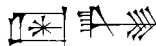


Adam Smith

The Man and His Works

Adam Smith

E. G. West



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Jacket and cover illustration: The Scottish penny in commemoration of Adam Smith was minted in 1797. This photograph was taken from an original penny on exhibit in the Museum at Kirkcaldy, Smith’s birthplace.

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Prefatory Note

Of the features which make any man worthy of biography the three most important are first his originality, second his ability to mirror his age, and third his own personal drama. While convention has it that biography as such should concentrate upon the last of these, the present work focuses upon all three. This is not merely because of the scantiness of personal biographical material, but also because of the awareness that a triple study of the man, his writings, and his era provides, in Smith's case, a particularly fruitful interaction and reciprocal effect.

Adam Smith's political economy, as we shall endeavor to show, has meaning for all times, and indeed in many ways even the modern era has not yet caught up with it. His personal life, on the other hand, provides an unusually fascinating vignette of that "other world," the eighteenth century. To read it is to open new windows on the illustrious society of pre-revolutionary Europe. How intriguing it is to remember, for instance, that it was Adam Smith who, as a Scottish professor,

taught literary style to Boswell himself. Indeed, as a subject for the pen of that Prince of Biographers, Smith would have proved most worthy. For here, after all, was a man who had spoken with the great Voltaire and had probably met Rousseau; a man who was just as much a clubman as Johnson; a man who not only gave advice to governments but had his advice acted upon; and last but not least, a man of warm human feelings and artless idiosyncrasy. But Smith would never have consented to being studiously chronicled during his lifetime. Indeed, the great man took care to leave behind as little material on his personal life as he could. Fortunately, however, Smith's voluminous writings enable us to accumulate much circumstantial and other evidence on which to build a picture; and when this is correlated with the few biographical details, there is much scope for interesting permutation. The sources of biographical information upon which this volume relies, and references to subsequent studies of most aspects of Smith's work, will be found in the Bibliography at the end of the book.

I wish to record my special thanks to Mrs. Carole Phillips of the University of Kent for so patiently and efficiently typing the manuscript.

EDWIN G. WEST

The University of Kent
Canterbury, England
March 1969

Chapter 1

Adam Smith's Revolution

It is easy to predict that in the year 1976 the American people will be making some fitting bicentenary tribute to Thomas Jefferson, author of the 1776 Declaration of Independence. In Scotland the question of whom to commemorate is well beyond any conjecture. Scotsmen are already well ahead with arrangements which will do full honor to their own Adam Smith, who added Scottish glory to the year 1776 with the publication of his celebrated economic treatise, *The Wealth of Nations*. In many ways Adam Smith belongs to America as much as does Jefferson. Out of a six-scholar advisory panel now working on the Smith bicentenary committee of the University of Glasgow, three are residents of the United States. Their membership well symbolizes the enthusiasm with which Smith's original message has been received across the Atlantic. Jefferson and Smith, of course, complemented each other in their work. Both men, for instance, shared

the republican instinct; both argued strongly for liberty; and Jefferson's plea for political liberty was well accompanied by Smith's campaign for freedom to trade. For, in the words of two present-day incumbents of Jefferson's own University of Virginia, Professors J. M. Buchanan and Gordon Tullock: "Constitutional democracy in its modern sense was born as a twin of the market economy."

Of the two champions in the common cause, Adam Smith has received the less general publicity. While both were distinguished men of letters, Jefferson was also a "man of action," prominent especially in politics and law. Adam Smith's influence, though taking longer to register, was nevertheless ultimately just as far-reaching. Twenty years after Smith's death in 1790, Alexander von der Marwitz, a German student, wrote to a friend about the author of *The Wealth of Nations*: "Next to Napoleon he is now the mightiest monarch in Europe." Pitt and Shelburne, in their advocacy of free trade, both declared themselves disciples of Smith. Indeed, Pitt's commercial policy from 1784 to 1794 was explicitly based on Smithian principles. The commercial treaty with France, the reduction of debt, customs reform and resolute retrenchment in public expenditure, all of which occurred within a few years of 1776, were all clearly connected with the great book published in that year.

It was not only the American and French political revolutions, but also the revolution in commercial

and economic thinking which put an end to the remnants of medieval society. Smith's contribution to this thinking was decisive. His treatise of 1776 struck a mighty blow at the trade walls which had been erected around the nation states of Europe by the traditional protectionist or mercantilist politicians. In particular, the belief of many of the latter that one nation could become richer only if a rival became poorer was subjected to an especially devastating assault. In Chapter III of Book IV of his *The Wealth of Nations* Adam Smith remonstrated:

The modern maxims of foreign commerce, by aiming at the impoverishment of all our neighbours, so far as they are capable of producing their intended effect, tend to render that very commerce insignificant and contemptible. . . .

