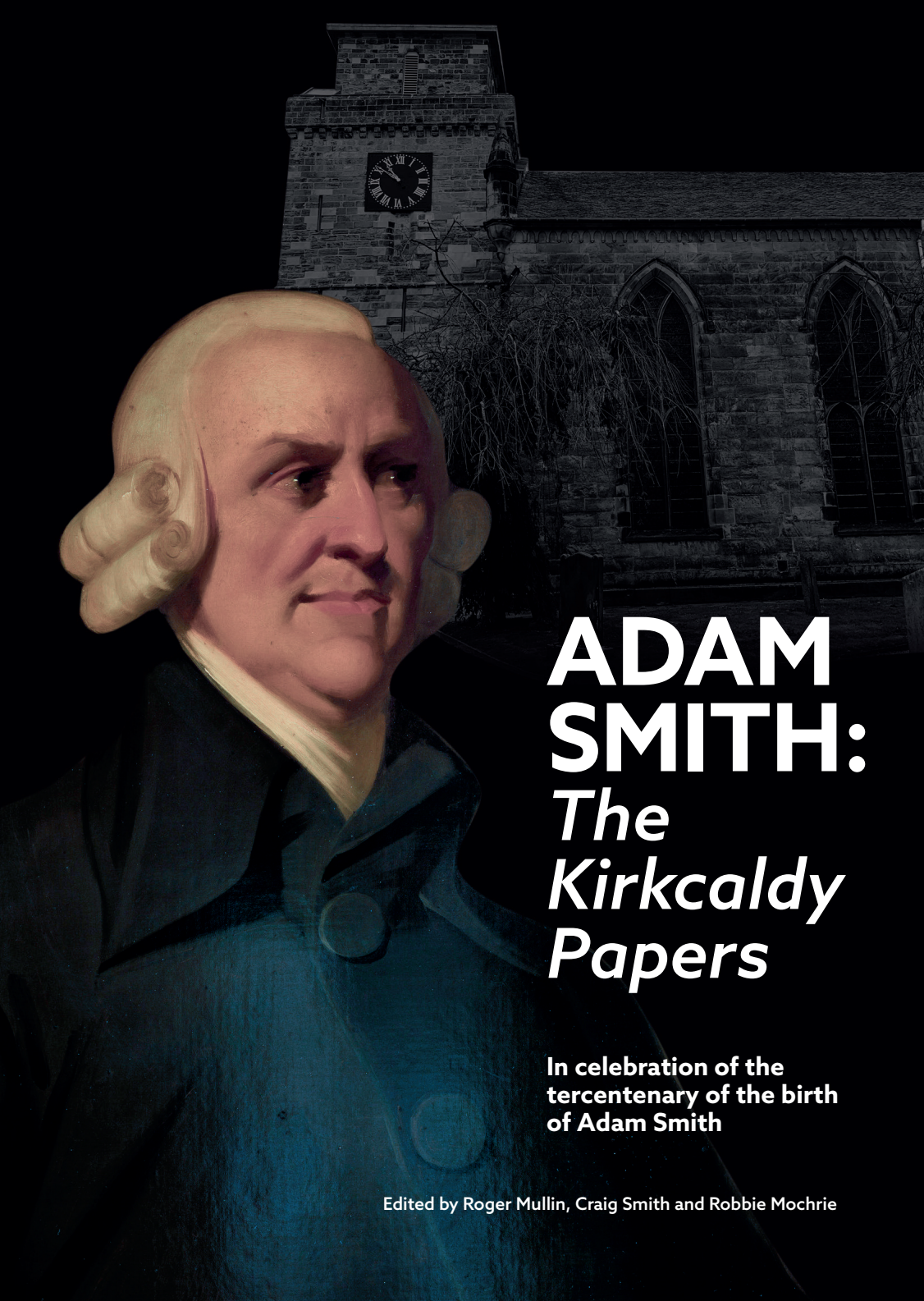

ADAM SMITH: *The Kirkcaldy Papers*

In celebration of the tercentenary of the birth of Adam Smith

Edited by Roger Mullin, Craig Smith and Robbie Mochrie

ADAM SMITH GLOBAL FOUNDATION

ABOUT US

The Adam Smith Global Foundation was founded in 2012 in Adam Smith's birth town, Kirkcaldy, Scotland.

Its objective is to deliver initiatives that will commemorate his work on an international scale, while raising awareness of the role that Kirkcaldy played in his life.

OUR GOAL

We seek to advance the prevention of poverty through projects that will increase employability for young people and act as a catalyst for regeneration.

Cover illustration

Portrait of Adam Smith (1723-1790)
Political economist and philosopher

Believed to have been painted posthumously and based on a medallion by James Tassie

and

The Old Kirk, Kirkcaldy, Fife, Scotland

Now managed by Kirkcaldy Old Kirk Trust, and in use as a community venue and heritage centre, the Old Kirk is the oldest building in Kirkcaldy in continuous use. It was here in 1723 that Adam Smith, author of 'The Wealth of Nations', was baptised.

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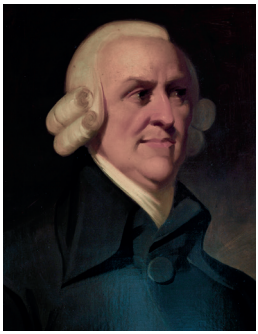

ADAM SMITH

Tercentenary

1723 - 2023

Contents

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PREFACE
Deirdre Nansen McCloskey

I do love Adam Smith of Kirkcaldy, Glasgow, and Edinburgh. And if you let this charmingly Scots collection of wee essays work on you, you will begin to love him, too. I go so far in my love to make the sign of the cross when I mention him in lectures. The audience regularly laughs, which is partly my intent – ha, ha. The audience likely thinks that I cross myself to honor the fount of my own original subject, called political economy late in Smith's day and later economics. Robbie Mochrie notes here that 'he was the Adam of economics, the last common ancestor of a disputatious tribe'.

And many in my audience doubtless see the joking gesture as honoring in particular what is routinely claimed to be Smith's main contribution, the greed-is-good school of modern economics. If you take my advice, and smell the bouquet offered here to our beloved Smith, you will see that such a claim is a shockingly bad reading of the author of *The Theory of Moral Sentiments,* the book he loved better, or even of *The Wealth of Nations.* The economist George Stigler (1911-1991), a fine theorist but a wretched reader of other economists, such as Smith or Mill or Ronald Coase or even his dear friend Milton Friedman, fastened this childish misreading of Smith on the minds of many economists. In 1971 George opened one of his numerous, misleading papers on the history of economic thought with the bald assertion that *The Wealth* was 'a stupendous palace erected upon the granite of self- interest'. He proudly owned a copy of the first edition of *The Wealth of Nations,* but if he ever opened the earlier book,

which made Smith's European reputation as a social philosopher, it doesn't show. And as the essays here demonstrate, no competent reader even of *The Wealth* could conclude that it's all about greed as a fine thing. Greedy imperialists, greedy men of system, greedy conspiring merchants, Smith thundered, were wreckers. I suppose it's the reduction to the Tory myth that 'greed is good', and 'there's no such thing as society', which makes Smith so undervalued in socialist Scotland. The Bank of England may have put his visage on the £20 note, as Kathleen Riach and Graeme Roy observe, but Smith is a prophet without honor in his ane countrie.

Stigler's reading of granitic self-interest substitutes Bernard Mandeville's cynical and illiberal joke decades earlier that 'private vices are public benefits' for Smith's advocacy in all his work of the liberal moral sentiment at the heart of the Scottish Enlightenment. (And not at the heart, if it had one, of the French Enlightenment.) Smith rarely named any opponent, for example leaving his dear friend David Hume unnamed in their few, nuanced disagreements. But he made a notable exception in such a polite scholarly rhetoric for the 'licentious system' of 'Dr. Mandeville, which once made so much noise in the world, and which ... taught ... vice, ... to avow the corruption of its motives with a profligate audaciousness' (TMS Chp. IV, section 1).

If you can read, say, Jacob Soll here, or the rest, and still hate Smith, or love him for advocacy of selfishness, you are hard person to persuade, and should reconsider. I have instead recruited Smith as the fount of what we might call 'humanomics', namely, rigorous economics but with the humans left in. Let in the political and especially the ethical character of actual humans and you will get beyond the Silly Smith. He was for his time a radical, fierce against the Old Corruption of Empire, and in favor of liberal temperance and live-and-let-live — though not, my leftish friends here sometimes argue, entirely laissez-faire in the modern sense. On the contrary, as Michael Brown argues, he was encouraging 'the emergence of a culture of sympathy that shaped culture then and continues to do so'. It has name: the true liberalism, of the Scottish Enlightenment, the very opposite of 'Greed is Good'.

Smith was an egalitarian, in a particular and characteristically Scottish-Enlightenment and eighteenth century sense of equality of permission. His was not the wild French equality of outcome which socialism introduced in the 1840s, with sad results throughout the twentieth century, into the European mind; nor even the seemingly more moderate equality of opportunity, introduced by the New Liberals in the 1870s, with sad results, too. These two are unattainable. How is one to equalize the opportunities afforded the young Smith, as many point out here, with the street porter in Edinburgh or the handsome women of Irish origin plying their unfortunate trade in the streets of London? But equality of

permission is attainable today, by removing the numerous legal hooks put in the way of humans by state-sponsored monopolies and direct state coercion. The first great accomplishment of the new liberalism put forward by the Scots was the abolition of literal slavery. Smith was a lifelong opponent of physical slavery of all kinds. His near contemporary across the waters, Benjamin Franklin (1706-1790), another of my heroes deserving the sign of the cross, only became an abolitionist in his old age. He owned slaves in Philadelphia and brought two of them to London, in which one of them ran away.

Smith's egalitarianism became clear to me very late, and meanwhile I was falling in love, too, with 18th-century Scotland, at first from the singing of Ewan McColl, the Communist, in sympathy with my early socialism. His rendition of Burn's liberal anthem, A man's a Man for A' That thrills me to this day. Billy Kay observes that even after the '45, the Lowlanders with little sympathy for the wild Highland Jacobites (about 1715 and 1745: 'Ye Jacobites by name / Your faults I will proclaim'), still sang with gusto the anti-Hanoverian songs (about 1707: 'What a parcel o' rogues in a nation').

