides which the hand impresses upon them; but that, in the great chess-board of human society, every single piece has a principle of motion of its own, altogether different from that which the legislature might choose to impress upon it. If these two principles coincide and act in the same direction, the game of human society will go on easily and harmoniously, and is very likely to be happy and successful. If they are opposite or different, the game will go on miserably, and the society must be at all times in the highest degree of disorder.<sup>3</sup>

How much misery might be avoided if people desisted from ‘the madness of fanaticism’ and refrained from becoming ‘intoxicated with the imaginary beauty of [their] ideal system[s].’<sup>4</sup>

Smith did not conceive of society as a grand chessboard, its players reading scripts pre-written by fantasists and fanatics. He believed in working through the governing arrangements of society. In a passage remarkably relevant for today, he called on those ‘prompted by humanity and benevolence’ to ‘respect the established powers and privileges even of individuals, and still more those of great orders and societies, into which the state is divided’ and suggested that a reformer be contented ‘with moderating, what he often cannot annihilate without great violence’, and above all to remember that ‘[w]hen he cannot conquer the rooted prejudices of the people by reason and persuasion, he [must] not attempt to subdue them by force ...’.<sup>5</sup>

### Smithian impartiality

Smith’s ideas of society had three strands to them: the ‘*impartial* spectator’, or how people exercised their moral sentiments and treated others humanely; ‘*impartial justice*’, or how justice accrued through time into impartial regimes of jurors and judges, obeying the rule of law, not the rule of men; and ‘*impartial competition*’, or how markets produced prosperity, if they operated without the interference of private monopolies. Impartiality dominates Smith’s conception of Natural Liberty and was the key to his hopes for human and practical social improvement through morality, justice and prosperity.

Smith showed that serving oneself without concern for others is socially divisive and, ultimately, unsustainable. It breaches the ties of interdependence and justice that bind all members of societies. By serving others we lower barriers to others serving us. In the three fields of moral sentiments, justice and political economy, Smith showed how impartial forces impose a workable, though imperfect, social order on that most unpromising of entities, namely, the human species.

*Adam Smith's Lost Legacy* corrects the myths, misunderstandings and occasional outright fictions spread about him in the last two centuries. It reveals his radical ideas about society and how it operates, and from which he drew an optimistic vision. The distortion of Smith's ideas in the 19<sup>th</sup> and 20<sup>th</sup> centuries by politically inspired commentators obscures the real significance of his work in the 18<sup>th</sup> century. The first steps to restoring his original intentions begin with corrective comments from his life and Works that reveal his actual, not mythical, but very Scottish, contribution to the European Enlightenment.

His ideas are not obvious because he did not articulate them overtly as a system. That he had ideas is not in question. They are woven into his books and lectures for those who look for them. Once recognised for what they are your immediate reaction is likely to be: 'how did so many miss the obvious?' Mainly because those few who read his books for themselves succumb to the diversionary noises of the many who don't. False notions of what Smith was about crowd his ideas off centre stage. *Adam Smith's Lost Legacy* restores him to his proper place among the world's great thinkers for what he actually wrote, rather than for what he didn't.