A nation that would enrich itself by foreign trade, is certainly most likely to do so when its neighbours are all rich, industrious, and commercial nations. A great nation surrounded on all sides by wandering savages and poor barbarians might, no doubt, acquire riches by the cultivation of its own lands, and by its own interior commerce, but not by foreign trade.

Smith ridiculed in particular the artificial barriers against trade between the two neighboring rich countries of France and England. Such restrictions, argued Smith, were the outcome of a quiet, domestic conspiracy between self-seeking tradesmen and politicians. He was the first to concede that the pursuit of self-interest was not intrinsically bad; what was needed was a system in which self-interest would be so harnessed

that it would be an ally and not an enemy of social prosperity. In general, the private free market mechanism provided such a system. By pursuing his own interest the individual frequently promoted that of the society “more effectually than when he really intends to promote it.” But this result could only occur when the market was free, open and truly competitive. The argument of protectionist traders that restrictions on imports would promote “society’s interest” was hypocritical. “I have never known much good done by those who affected to trade for the public good.”

The excessive restrictions on trade between England and France had led to the diversion of trade to the more distant colonies of the two countries. Smith denounced the futility of this development in words which have uncanny relevance to the British struggle to enter the European Common Market nearly two centuries later:

If those two countries, however, were to consider their real interest, without either mercantile jealousy or national animosity, the commerce of France might be more advantageous to Great Britain than that of any other country, and for the same reason that of Great Britain to France.

. . . But the very same circumstances which would have rendered an open and free commerce between the two countries so advantageous to both, have occasioned the principal obstructions to that commerce. Being neighbours, they are necessarily enemies, and the wealth and power of each becomes, upon that account, more formidable to the other;

and what would increase the advantage of national friendship, serves only to inflame the violence of national animosity.¹

Down to Adam Smith's time in the eighteenth century the occupations of commerce and trade were suspect. The activities of buying and selling and lending money were inhibited by the vague feeling that they were sinful. It was felt by some that of two parties to a bargain, the gains of one would somehow be offset by the losses of the other; this was believed to be especially true where the two parties were great nations. The most important consequence of Adam Smith's writings was to shatter these notions. In Smith's "condition of natural liberty," exchange relationships are entered into freely and voluntarily by both parties; the outcome must therefore be *mutually* acceptable. No one individual would *freely* enter into such a relationship knowing that he would come out of it worse off than he started. Thus, in their book, the *Calculus of Consent*, which was the outcome of recent work done at the Thomas Jefferson Center for Studies in Political Economy at the University of Virginia, Professors Buchanan and Tullock emphasize the same point:

. . . the simple fact is, of course, that in normal trade *all* parties gain; there exist *mutual gains from trade*. The great contribution of Adam Smith lay in his popularization of this simple point. . . . (p. 250)

¹ Adam Smith, *The Wealth of Nations* (Arlington House, 1966), Volume II, pp. 74–75.

Adam Smith seems to have been fully aware of the difficulties of devising a suitable political framework wherein the beneficial operations of the free market could best operate. This problem, to which Buchanan and Tullock devoted their book, can readily be recognized the moment we remember that the play of individual self-interest can take place not only in the market place but also at the ballot box and in the political process. These two separate stages of activity give rise to conflict and inconsistency. Acting in their capacity as *consumers* who accept one product and reject another, individuals constitute a potent though dispersed force making for market efficiency. However, in their capacity of *producers*, individuals often recognize that, in majority-voting democracies, their self-interest is more effectively promoted by political lobbying to secure special protection and privileges for their particular occupation or trade. Thus, although as Adam Smith said, "The sole end of economic activity should be consumption," in practice, because of the particular political framework, the interests of producers often predominate. Hence the following rather pessimistic conclusion of Adam Smith:

To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the prejudices of the public, but what is much more unconquerable, the private interests of many individuals, irresistibly oppose it.