I was charmed to learn from Ryan Patrick Hanley that Smith when at Oxford was studying theology with the intent of becoming an Episcopalian pastor, not a Presbyterian. We American Episcopalians in fact received our apostolic succession from the Scottish bishops, not from the English (we had of course to give up 'Anglican' after our bloody separation from Englishry). Smith, like his much later follower the economist Alfred Marshall on a similar religious course, gave it up, but as Hanley observes 'yet believed that the religious sentiments can and often do further the ends of morality'.

Sheila Dow writes here that 'while modern behavioural economics sometimes notes the possibility of moral sentiments, they tend to be assigned a peripheral role. For example, trust is treated as an exercise in rational self-interest'. Smith, who can be viewed as a pioneer of social psychology, too, would not be such a behaviourist. Smith was a moralist early and late. Placing Smith in a humanomics, as Bart Wilson and the New Smith, Vernon, have done, undermines, too, the fashionable neo-institutionalism of these latter days. Robbie Mochrie observes that Old Smith was saying that 'institutions benefit from recourse to an impartial spectator, to ensure their effective governance'. Which is to say with both Old and New Smith say that 'institutional design' is wholly inadequate, and that ideology, ethics, moral sentiments run the show.

Read on, then, dears. It will be good for your impartial spectator.

Roger Mullin is an Honorary Professor at the University of Stirling within the Faculty of Arts and Humanities – Law and Philosophy. He is a former Member of Parliament for Kirkcaldy and Cowdenbeath and in his maiden speech in the House of Commons talked of the importance of Adam Smith. He is an active campaigner against corruption in the financial system and is an ambassador for Transparency Task Force in the UK. He is also a director of the humanitarian organisation REVIVE Campaign that seeks to provide a voice to the most innocent victims of conflict across the globe.

INTRODUCTION
Roger Mullin

On 5th June 1723, Adam Smith was baptised in The Old Kirk, Kirkcaldy, Scotland. On 8th and 9th June 2023, a group of scholars and artists gathered there to reflect on Smith's work, demonstrating its continued relevance.

The success of the event has led to this book of essays, based on the June discussions and presentations. The travel costs of a number of participants, and additional support from the University of Glasgow, was made possible through the support of Grant 62660 from the John Templeton Foundation. The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the John Templeton Foundation.

The essays set out the continuing importance of Smith, and thanks to financial support to the Adam Smith Global Foundation from Fife Council, copies will be distributed to libraries, schools, colleges, universities and other institutions in Fife, Scotland and beyond.

However, be under no illusion. Despite their variety, the essays simply cannot capture the full breadth and depth of Smith's significance. Nor can they explore the full range of subtle insights provided by Smith. That would be an enormous task far beyond the scope of our efforts.

Instead, this collection takes a very eclectic approach to demonstrate something of the breadth of Smith's range of insights. If it is at all successful, it will whet readers' appetites for further exploration of the work of Adam Smith.

The essays range from covering Smith's early history in Kirkcaldy, to reassessing aspects of his crowning achievements in philosophy and political economy. They also assess Smith's wider cultural impact and his continuing impact today across a broad range of endeavours. Three hundred years after his birth, he has left humanity with a remarkable legacy.

Smith's influence continues to be felt to this day across the social sciences and the humanities. Modern scholars may not always be conscious of this, but his thinking has helped shape debates in psychology, sociology, political science, philosophy and economics. In much the same way, Smith's influence has been significant for many of the arts, especially literature. Indeed, Smith's essays on such varied subjects as music and poetry reveal him to have been an intellectual "lad o' pairts".

The scope of Smith's interests, and his continuing influence, reflects the nature of the intellectual community in which he played such an important role. He flourished during that outstandingly creative period in Scotland which is now called the Scottish Enlightenment. As well as his lifelong friend, the philosopher, and historian, David Hume, his circle of friends included James Watt, from engineering; Joseph Black, chemistry; James Hutton, geology; Allan Ramsay, artist, and William Cullen, physician and agriculturalist. We know that Adam Smith bought the works of Robert Burns, and that Burns read, and was influenced by, Smith's *Theory of Moral Sentiments*.

His circle beyond Scotland was just as impressive and included the French philosopher, Voltaire, the French thinker on political economy, François Quesnay, and the American polymath and Founding Father, Benjamin Franklin.

Enjoying many a glass of claret or Scottish ale during his evening conversations in such distinguished company, from his return to Scotland from studies at Oxford in 1746, until his death in Edinburgh in 1790, he was immersed in the discussions which shaped the Age of Reason throughout Europe and North America. Importantly, he did not restrict his acquaintances to specialists in political economy, for which he is now best known, or indeed moral philosophy, in which he was a professor at the University of Glasgow. As was the custom of the time, he ranged across what was then called literature, and would now be the arts, the social sciences, and even the physical sciences.

But Adam Smith is not only of historical interest: he continues to speak to us today, shaping our lives in a multitude of ways. His work has inspired, and continues to inspire, a wide range of thinkers. Take as one example, the field of economics, in which Smith is often considered to be the founding father. His ideas have influenced the diverse contributions to economic thought of David Ricardo in the early 19th Century, the revolutionary socialist, Karl Marx in the

middle of that century, cosmopolitan liberal, John Maynard Keynes during the 1930s, and Keynes' greatest critics: Friedrich Hayek of the Austrian School of Economics, and the free-market conservative, Milton Friedman. And that names only the most notable of his economic disciples. His influence has been immense.

I was therefore flattered to be invited by the Adam Smith Global Foundation to organise an academic programme as part of the wider tercentenary celebration in Kirkcaldy. I agreed with the Foundation that I should try and ensure coverage not only of philosophy and economics, but also of his importance as an educator and his wider interests in culture. As work progressed, we also ensured we discussed what influences encouraged the development of the young Adam in Kirkcaldy, and what often forgotten cultural and linguistic influences continued to shape him into adulthood.

With outstanding assistance from the University of Glasgow (where Smith had been a professor and latterly Rector) a group of distinguished scholars from both Scotland and North America were invited to participate. All those invited agreed to take part.

During the culture session there were sympathetic performances of songs with which Smith was likely to be familiar. It is impossible to include the contributions of the soprano Elizabeth Thomson, the pianist Mark Rogers, and the baritone, Peter Thomson here. However, for those attending it proved a moving finale to the programme of events.

Organising such a programme, and this book, involved many groups and people, but I must offer particular thanks to the Adam Smith Global Foundation, the John Templeton Foundation, Kirkcaldy Old Kirk Trust, Fife Council and its Kirkcaldy area committee, the University of Glasgow, and of course all who contributed in June and provided essays for this book.

I am also greatly indebted to Paula Civelek, George Proudfoot, Julie Dickson, Esther Roberton, Professor Craig Smith, Dr Robbie Mochrie, Professor Graeme Roy and Professor Murray Pittock for their unwavering encouragement and assistance.

Finally, one of the highlights of the sessions in June was the quality of the many comments and questions from the audience. I hope those who joined the celebrations back then find this book to be a fitting legacy.

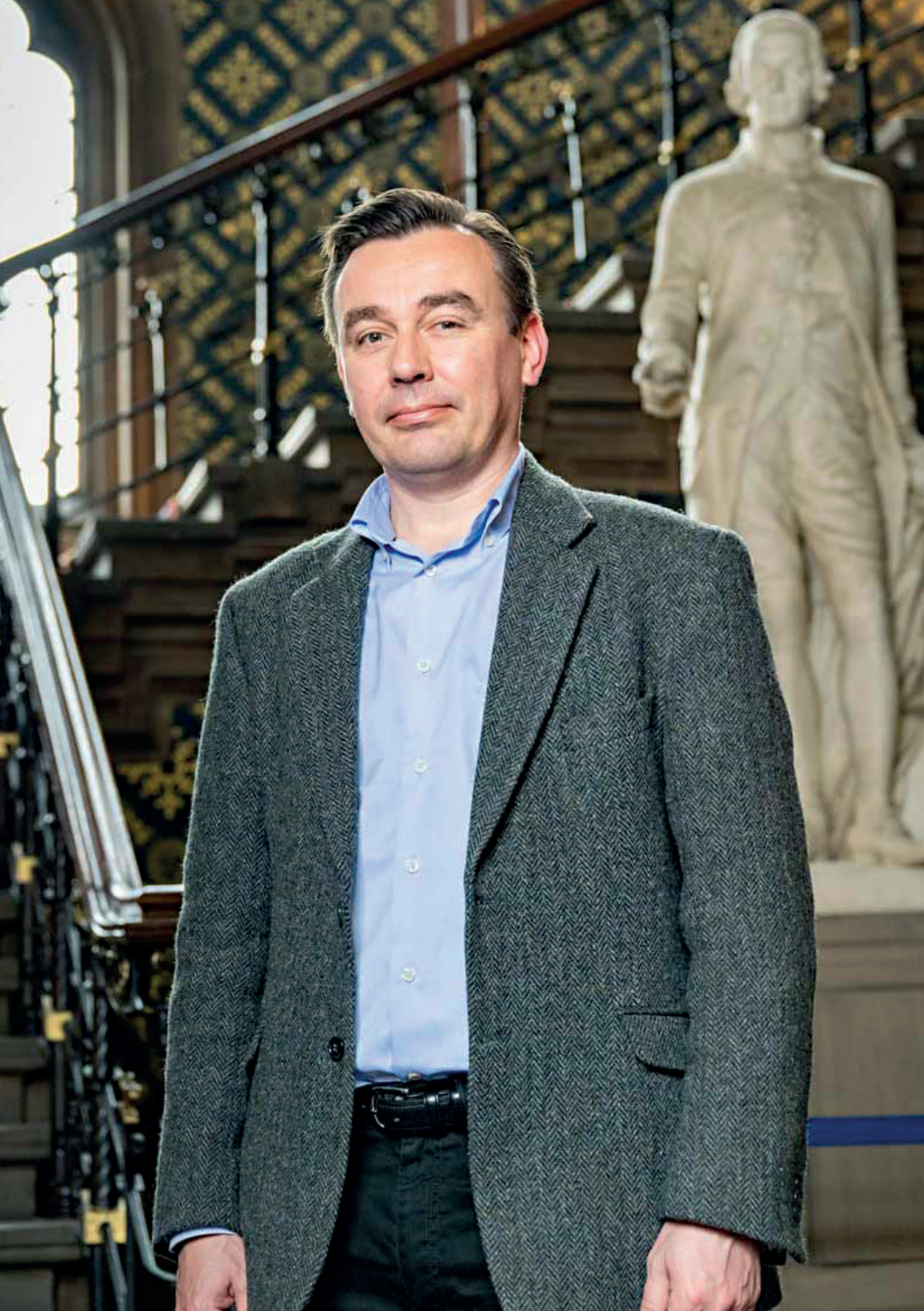
Roger Mullin, Kirkcaldy, November 2023.

1

Adam Smith:

HISTORY AND LANGUAGE

(Craig Smith and Billy Kay)



Craig Smith is Professor of the History of Political Thought at the University of Glasgow and Editor of The Adam Smith Review. He researches the moral and political philosophy of the Scottish Enlightenment. He is the author of *Adam Smith's Political Philosophy; Adam Ferguson and the Idea of Civil Society,* and *Adam Smith*. He is co-editor of The Cambridge Companion to the Scottish Enlightenment and The Oxford Handbook of Adam Smith.

From Kirkcaldy to Glasgow: the shaping of the young Adam Smith

Craig Smith

Our early life at school and university is formative for our characters and interests. This is as true now as it was when Adam Smith began his education at Kirkcaldy Burgh School nearly 300 years ago. Smith is a world famous figure, the founder of the modern discipline of economics, and by many accounts a genius in the true sense of the word. In what follows I want to explore how the early educational experiences Smith had in Scotland helped him to become the famous figure he is today.

Smith was born in 1723 and began his education in Kirkcaldy before moving on to Glasgow University in 1737 at the age of 14. His early life must have been difficult. His father, also called Adam Smith, died before young Adam was born. Smith was raised by his mother, Margaret Douglas, a strong-willed woman to whom he remained close for the rest of his life. Margaret Douglas came from a land-owning family in Fife and so the young Adam enjoyed a degree of financial security and the support of a number of influential relations.

Under the supervision of his mother and various friends of the family the young Adam grew up in the small Fife port where his father had been Commissioner of Customs. His early education would have taken place in the family home and been shaped by his mother's deep religious faith and his late father's collection of books. His formal education was in the Burgh School at Kirkcaldy where he joined the sons (but not daughters) of the merchants and tradesmen who formed the

population of the small town.

The Burgh Schoolmaster was David Miller. A gifted teacher whom the Burgh Council poached from the county town of Cupar. Miller developed an innovative approach to learning that went beyond the stereotype of memorisation and rote learning. His aim seems to have been to find ways of bringing learning to life and making it exciting for his young charges. The students read classical texts such as Epictetus and Eutropius and learned Latin from an early age. Adam Smith's schoolboy copy of Eutropius is in Kirkcaldy Museum, with his signature on the inside of the cover dating it to May 4th 1733. A ten year old boy already learning ancient languages.

Another common classroom practice was learning and presenting the arguments found in a book. Smith would have been expected to read a few pages of a book and then present them to class from memory as though they were his own ideas. His fellow students would then question him and he would have to defend the argument as though it were his own. Smith would have excelled at this as we know that he had a passion for books and an extraordinary memory. Miller also used morality plays in education. One of these had the rather grand title 'A Royal Counsel for Advice; or regular Education for Boys the Foundation of all other Improvements.' The students were assigned parts in the play and performed for their parents.

Adam Smith benefitted from the first class education that was provided by the burgh school system of eighteenth century Scotland. In this system talented young boys were supported and pushed to excel in their lessons. Education was seen as a means of advancement for those from humble backgrounds. Smith's small class in a small burgh school also produced other notable figures. His school friends included James Oswald of Dunnikier, son of a local landowner who went on to become an important politician; Robert Adam, the famous architect responsible for The University of Edinburgh's Old College, and John Drysdale, a minister and Moderator of the General Assembly of the Church of Scotland. From a very early age Smith was used to socialising and discussing ideas with intelligent and well-educated people. Smith clearly loved school and excelled in his classes, so much so that when he went on to Glasgow University at the age of 14 he was allowed to enter directly into second year.

In 1737 The University of Glasgow was a small institution based in the Old College on the High Street of Glasgow (near the modern High Street station). It was developing a reputation for being at the cutting edge in teaching delivery. Since its foundation the curriculum had focussed on the classics and religious education, but from the early eighteenth century a series of important changes were made. The University was among the first to appoint specialist professors

for each subject and introduce modern subjects such as medicine, chemistry, and law.

Smith's favourite professor was the Irish born professor of moral philosophy Francis Hutcheson. Hutcheson was a famous moral philosopher, but he was also deeply interested in what made education successful. Hutcheson abandoned lecturing in Latin, making the material more accessible to students. He also supplemented the classical authors with modern thinkers, adding Grotius, Pufendorf, John Locke and Bernard Mandeville to the moral philosophy curriculum. In his written work Hutcheson was fascinated by how human beings formed ideas about right and wrong and wanted to understand how we become moral and what that means for society.

Hutcheson was a gifted lecturer who was able to inspire his students by bringing the material to life. Like David Miller at Kirkcaldy, Hutcheson wanted to provide his students with a solid intellectual grounding, but also like Millar, he was keen to shape the character of his students. The aim was to make the young men in his classroom into good people, to give them sound principles in addition to knowledge and to send them out into the world equipped to succeed. Indeed the Scottish education system was noted for its practical emphasis, the breadth of subjects covered, and the focus on inculcating virtue into the students.

In addition to Hutcheson, Smith's other favourite professor was Robert Simson, the professor of mathematics. The young Smith showed a great deal of interest in science and this is something that stayed with him throughout his life. We don't know much about what he got up to as a student or who were his friends among his fellow students. We do know that among them were Tobias Smollett, the famous novelist, who studied medicine; Rev. Alexander Carlyle, the noted diarist and church minister; Gavin Hamilton, the famous painter; and General Robert Melville, Governor of the West Indies. Once again Smith found himself amongst a group of bright and ambitious people who wanted to learn and to discuss ideas.

His talent as a student secured him a Snell Exhibition, a scholarship which funded six years of study at Balliol College, Oxford. It's fair to say that Smith was not impressed by the teaching at Oxford and compares it unfavourably to the experience at Glasgow. On his return to Scotland he was soon appointed as a professor at the University of Glasgow.

It was at Glasgow that he began the research that would become his two great books *The Theory of Moral Sentiments* (1759) and *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776). Smith was a gifted and popular lecturer. Though not as rhetorically gifted as Hutcheson, he became something of a celebrity. Students would discuss his ideas and he set a fashion

for political economy in the wider city. You could buy a stucco bust of Smith in the city bookshop and John Millar explains that he was so popular and affection for his eccentricity so great, that students started to adopt his pronunciation and manner of speaking. When Smith taught he would use the same methods he had experienced under David Miller and Francis Hutcheson. He attracted students from England, America, Geneva, and Russia. Among the most famous of his students were James Boswell, the biographer and diarist, and John Millar, Professor of Civil Law at Glasgow.

Smith immersed himself in the intellectual and social life of the University. His colleagues included the scientists William Cullen and Joseph Black; the engineer James Watt whose workshop developed scientific instruments; and the Foulis Brothers who opened a printing press producing beautiful copies of classical texts and who also started an Academy of Fine Arts teaching painting, sculpture and engraving. The University built its own observatory in the 1750s and had a physic and botanical garden (where Professor Simson's pet cow wandered freely). Smith was also a member of Robert Simson's club. This was a university club that met in the University tavern on Friday evenings and then on Saturday walked to the nearby village of Anderston for lunch. It was famed for its relaxed intellectual conversation, its card playing (Smith was an unpopular partner at whist as he would get lost in a train of thought and forget to play his hand) and for Professor Simson singing ancient Greek odes to modern tunes.

Once again Smith surrounded himself with bright people for debate and conversation. This group became known as the Scottish Enlightenment. He was friends with all of the main figures. His closest friends were David Hume, the philosopher and historian; Joseph Black the chemist who discovered Carbon Dioxide and Latent Heat; and the father of modern Geology James Hutton. He was a member of the main Enlightenment clubs and societies where ideas were exchanged and theories developed. Smith was also deeply interested in what the Scots called 'improvement,' the practical application of science and technology to improve the lives of the population.

In Glasgow he joined the Provost's Political Economy Club. Glasgow had begun to develop as a trading and manufacturing city and to take advantage of its geographic location and become a major port for trade with North America. The main trade was in tobacco produced by slave labour in Britain's North American colonies. This in turn developed a ship owning and building industry and an industry in re-exporting tobacco. By the 1770s Glasgow handled above 50% of all the tobacco imported into Britain.

The Glasgow Tobacco Lords, whose names live on today in the street names of Glasgow's Merchant City, lobbied government to secure their control of this

trade. People often point to Smith learning about the economy by watching the nascent industries developing in Glasgow. While this is certainly true, what is perhaps more of a puzzle is how he developed such strong views against merchants, colonies, and slavery in a city, and amongst a group of people he socialised with, who were all profiting from it. It seems he was open about his economic ideas even in the discussions with the Tobacco Lords.

Smith could see in Glasgow a city that was changing at an astonishing rate and he wanted to understand what was driving those changes. Smith's fondness for Glasgow and the University is shown by his pleasure at being appointed Rector shortly before he died, and also in the fact that he sent his heir, David Douglas, to Glasgow to board with Professor John Millar and study law.