With sentiments like these, Smith would have been surprised at the extent of the triumph of free trade policies over the next century. He underestimated the power of his own influence and that of other economists to come. Disciples and admirers emerged everywhere. Developing the Scottish professor's arguments and presenting them with his own particularly devastating kind of wit, the French economist Bastiat, for instance, made a telling onslaught upon entrenched monopoly positions in France. In the development of economics during the first half of the nineteenth century, Smith's work was the common point of departure for most professionals and academics. In politics, undoubtedly the crowning triumph came with Sir Robert Peel's overthrow of the Corn Laws, those notorious symbols of protectionism, in the year 1846. By 1850 Disraeli was confident that "protection is not only dead, but damned."

While it can fairly be claimed that Smith's treatise both shocked and instructed his fellow men in the late eighteenth century, it can also be argued that the times were ripe for such a work. The first edition was exhausted in six months. Such a reception came as a surprise both to his publishers and to his friends. Smith's best friend, David Hume, comparing *The Wealth of Nations* with *The Decline and Fall of the Roman Empire* by Edward Gibbon, which had been launched by the same publisher in that same year, remarked: "The former [Gibbon's work] is the most pop-

ular work; but the sale of the latter, though not near so rapid, has been more than I could have expected from a work that requires so much thought and reflection (qualities that do not abound among modern readers) to peruse to any purpose." Five editions of Smith's book appeared between 1776 and 1786. Another five, four English and one Irish, appeared between 1791 and 1799. By the end of the century several editions had appeared in France, Germany, Italy, Spain and other European countries.

But while the timing of the publication of his work was fortunate, we must not neglect to give due credit to its particular internal qualities. Leaving aside for the moment the novel and sophisticated aspects of his arguments, let us look at some of the more obvious reasons which can explain the immediate popularity of Smith's work. First, his words and sentences were selected with such pungency and bite as to appeal to ordinary men not accustomed to the company of academics:

By means of glasses, hot beds, and hotwalls, very good grapes can be raised in Scotland, and very good wine too can be made of them at about thirty times the expense for which at least equally good can be brought from foreign countries. Would it be a reasonable law to prohibit the importation of all foreign wines, merely to encourage the making of Claret and Burgundy in Scotland?

Such was the direct and challenging style by which Smith broke down the barriers to communication between himself and his readers.

Of Smith's general system of economics, it is true that the individual components were not new. Obviously he had drawn upon French economists, such as Cantillon, Quesnay and Turgot. British influences upon Smith patently included those of Mandeville, Petty, Steuart and Hume. For his basic philosophy he leaned particularly upon his tutor at Glasgow University, the "never to be forgotten" Hutcheson. Smith's greatest personal achievement was to weld these individual components into one exciting whole; and one which, as we have seen, because of its down-to-earth, commonsensical approach, appealed to the ordinary reader as well as to the academic.

Not only was Smith's style direct, it was also entertaining, colorful and often amusing. He was master of the apt phrase. The publishers of *The Oxford Book of Quotations* have selected from *The Wealth of Nations* the following:

To found a great empire for the sole purpose of raising up a people of customers, may at first sight appear a project fit only for a nation of shopkeepers. It is, however, a project altogether unfit for a nation of shopkeepers; but extremely fit for a nation whose government is influenced by shopkeepers.

It must be remembered that Smith's economics were presented in a far different way from that of the narrow technical writer and specialist which so easily frightens off the layman today. Smith's argument was graced with literary elegance that made it palatable. But the

literary style served the economics; the latter was not sacrificed for the sake of the former.

There are some very agreeable and beautiful talents of which the possession commands a certain sort of admiration; but of which the exercise for the sake of gain is considered, whether from reason or prejudice, as a sort of public prostitution. The pecuniary recompense, therefore, of those who exercise them in this manner, must be sufficient not only to pay for the time, labour, and expense of acquiring the talents, but for the discredit which attends the employment of them as the means of subsistence. The exorbitant rewards of players, opera-singers, opera-dancers, etc., are founded upon those two principles: the rarity and beauty of the talents, and the discredit of employing them in this manner.

Smith's argument was richly illuminated with historical illustration and contemporary example. Indeed, *The Wealth of Nations* started out not as a book on economics but, according to the contemporary biographer, Dugald Stewart, as an "essay in conjectural history." By this was meant the systematic study of the effects of legal, institutional and general environmental conditions upon human progress, a branch of study which had started with Montesquieu and was taken up not only by Smith, but also by his Scottish friends and colleagues, Lords Kames, Hume, Ferguson and Millar. This field of study today would be called sociological evolutionism, and there is no doubt of Adam Smith's preoccupation with it throughout his book. His readers are continually treated to elaborate accounts of the differences in character between rural and urban