The Adam Smith that we know today was shaped by his early life and education in Kirkcaldy and Glasgow. As a bright young man he was able to benefit from gifted teachers, to read widely, and to discuss what he read with the students he spent time with. Smith clearly loved the school, the university, and the clubs and societies in Glasgow and Edinburgh. They shaped his thinking. But we should also remember that, for all his sociability, Smith also loved to be on his own. When it came time to write the Wealth of Nations he returned to his Mother's home and to the solitude of Kirkcaldy. Here he was able to arrange his thoughts during long walks on the beach. It is no surprise that a major section of Book V of the Wealth of Nations ended up being about education. Smith's own education and experience as a teacher shaped his thinking and awareness of how important education is to society.


AYE!

Billy Kay is a writer and broadcaster. He is a passionate advocate of the Scots language and author of the classic work *Scots: The Mither Tongue*. He is also author of *The Scottish World* which explores the global influence of the Scottish diaspora. His company Odyssey Productions produces documentaries on Scottish cultural history for BBC Radio Scotland, winning five international awards. He is a graduate of the University of Edinburgh and has an honorary doctorate from the University of the West of Scotland.

Thinking in Scots, while Writing English

Billy Kay

It's a privilege to be here to honour the legacy of a Scotsman of genius. I'd like to give you some impressions of the cultural milieu Smith inhabited and inherited. I would like to start by talking a little about Scotland's trading and cultural links with Europe which predated the union with England by several hundred years.

One story, which I got from the historian TC Smout of St Andrews University, was of the friendship which developed between a Fife skipper and the family who ran a timber trading depot near Stavanger in Norway. The families visited each other across the North Sea. However, one day the Fifer arrived and asked his friends if they could load up the timber as quickly as possible, because his wife was expected to deliver their baby in the next week or so. The Norwegian wife prepared a big pot of healthy porridge full of dried fruit to send to her friend to help her recuperate after childbirth. The story goes that the pot was rowed in a blanket, placed in the hold of the ship, which got a fair wind across the North Sea and the porridge was still warm when it arrived in Kirkcaldy!

Fife also had extensive trading links with the Low Countries. From my series *Will Ye Go Tae Flanders,* I remember fondly the image of the Bishop of St Andrews 500 years ago leaving his residence at the top of the brae and walking down to the harbour where his ship was waiting to take him on a shopping trip to Bruges. The Scottish Staple, which managed the country's trade with the Low Countries, was established at the ports of Bruges, Middleburg and Veere over many centuries. Visiting Veere today, you can still see links with the Fife burghs of Culross and Dysart.

We know that Adam Smith made disparaging remarks about the teaching at Oxford compared to Glasgow but coming from this part of the country, he would have known many who were more likely to go to the fellow Calvinist nation of the Netherlands for a year or two – especially to Leiden, Utrecht, and Groningen. Scholars today recognize that interchange as crucial in the origins of our own Scottish Enlightenment. For example, Smith's friend, the geologist James Hutton, studied at Leiden.

But probably the greatest debt the Scots owe the Dutch is in the development of Scots Law. The man known as the father of Scots law, James Dalrymple, Viscount Stair arrived as a political refugee in Holland in 1682 and remained at the University of Leiden until 1688, before taking his ideas back to Scotland.

Utrecht and Leiden also exerted a great influence on Scots medicine. Scots who studied under the great Herman Boerhaave, founded the Edinburgh medical school on the model supplied by Leiden. Leiden graduates, such as Archibald Pitcairne and Sir Robert Sibbald, were involved in the creation of the Royal College of Physicians of Edinburgh in 1681. They were the catalyst for the rapid improvement in the teaching of the subject in Scotland when Edinburgh replaced Leiden as the medical metropolis of the world.

There is much more that I could say on this topic, but I would like to talk about how 18th Century Scotland was very much a trilingual country – in which Scots, Gaelic and English were all used – where English was read and written but rarely spoken, so that the English of Scots authors was markedly different from English written by native speakers.

This Scotland was a country thrang with political tensions – the unpopularity of the Union itself, which had been delivered by an aristocratic parliament where many had been bribed, led to two Jacobite risings, the second while Adam Smith was a student in Oxford. There's a great quote in my book *Knee Deep in Claret* about Jacobite songs being sung from one end of the High Street to another by staunch Hanoverians who simply loved the vigour of the Scots songs, in spite of the political message they conveyed.

The same Jacobites and Hanoverians in their clubs and howffs – Adam Smith was a member of the Oyster Club – were happy to drink the French claret which had linked Scotland and France so closely that it was called the bloodstream of the auld alliance – even though they knew it was smuggled illegally against the wishes of the State. The playwright John Home, a relative of the great philosopher and historian, David Hume, summed up the Scottish national position perfectly in this rhyme:

> *Firm and erect, the Caledonian stood,*
> *Old was his mutton and his claret good.*

> *"Let them drink Port," the English Statesman cried,*
> *He drank the poison and his spirit died!*

When Lord Mansfield, a Scots nobleman, who became Lord Chancellor of England, commented to the diarist Alexander Carlyle his feeling that he was not reading English in the historical works of Hume and William Robertson, Carlyle, often called the sage of Inveresk, gave this perceptive reply:

> To every man bred in Scotland the English language was in some respects a foreign tongue, the precise value and force of whose phrases he did not understand and therefore [he] was continually endeavouring to word his expressions by additional epithets or circumlocutions which made his writing appear both stiff and redundant.

The Scots *literati* had mastered only the surface level of English, a detached register devoid of emotional resonance. They wrote English perfectly in the same way as for example a German intellectual who had similarly become fluent in the language and mastered its structure and surface would have done. Ironically this foreignness of English written by Scots, with its painstaking, precise correctness and formality, made it the perfect medium for discussing science and philosophy in whose various branches the men of the Scottish Enlightenment excelled.

In his autobiography which spans the years 1722 to 1805, Carlyle relates how he had been taught "a tolerable accent" of English by his aunt from London, "an accomplishment which in those days was very rare". His journal also detailed the life of the Scottish community in London, in particular their frequenting of the British Coffee House, the London Scots' favourite rendezvous. English was desired by the Scots, but for many it remained an impenetrable, foreign jargon. In one incident in 1758, Carlyle asked fellow Scot, Dr Charles Congalton, what he thought of the English now he had been among them for a few months. Congalton replied that he was unable to reply honestly as he had not really made acquaintance with any of them, "I never enter into conversation with the John Bulls, for, to tell you the truth, I don't yet well understand what they say."

Like Smith, Carlyle was a member of the Select Society, whose members included the leading men of the Enlightenment. Of his fellow church minister, William Robertson, who became a celebrated historian and Principal of Edinburgh University, Carlyle recalled that he, "spoke broad Scotch in point of pronunciation and accent or tone … his was the language of literature and taste, and of an enlightened and liberal mind." The same was true of the great geologist James Hutton, Smith's friend, and executor, as well as public figures, such as the great novelist and antiquary, Sir Walter Scott, long after the 18th century fashion for Augustan elegance had died out.

The balancing act which the Scots of the 18th century made between Scottish and English culture in their society and within the individual, produced an almost schizophrenic state of mind among people whose loyalties were constantly stretched in different airts.

Allan Ramsay was one of the great poets who revived Scots as a literary language, yet he was very much a man of his time and sometimes found it difficult to resolve the dichotomy which pulled him in different directions. It was his son and namesake, Allan Ramsay the painter, who helped to found the Select Society in 1754. From its ranks sprang the Society for the English Language whose initial aim was to promote the correct use of English, and to that effect engaged a Mr Leigh,"a person well qualified to teach the pronunciation of the English tongue with propriety and grace."

Whereas in the previous century the terms to describe the language of the Lowlands alternated between English and Scots, as it had done interchangeably since the 16th century, there was now a conscious distinction made between the vernaculars of England and Scotland. As late as the first few decades of the 18th century, schools referred to the class teaching the vernacular as the Scots class or the English class without any difference of emphasis in language teaching. By the middle of the 18th century, schools started to refer to teaching English "by the new method", which usually implied that an attempt would be made to teach southern pronunciation. Heriot's school in the 17th century claimed it would "teach the bairns to read and write Scots distinctly", but by the time Edinburgh Academy was founded in the early 19th century, "a proper English articulation and accent" was insisted upon "in order to remedy a defect in the education of boys in Edinburgh who are suffered to neglect the cultivation of their native tongue and literature during the whole time they attend the grammar schools".

Numerous books were published in Scotland which attempted to show by multifarious orthographic devices, how English was pronounced in England. Among the books published for the help of our forefathers in this their hour of need were: The Edinburgh New Method of Teaching English by Godskirk and Hume in 1750, Linguae Brittanicae Vera Pronunciato by James Buchanan in 1757, The Pronouncing Dictionary of the English Language by John Burns in 1777, and William Scott's A General View of English Pronunciation published in Edinburgh.

One teacher, William Noble, intent on exploiting upper class sensibilities advertised himself as:

> taking all imaginable care of the quantity, accent and manner of expression, by which he hopes that the barbarisms, so often and so justly complained of here, will be properly guarded against.

About a Mr Telfer, "lately arrived from London" it was claimed:

> Having studied and taught the English language chiefly for several years past, he hopes he shall be able to teach his pupils that pronunciation and accent which are used by the most polite speakers and great care will be taken that no Scotch be spoken in time of school.

One can only smile today when one thinks of men of the stature of Hume and Adam Smith being fashed with trivialities such as the following examples from one of those 'self-help' books:

SCOTS	**ENGLISH**
a bit bread	a bit of bread
the better of a sleep	the better for a sleep
on the morn	on the morrow
a sore head	a headache
to my bed	to bed
he has got the cold	he has got a cold
where do you stay?	where do you lodge, live, or dwell?

A glance at the two lists shows that the Scottish options are still in use in Scottish English today, proof of the survival of Scots even among those who don't consider they speak it. The Anglicisers were perhaps more successful in the long term with the words that were unique to Scots. The philosopher and poet, James Beattie never regarded them as much of a problem: "With respect to broad Scotch words, I do not think any caution requisite, as they are easily known and the necessity of avoiding them is obvious."

Yet Hume was so embarrassed with what he considered to be his inability to speak or write perfect English, that when he died he is said to have confessed, not his sins, but his Scotticisms!

With Hume it appeared to be an *idée* fixe to out-English the English. He is said to have sent his manuscripts to such diverse experts as a linen-draper in Bristol and a cobbler in Norwich, to have any trace of Scotticisms weeded out of the text before exposing it to the scrutiny of polite society. This from a man who was proudly Scottish and whose sceptical view of religion enraged large sections of that society. There was economic pressure to anglicise too – Scots writers wanted sales in London. But London was where power lay and so there were many Scots who went there, who were anxious to adapt and conform.

James Boswell was a typical 18th-century Scots aristocrat who did everything he could to ingratiate himself with the London literati and nobility. Dr Johnson was a good example of an elitist Englishman, resentful of the Scots' inordinate

influence in every sphere of city life - disdainful of their culture and their attempts to acquire his. Boswell's description of their first meeting encapsulates the ambience.

> Mr Davies mentioned my name, and respectfully introduced me to him. I was much agitated; and recollecting his prejudice against the Scotch, of which I had heard much, I said to Davies, "Don't tell him where I come from." -- "From Scotland," cried Davies roguishly. "Mr Johnson," said I, "I do indeed come from Scotland, but I cannot help it." I am willing to flatter myself that I meant this as a light pleasantry to soothe and conciliate him, and not as an humiliating abasement at the expense of my country. But however that might be, this speech was somewhat unlucky; for he seized the expression "come from Scotland," which I used in the sense of being of that country; and retorted, "That, Sir, I find, is what a very great many of your countrymen cannot help." This stroke stunned me a good deal; and when we had sat down, I felt myself not a little embarrassed, and apprehensive of what might come next.

What came next was that Boswell got the name of being Johnson's "Scotch cur", becoming the classic sook. His father Lord Auchinleck, like many of the Law lords, continued speaking Scots, which he used to good effect when he heard of his son's attachment to Johnson:

> Jamie has gaen clean gyte...whae's tail dae ye think he has preened himsel tae noo? A dominie man!--- an auld dominie, wha keepit a schule an caaed it an Acaademy!

Boswell's wife was so put out at the sight of her husband grovelling before the Englishman, she remonstrated that she "had often seen a bear lead by a man, but never till now had she seen a man lead by a bear!"

But there were those who resisted creeping Anglicisation. One anecdote concerning John Clerk of Penicuik, later Lord Eldin, relates how the Scot was arguing a Scottish appeal case before the House of Lords. Pleading his client's use of a burn by prescriptive right, Clerk's rich Scots rang out referring to "... the watter haein rin that wey for mair nor forty year." The Lord Chancellor, bemused by Clerk's pronunciation interrupted his oration and inquired in a rather condescending tone: "Mr. Clerk, do you spell water in Scotland with two t's?" Clerk, astonished by the man's rudeness, still managed to give better than he got. "Na, na, my lord" he replied, "We dinna spell watter wi twa 't's, but we spell mainners wi twa 'n's!"

For some of the judges their use of Scots was a reaction against the fashion for precious gentility particularly prevalent in Edinburgh during the fashion for

the cult of Sensibility, when grown men would weep in public at sentimental, sententious works such as Henry MacKenzie's *The Man of Feeling*. The sensibility of such as the hanging judge, Lord Braxfield was of a quite different order. During the sedition trials of 1794, the Englishman Margarot claimed that he and his fellow radicals stood in a long line of noble men who were reformers as well - Jesus Christ himself being one of them. "Muckle he made o that", Braxfield replied, "He was hangit!"

Another great Enlightenment figure Lord Kames - a friend and early patron of Adam Smith - in his final address to the Court of Session when he retired from that august institution in his eighties, was memorably concise and terse: "Fare-ye-aa weel, ye bitches".

Alongside the desire to conform and write in English was a stronger desire among writers and artists to maintain the culture and make it thrive, Smith would have been a Scots speaker immersed in that culture. He worked during the brilliant Vernacular revival led by Ramsay, Fergusson, and Burns which counterbalanced the Anglicisation sweeping Scotland.

Fortunately, Burns was enough of his own man to ignore the advice of the literary elite to write solely in English – the ostentatiously sentimental novelist, Henry McKenzie asserted that:

> One bar indeed, his birth and education have opposed to his fame, the language in which most of his poems are written.

If he had followed that advice, he would have been just another obscure, stilted versifier, like his contemporaries, Thomas Blacklock and James Beattie, instead of one of the world's genuinely popular yet great poets.

Robert Burns had read Adam Smith's Theory of Moral Sentiments as a young man, and greatly admired it. There are several places where we can see Burns using ideas which reflect Smith's philosophy, perhaps most notably the famous lines at the start of the last verse of the otherwise comic poem To a Louse:

> O wad some Power the giftie gie us
> To see oursels as ithers see us!

It may even be that Smith, a pre-publication subscriber to Burns' Poems, Chiefly in the *Scottish Dialect,* recognised the young poet's use of his ideas.

It was only when the Vernacular poets, Ramsay, Fergusson, and Burns reverted to their natural Scots tongue that the balance tilted from precious gentility towards greatness - proof, if any is required, that Scots still held the heart if not the mind – and not just of the poets, but also of the intelligentsia of the period.

2

PHILOSOPHICAL QUESTIONS

(Ryan Hanley and Rowan Cruft)

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Adam Smith: Religion and Philosophy

Ryan Patrick Hanley

The Old Kirk of Kirkcaldy has witnessed much over the course of a long existence that dates back at least to the thirteenth century. But for scholars of Adam Smith, the Old Kirk will always have an important place in our hearts as the site of the first documented event in Adam Smith's life. This was the philosopher's baptism, which we know from the entry in the parish register to have occurred in the church on 5 June 1723.

Of the many events in Smith's life at which I would have enjoyed being present, this ranks near the top. For the baptism of a philosopher is a curious thing. For the Christian, baptism is a central event in a life, marking as it does the beginning of a path to eternal life. Yet when most people today think of Smith, they tend to think of him less as a Christian than as a philosopher – and indeed as not just any kind of philosopher, but as an Enlightenment philosopher. And to be an Enlightenment philosopher, as we've long been told, is to be a secular philosopher, maybe even an atheistic philosopher, but at any event a philosopher who philosophizes at some remove from Christianity.

Now whether this popular understanding of Enlightenment as hostile to revealed religion is an accurate understanding is a question about which many academic books have been (and one suspects, will continue to be) written. So too the question of whether Smith himself is best understood as an Enlightenment philosopher of this sort is a quite complex question that demands a much longer response than I can provide here. What I would like to try to do here is to use

the opportunity afforded by the tercentenary of Smith's birth and baptism in Kirkcaldy to open up one particular side of the question of Smith's engagement with religion. Put as simply as possible: how should we understand Smith's relationship to religion, and especially the relationship of his moral philosophy to religion?

This question of how we ought to understand (and by extension how Smith himself understood) the relationship of the principles of Smith's moral philosophy to the principles of Christianity strikes me not only as interesting and important, but also one where scholars can make progress. This is not quite so true, I have come to believe, of many other familiar questions concerning Smith's religious views. Much ink, for example, has been spilled over the question of Smith's personal faith or lack thereof. But Smith was notoriously reticent to state his ideas on this front, and in the absence of some smoking gun that I suspect we are very unlikely ever to find, it does not seem to me likely that we will know much more about Smith's personal faith in the future than we already know now. The same, I think, is true of another much-debated question, namely the possible theistic provenance of Smith's famous invisible hand. Many have asked whether in fact Smith's invisible hand is the same as God's hand, yet here again I suspect we already know as much as we ever will about what Smith himself thought about this.

On the other hand, there is however much more I think we can say about the place religion may have had in his moral philosophy. So: what place did religion have? Speaking broadly, we can start by imagining three ways of understanding the relationship of religion to ethics. One is simple: the idea that religion determines morality. Philosophers today call positions of this type divine command ethics, and include in this category all systems which argue that what is right and good is right and good because God determines that it is right and good. I think it's fair to say few scholars today would say Smith subscribes to this view. Smith himself provides an interesting response to it in *The Theory of Moral Sentiments*. To those who argue that 'the sole principle and motive of our conduct in the performance of all our different duties, ought to be a sense that God commanded them,' Smith replies that this in fact 'is nowhere the precept of Christianity.' Christianity, Smith notes, is founded on the two fundamental precepts of love of God and love of neighbor as we love ourselves, but yet 'we love ourselves surely for our own sakes, not because we are commanded to do so' (Smith 1976: 171). On such grounds Smith not only distinguishes his own sentimentalist position from divine command ethics, but also suggests that Christianity itself cannot be understood simply or only in terms of divine command ethics.

What then of the position at the opposite end of the spectrum: namely the idea that so far from determining morality, religion has no bearing on morality

whatsoever? Many in both Smith's day and our own have believed that it is possible to enjoy a good and flourishing life without religion. One especially prominent champion of this idea was David Hume. Hume's moral philosophy operates at some distance from any sort of theism; to say the very least, the Humean moral virtues are not the Christian virtues, nor do they depend for their justification on any theistic foundation. This is not to say that Hume was in any simple sense an atheist; in fact, as recent scholars have especially emphasized, Hume himself defended belief in something that he called 'true religion.' This is a quite unique sort of religion, to be sure, and the degree of Hume's own belief in it is by no means easily determined. But for us here, the important point is that Hume pioneered a way of understanding ethics wholly independently of religion.

The question that matters for us is whether Smith agreed with Hume on this point. More than a few scholars have argued this to be the case, noting that Smith and Hume were friends who agreed on much. But for my part I'm skeptical. Smith and Hume indeed agreed on much, to be sure – but they also disagreed on much. Some of what they disagreed about concerned technical issues of moral philosophy, such as the mechanisms and operations of sympathy. But other disagreements in fact concerned matters of religion, such as Smith's steadfast refusal to grant Hume's dying wish to see to the press Hume's highly unorthodox *Dialogues Concerning Natural Religion*. Here and elsewhere Smith seems to have wanted to distance himself from Hume's more strident critiques of religion, suggesting that he himself may have inclined towards a slightly more moderate position.

At the very least I think we can say that Smith's own understanding of religion does not align in any simple sense with either position on the far ends of this spectrum: the idea, on the one hand, that religion determines morality, and the idea, on the other hand, that religion is irrelevant to morality. Smith instead here adopts – as he does on so many other fronts – a more moderate position, one that splits the distance between the extremes. But just where then on this expansive continuum should we situate Smith, if not at either of the two far poles?

The best way to make headway here, I think, is to begin where Smith does: namely with his views on human nature. *The Theory of Moral Sentiments,* whatever else it may be, is first and foremost an account of human nature. From its first sentence onwards, Smith's book focuses on defining this nature, and specifically on defining, in the key term of its title, the moral sentiments natural to us. As it unfolds, *The Theory of Moral Sentiments* goes on to argue that many of the moral sentiments that are natural to us are self-directed, such as our self-interested concerns for wealth, status and esteem. At the same time, Smith also argues that we also have a number of natural sentiments that are other-directed, and especially our interest in the welfare and happiness of those with whom

we live. Indeed much of the interest of *The Theory of Moral Sentiments* lies precisely in Smith's subtle accounts of how the two sorts of natural sentiments, self-directed and other-directed, can and should work together. But for now, the point that matters is that in Smith's moral philosophy, it's always the natural moral sentiments that are of primary concern.

I emphasize this basic fact because I think it's difficult to make much headway with Smith's account of the relationship of religion to ethics unless we keep it front and centre in our minds. This is because much of what is most interesting and valuable in his account of religion and ethics takes it as its point of departure. We see this especially in the argument that Smith develops in a relatively understudied chapter of *The Theory of Moral Sentiments*. Here he examines what he calls the 'religious sentiments' of the believer, arguing that when these religious sentiments buttress the 'natural sense of duty,' they strengthen the resolve of believers to act ethically, and indeed in such a way that those around them are prone to put a 'greater trust' in the believer. Smith further suggests that the combination of these religious sentiments with a natural sense of duty points to the existence of certain 'natural principles of religion' (Smith 1976: 170). This is an interesting locution for several reasons, not least of which is that Smith very rarely speaks of 'natural principles' (as opposed to natural sentiments) in *The Theory of Moral Sentiments*. But whatever the significance of that might be, the important point here is that for Smith the principles of religion are not in any simple sense independent of or orthogonal to morality, but in fact have the potential to support our natural moral sentiments.

Smith goes on to warn that these religious sentiments are in fact often perverted and made to work in ways very contrary to moral duty. In what follows he explicitly insists that we rightly place 'a double confidence in the rectitude of the religious man's behaviour' only when his natural principles of religion 'are not corrupted by the factious and party zeal of some worthless cabal,' and he does not 'regard frivolous observances, as more immediate duties of religion, than acts of justice and beneficence' (Smith 1976: 170). Like his friend Hume, Smith knew all too well the dangers of religious sentiments corrupted by superstition and enthusiasm. But for all his worries with regard to the religious sentiments when corrupted or otherwise poorly-directed, Smith yet believed that the religious sentiments can and often do further the ends of morality.

With this in mind I want to return to our point of departure. I began this piece by recalling Smith's baptism in Kirkcaldy, the first recorded event of his earthly life – the life that began in Kirkcaldy three hundred years ago and ended 67 years later in 1790, just on the other side of the Firth of Forth. But baptism, as we noted, is not just one of the first events in the earthly life of the Christian, but also the first step towards eternal life. And with that idea in mind, we might wonder: how exactly did Smith understand the concept of eternal life? As it happens,

Smith has quite a bit to say about the afterlife, and in what he said we in fact find an especially important example of how he thought that religion and moral philosophy might harmonize.

In the chapter we've been examining, and in fact just a few paragraphs prior to his invocation of the 'religious sentiments' and the 'natural principles or religion,' Smith takes up the concept of the afterlife. His specific concern here is with the origins of this concept. Smith knew that several philosophers before and in his day had argued that the idea of the afterlife is born in self-interested fear, and specifically the fear of punishment by the divine for our unjust acts here on earth. This is an idea that of course had especially been argued by Hume. But Smith takes a different approach. On his view, 'we are led to the belief of a future state, not only by the weaknesses, by the hopes and fears of human nature, but by the noblest and best principles that belong to it, by the love of virtue, and by the abhorrence of vice and injustice' (Smith 1976: 169). Belief in the afterlife – indeed the very afterlife to which the Christian is opened by baptism – thus provides Smith with another instance of the ways in which religious belief and ethical commitment coincide.

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Adam Smith on markets and property rights

Rowan Cruft

In this brief chapter, I focus on the Adam Smith that non-experts will recognize: Smith as the economist's stereotype, defender of the free market, author of the *Wealth of Nations* (Smith 1976). I do not claim the historical, biographical and interpretative expertise of the other authors in this book, and will instead focus on highlighting the extraordinary insights that Smith brings, in one of his most famous passages, to the moral justification of markets and property rights. I argue that Smith's defence of the free market requires recognising that the rights we bring to the market as traders and consumers – rights over goods for sale, over our money for purchasing – are a very different category of right to our fundamental human rights, and that this should affect how we conceive 'our' property in the market.

I begin in a non-Smithian place, with the idea of basic human rights. In other work, I have suggested that we should think of a person's basic human rights as morally justified primarily for that person's own sake: rights whose existence as powerful duties that others have to respect depends primarily on the good of the right-holder themselves (Cruft 2019). Consider your right not to be tortured, your right to education, or your right to free speech. Respecting any one of these rights of yours might well serve the wider community, but what non-torture, education or freedom of speech do *just for you* is so important that we should respect your right largely independently of what it does for others.

Thinking of basic human rights in this way is, I contend, broadly in the tradition of John Locke, as articulated in his 1689 *Second Treatise of Government*. It is part of a natural rights tradition that some ridicule (e.g. consider Bentham's 1789

dismissal of natural rights as 'nonsense upon stilts'). It is not a tradition that counts Smith - or his friend David Hume (1978) – as members, nor is it a tradition that fits well with what Smith says about markets or with what Hume says about property. But I will take two paragraphs to outline this natural rights tradition before returning to Smith. The natural rights tradition is attractive as an account of our most basic human rights: rights over our bodies and minds, our rights of freedom and rights to education, to basic welfare provision, and to participation in one's community. In my view, one of the core insights of this natural rights tradition is that each human holds certain basic moral rights justifiable primarily for the right-holder's own sake: rights that are justifiable simply by referring to the important way in which they protect the right holder, largely independently of whether this serves the wider community. Such rights ought to be recognised by governments, and by legal and social conventions. They are the heart of what we now call human rights. (Of course this claim is controversial; for alternative views, see Buchanan 2013 or Lafont 2021.)

Now for Locke, our basic human rights include our particular private property rights, and the twentieth century Lockean libertarian tradition driven by Robert Nozick's 1974 book, *Anarchy, State and Utopia* makes such private property rights our core human rights, such as a person's right over their house or apartment, their stocks and shares, their car, their income. Nozick's position is that a person's rights over any piece of private property (including money) are fundamental rights that can almost never be justifiably violated. This libertarian position has politically suspicious implications: if all property rights are fundamental human rights, then this makes taxation and state control of property very hard to justify. As Nozick puts it, this position says that taxation, by expropriating wealth and labour-time over which the individual has basic rights, is 'on a par with forced labour' (1974: 169). But surely this overplays the importance to the individual right-holder of her property, wealth and income, wrongly categorising it all as a basic human right alongside our rights not to be tortured or assaulted, to political participation or to education?

Reading Adam Smith's work on markets in the *Wealth of Nations,* I would argue, provides a powerful corrective to this libertarian picture, a corrective that is nonetheless appropriately sympathetic to the importance and justifiability of markets, and highlights their social character. In particular, I see Smith's work on markets as offering an account of the private property rights which are central to free market capitalism that highlights the way they serve wider society, while leaving separate conceptual space for a more individualistic, non-Smithian view of our fundamental human rights.

Writing on markets in one of his most famous passages, Smith says:

> *'It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from regard to their own self-*

> *interest. We address ourselves [in market exchange], not to their humanity but to their self-love'* (Smith 1976: 18).

I would like us to take some time to think about what Smith is articulating here. The explicit point highlighted by many interpreters is a point about how markets harness our selfishness or limited benevolence so that exchanging parties benefit: you get more from your baker by offering them money and thereby appealing to their self-interest than simply by pleading neediness. Note how Smith's passage refers to how exchange serves the self-interest of *both the buyer and the seller:* the buyer gets their dinner while the seller gets the buyer's money, and so the transaction serves both parties' self-interest, not just one party alone. From this there is a second implied point in the passage which is well worth pausing on. It is a point about the justification of property rights in a market, and it relates to the benefits of market exchange.

When a baker bakes 30 loaves of bread in their own bakery, the baker has – let us say - legal property rights over those loaves. What makes those legal property rights morally justified? That is, should we endorse a social system that allows the baker to have these legal property rights? What good is served by these rights such that we can see them as morally justified? It cannot be the *direct usefulness to the baker* of those 30 loaves that on its own morally justifies the bakers' rights over that bread. For nobody can eat 30 loaves before they rot, and most of the other things the baker could do with the loaves without selling them (e.g. building a loaf tower) are unlikely to be very helpful for the baker. Instead, the following two ways in which the loaves are useful seems to play a central part in morally justifying the bakers' rights over these loaves, two ways highlighted by the quotation above from Smith:

(1) The usefulness of these loaves to potential customers (who can gain the loaves through exchange) plays an important part in justifying the bakers' property rights over the 30 loaves.

(2) The usefulness to the baker of the customers' money (that the baker can receive through exchange in return for the loaves) also plays an important part in justifying the bakers' property rights over the 30 loaves.

What this means is that the moral justification of the baker's property rights over the 30 loaves does not depend simply on what those loaves do directly for the baker - in the way that the moral justification of the baker's right not to be tortured, or their right to education, does depend directly on what non-torture and education does for the baker, independently of whether this serves others. But when it comes to the justification of the baker's rights over the 30 loaves, the usefulness of these loaves to others, and the usefulness of others' money to the baker, play an essential part.

This is a really important insight captured by the quotation from Smith: the possibilities opened up by the process of exchange through the market mean that each person's private ownership rights over something (e.g. a loaf) are morally justified not simply by that person's good, but by how those rights could be useful through exchange to any number of other people. This insightful view of the moral foundations of market property rights implies that unlike our fundamental human rights, private property rights in the free market are not justified simply for the right-holder's sake. But nor are our rights over each item fundamentally justified by how it serves some big group called 'the community at large'. One might think that if a right's justification is not what it does for the individual right-holder, it must instead be justified by what it does for a group right-holder. This would make sense for the rights held by a nation, or perhaps a family or a people. But it is not what Smith's view implies about private property rights.

Instead, Smith's point about markets constitutes an important alternative position, one found also in Hume: the view that in a market, ownership rights over each item are justified by how that item could potentially serve any possible exchanger, including the owner but also all other market participants. The interests of each person play a key role in justifying the rights over every item that could be exchanged. This is an interesting and difficult insight. It points both against the libertarian view of property rights as fundamental human rights primarily there to serve the right-holder, and against a rival communitarian view which sees all property as ultimately owned by the collective.

If appreciated properly, this point should lead participants in markets to adopt a rather nuanced view of their own wealth and holdings. Each of us should not see our rights over the goods we bring to market as akin to our fundamental human rights, justified simply by how they serve us. Instead, we should see our rights over the goods we bring to market as justified by how they could serve any market participant. But the market says they are still our individual rights: if you steal the 30 loaves, you wrong the baker primarily, and only wrong the community at large in a secondary sense, not in the way you would if the loaves were owned by the community.

I think there is a risk associated with this Smithian way of thinking of market property rights. The baker's rights over their 30 loaves are justified fundamentally by how they serve lots of market participants, and not simply the baker themselves. But they are still the baker's rights. Yet most rights justified by how they serve people other than the right-holder wear on their face their justification in others' interests: think, for example, about a bus driver's right not to be spoken to while driving, or a teacher's right to set deadlines for pupils' work. It does not take much thought to conclude that the bus driver's right is justified by how it serves passenger safety as much as the safety of the driver, and similarly it is

fairly clear that the teacher's right is justified partly by how it serves pupils at large, rather than personally serving the teacher themselves. This is because the rights in question help the bus driver and the teacher fulfil their professional duties, and these duties are fundamentally about serving others. By contrast, market property rights do not wear on their face the fact that they are justified not simply by how they serve the right-holder, but just as much by how they serve other participants in the market. Because of this, it is easy to forget Smith's insight and slip into a libertarian way of thinking in which the rights over the goods I bring to market feel like basic human rights which are primarily there to serve me and not others.

It would be helpful if we could do more to foster awareness of Smith's insight about the way goods brought to market serve others beyond their owner. We could thereby bring out the fundamentally social grounding of many private property rights, and avoid slipping into Nozick-style libertarian mistakes about the inviolable status of market property. One useful step is to observe that Smith's defence of the market, like Hume's defence of property systems in general, is primarily socially oriented (see Smith 1976 and Hume 1978). It is still a defence of the market: markets need not be opposed to broad community-focused social goals, as the idea of market socialism makes clear. But it is a big mistake to see it as a right-wing defence of the importance to the individual of their own property. The defence of markets developed by Smith and Hume takes this nuanced view on which my property is justified primarily by what it can do for others. Getting this clear is an important step in our understanding of the contested value of markets.

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3

ECONOMICS INSIGHTS

(Robbie Mochrie, Jacob Soll, Maria Pia Paganelli,
Sheila Dow, Robert McMaster)

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Civil government, virtue and 'The Wealth of Nations'

Robbie Mochrie

There is a story that George Stigler, one of the leading lights of the Chicago School of economists, gave a seminar at the University of St Andrews on Adam Smith. His opening words, "Adam Smith is alive and well, and living in Chicago," invited the heckle, "And how is the prisoner?" Given that as well as being a formidable historian of economics, Stigler was also a fabulist, the story may have got better in the telling.

Gathering to celebrate the 300th anniversary of Smith's birth, economists gleefully recounted that tale. Yet in some ways, their continuing interest in Smith was a response to the Chicago School's appropriation of him as an intellectual totem. Determined advocates of a small-state liberalism, in the 1960s and 1970s, they had mined Smith's writings to argue that they were going back to the original intent of the founding father of economics.

In this endeavour, they were entirely sincere. But part of the greatness of Smith's approach to economic matters was that he sought to express his ideas in very general terms, which emphasised the unity of his analysis. While that accounts for his notorious slowness in bringing his work to fruition, it helps to explain its profundity. Almost every economist, and many other social scientists, can look

back to Smith's work, and find in it a prefiguration of their own ideas. He was the Adam of economics, the last common ancestor of a disputatious tribe.

We can also think of Smith as being a product of the times in which he lived. Scotland became part of the United Kingdom in 1707. In September, 1745, while Smith was still nominally studying theology at the University of Oxford, so that he could become an Episcopal priest, lightly armed Jacobite rebels marched across Scotland, defeated the small British army, and seized control of Edinburgh before continuing on to England. With better military intelligence, they could easily have reached London, and installed the Stuart claimant, James III, on the throne.

Arguably, the lack of resilience among Scotland's civil institutions in the face of this crisis was important for the emergence of the Scottish Enlightenment, with Smith becoming one of the brightest stars in a brilliant constellation of thinkers. For the historian, Richard Sher, after the rebels' final defeat in 1746, Scots finally concluded that they had to develop political institutions which were sufficiently robust so that their disputes could be settled peaceably, rather than through armed conflict. (In many ways, this was a wider European project, which had started a century earlier after the ending of the inconclusive, but brutal religious wars prompted by Luther's Reformation, and the rise of Protestantism in Northern Europe.)

In Sher's account, a group of young men quickly established a network of liberal thinkers, under the patronage of Scottish notables. What we now call the Scottish Enlightenment was largely the result of their efforts to create a modern society, based on the 'reform of manners.' They debated, and wrote, and were active citizens. It was entirely natural for Adam Smith to have been an integral part of this group. We can think of his published work – and indeed much of his unpublished work – as what remains of his attempt to build a complete science of humanity. All the economists who have contributed to this volume have therefore rejected the Chicago reading of Smith. Freeing Stigler's prisoner, they have shown that for Smith, it was impossible to separate economy and society. They have noted that where the Chicago reading emphasised his support of free enterprise and accepted the outcome of markets as being the best possible, Smith instead emphasised the importance of 'commercial society.'

As Deirdre McCloskey has argued at length elsewhere, it makes sense to treat Adam Smith as a moral philosopher, working within the classical tradition of virtue ethics. Initiated by Aristotle, virtue ethics emphasises the cultivation of tendencies, both in behaviour and thought, which are appropriate to social contexts. In his writings, Aristotle emphasised the importance of the golden mean: virtuous behaviour could fail because of both an excess and a dearth of a tendency. For example, physical appetites could lead to gluttony, or, in a problem

which Aristotle struggled to imagine, eating disorders. Aristotelian virtue relied on balance.

Within his analysis of individual and political behaviour, Aristotle proposed that there were four essential virtues for the active citizen of an Ancient Greek city-state: prudence, or practical wisdom; temperance, which is the willingness to defer gratification; courage, which was essential for a citizenry who could be called upon to fight in brutal wars; and justice, located in fair treatment of others. Turning to economic matters, which for Aristotle and his contemporaries was the art of household management, prudence was the essential virtue. Later writers, especially the medieval theologians in France who brought Aristotle's theories into Western Christian thought, emphasised justice, along with the contingency of property rights. For Smith, though, temperance was the greatest of the virtues in a commercial society, much as he believed they were all essential.

Writing in a time of profound social change, Smith, the social philosopher, looked back to the old tradition which had thought about how we should behave as individuals, within the context of our social relationships, and the implied network of obligations. But, Smith, the careful observer of those social changes, completed the first systematic analysis of political economy. He explained how individual behaviour, combined with the institutions which had emerged for the management and control of the wider economy by the middle of the eighteenth century, determined both the state of the economy, and the potential for its further development. As the title, *An Inquiry into the Nature and Causes of the Wealth of Nations,* confirms, Smith's underlying concern was to understand what constituted wealth, and how it might best be created. He was perhaps the first person to argue that economic development could lead to persistently rising living standards and greater societal well-being.

Economics is sometimes called the 'dismal science.' There is nothing dismal in Smith. His confidence in the possibility of progress, of social development, and the gradual material betterment of all people shines through his work, especially *Theory of Moral Sentiments,* with its interest in the potential of human society. Writing in that way, his arguments were consistent with the wider spirit of the times in which he lived. In the century before Smith wrote, modern science had become firmly established, with the objective of explaining the world in purely natural terms. Smith believed that the same was possible in social science. His political economy was a response to the new intellectual world which the scientific revolution had established, and its seemingly infinite possibilities.

Moving on from these generalities, Smith was very much a man of his time, who responded to what he observed. (This is perhaps true of all great economists – they see the same things as everyone else, but they understand them in new ways, allowing other people to share their vision. While they might imagine

wonderful possibilities, their thinking is grounded in careful observation of social relationships.) Travelling to Kirkcaldy to take part in events in the Old Kirk in June 2023 was therefore a considerable privilege, though with elements of pilgrimage. Local guides showed the participants that Smith's family home would have backed on to the Firth of Forth. Climbing to the top of the tower of the Old Kirk, and facing into the stiff onshore breeze, it was possible to make out the outline of the Bass Rock and Fidra in the sea mist, and to look past them at the choppy waters which, for Smith, would not have been a barrier, but the highway to England, and the European mainland.

Up until Smith's youth in the first half of the eighteenth century, Scotland faced East to Europe. A large majority of Scottish burghs – towns which could hold markets, and which were self-governing, even in feudal times – are on the East side of the country. That led to a web of connections, especially with Dutch Calvinists in the seventeenth and eighteenth centuries. But by the time Smith was appointed a professor at the University of Glasgow in the middle of the century, the Union had made a new Atlantic trade possible. Scots had begun to play a very substantial role in the expansion and management of the British Empire, and Glasgow, whose population increased from about 20,000 to 80,000 during the second half of the century, had started on the path of industrialisation which would make it the 'Second City of Empire.'

With its trade based on sugar and tobacco, Glasgow was also intimately involved with the slave trade. It is very likely that some of Smith's students failed to pay close enough attention to his strictures against slavery, and participated actively in the economic opportunities afforded by the burgeoning Caribbean economy. There is even evidence that James Watt, initially an instrument maker at the University, dabbled in the slave trade. That, of course, is not why we remember him. Watt's tinkering with steam engines led to the improvements which enabled steam power to replace water power early in the industrial revolution. Finally accepting the repeated invitations of his future partner, Matthew Boulton, to move to Birmingham, after the Carron Ironworks failed to produce tough enough steel for his engines to work safely, Watt's inventions were one of the foundations of the new industrial age,

Smith could see all these changes happening, as well as their political management. Realising that governments could affect the 'causes' of national wealth, he strongly opposed what seemed to him the wrong-headed approach of the state management of industry and trade, which was common in the eighteenth century. His critique involved much more than the well-known arguments against what we now call mercantilist thought, in which the acquisition of bullion was the essence of national wealth. Smith demolished those claims in the first half of *The Wealth of Nations* with his careful account of

how value comes from the use of resources in production.

Turning to Book IV, we see Smith, the expert in rhetoric, carefully but emphatically demolish the political programme of mercantilism which had shaped European governments' practice of managing trade and external relations. Slavery was of course one of the practices which Smith condemned. But he was unsparing in his criticism of the institutional arrangements underpinning Britain's imperial expansion, specifically the way in which the East India Company's management of Britain's interests had turned into a licence for wanton cruelty, exploitation, and rampant corruption. He also predicted that without substantial reforms, Britain's North American colonies would obtain their independence, through use of arms, if necessary. His predictions bore fruit with the Declaration of Independence less than four months after the publication of *The Wealth of Nations,* and the United States finally defeating British forces in 1783.

For Smith, these policies were the result of governments being far too pliable when confronted with organised commercial interests. Any growth in wealth ended up concentrated in the hands of a few corrupt statesmen, and the managers of the colonial ventures – at the expense of general well-being. For Smith, the possibility of acquiring economic power was valuable because it encouraged imagination and innovation. But there was always a risk that, in becoming an end in itself, the ceaseless pursuit of economic power and the social prestige which would come with the resulting wealth, would corrupt our behaviour.

We can see from this how the Chicago School could find much in Smith about the damaging effects of corrupt public institutions. But to reach the conclusion that Smith was opposed to entirely free markets required much more than that. Without a substantial simplification of Smith's concept of 'self-interest' so that it could be reduced to something like selfishness, it was impossible to treat Smith as a champion of laissez-faire economics. Yet if we accept that Smith was working within a virtue ethics tradition, the Chicago interpretation cannot be correct. Selfishness – thinking purely of self – must be a deformation of virtue given the obligations which come from being members of society.

Here I need to touch on the ideas in Bob McMaster's paper, which turns on the question of what Smith might have meant by self-interest and self-love. If we take love – in an economic context – as being the disinterested promotion of others' well-being, then self-love must also be our disinterested promotion of our own well-being. In Smith's thinking, since we are social animals, true self-love does not involve the self-absorption which is necessary for selfish behaviour. Instead, it is a careful balance between the pursuit of our own interests, and the promotion of others' interests. That makes it very similar to the formulation of Odd Langholm, one of the leading experts on Scholastic economic theology, that for Thomas

Aquinas justice lay in not exploiting others, while avoiding the sacrifice our own interests.

That line of argument could easily vanish into metaphysical speculation, which we never find in Smith's practical analysis. Help is at hand in Sheila Dow's paper in which she has argued that Smith's writings resonate (sympathetically) with the approach to behavioural economics, which emerged from Herbert Simon's analysis of bounded rationality as a response to pervasive uncertainty. There is a sharp dividing line between the widespread understanding of rational behaviour in economics as the maximisation of clearly defined objectives and Simon's arguments about the impossibility of optimisation in the face of uncertainty, and the necessity of having robust rules to guide behaviour. Although the maximisation approach emerged in the 1930s, especially in early work of John Hicks and Paul Samuelson, it later became central to the Chicago School's approach to economics,

For Simon, it was often better to make some decision than to dither over what might be best. Reflecting on how misplaced confidence in the seeming precision of the maximisation approach contributed to the failures of corporate governance, which ended in the financial crisis of 2008, some eminent economists, including the Nobel laureates, George Akerlof and Robert Shiller, have suggested that behavioural approaches have considerable value in guiding conduct in situations of intractable uncertainty. Shiller has proposed that there is a need for a 'narrative economics.' In many ways, this seems to be a call for a return to virtue ethical thinking, in which we cultivate the dispositions which would enable both personal, and corporate resilience.

For Sheila Dow, Smith's broader philosophical understanding of how we engage with the external world ensured his commitment to what we now think of as behavioural approaches. Presenting a theory of human nature where individuals are understood as social beings, Smith highlighted the role of an imaginary 'impartial spectator' as promoting behaviour which meets with social approval, ensuring that we would not simply be selfish. In a virtue ethical setting, such self-management involves the exercise of temperance, and fair dealing, or justice. Together with beneficence – doing well for others – these are the foundations of Smith's commercial society in which there is a high level of trust, and a tendency to cooperate, in the expectation of sharing gains in future.

For example, confident about what will happen in future, there will be many people who are willing to save, and others who are able to turn those savings into investment in productive resources. Saving and investment therefore increase the capacity of society to meet needs, leading to economic growth and social development. For Smith, while productive capabilities determined the wealth of

nations, the extent of those productive capabilities depended on the exercise of virtue.

Were that all that Smith had argued, his political economy would have been incomplete. In Smith's critique of the coincidence of political and economic power, we have seen how economic power could suborn political power so that statesmen ended up serving specific economic interests rather than striving to achieve the public good. It follows that it is not just in individual behaviour that we see virtue, but also in the design and function of great institutions. Realising that with great power, there could be massive corruption, in the last two books of *The Wealth of Nations,* Smith set out how effective institutional design could promote public well-being in the commercial society of the late eighteenth century, within which processes of industrialisation and urbanisation had begun. With low trust in government and public institutions such an argument is as relevant today as in the eighteenth century. We might conclude that as well as people, institutions might benefit from an impartial spectator, ensuring their effective governance.

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Adam Smith Did Not Believe in Greed

Jacob Soll

Today, Adam Smith is famous as the father of capitalism and an advocate of a central tenet of free market thought: that greed is supposedly good and it drives markets. This was an idea pushed by neoliberal economists, inspired by Friedrich Hayek and Milton Friedman, who had no knowledge of the history of moral philosophy, or of Scotland. What they missed is that no gentleman of his time could ever espouse greed, least of all a professor of moral philosophy. Indeed, Adam Smith recognized greed as an economic driver, and saw it is necessary, but also realized that it was a problem for society. His work was not an espousal of greed, but rather a response to it. His work was an attempt to find a way to reign in commercial greed to support the agrarian order, which he believed to be inherently more ethical and more productive than business.

Today, the American N. Gregory Mankiw's best-selling economics textbook cites Adam Smith in his own claim that greed, or self-interest, leads to 'desirable market outcomes.' (Mankiw 2017: 9). If one cherry picks extracts from Smith, it sounds like the 18th century Scotsman agrees. Smith is famous for saying, 'it is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest,'(Smith 1976a: 26-27 who

'intends only his own gain,' and is 'led by an invisible hand to promote an end which was no part of his intention.' (Smith 1976a: 456). He also said that the government should never 'attempt to direct private people in what manner they ought to employ their capitals.' (Smith 1976a: 456).

Smith studied, recognized, and explained the importance of greed in the process of wealth creation, but rather than celebrating it, he warned that it could also undermine healthy economies. For Smith, 'the butcher, the brewer, and the baker' were necessary to the economy, but, left alone they were also a potential threat to it. Smith was clear: without a societal counterbalance, businessmen posed a danger to society and the economy. The policy of the monopoly is a policy of shopkeepers: so the very butcher, baker, and brewer people have erroneously thought Smith unconditionally celebrated, were a danger to society. This is because of their monopolizing and greedy tendencies, this 'order of men, whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.' (Smith 1976a: 267).

Precisely because of their greed, Smith warned that the interests of merchants and manufacturers were 'never exactly the same with that of the public', If the interest of merchants focused on their 'own particular branch of business' rather than on that of 'society.' (Smith 1976a: 267), then their interest was not necessarily the same as the interest of the whole society. Indeed, Smith thinks that the merchants know their own business better than the politicians and the people at large. This means that they are often able to persuade the people that what is in the merchants' interest is in the public interest (when this is rarely the case). In this way they seek monopolies of the home market to secure them from competition. Merchants and manufacturers are the people who derive the greatest advantage from this monopoly of the home market. Their greed drives them to seek their own profit by monopolizing the home market and raising prices for the home consumers.

In response to the threat of greed, Smith sought to outline how an agrarian-dominated system could channel greed into farming. This is important to note because it reminds us that Adam Smith lived in a society where most people worked on the land and where manufacturing and commerce were only just beginning to develop. The agricultural sector was vital to the economy and Smith understood the vital role of landowners. In doing so Smith was looking out for his own interests and those of his patrons. He came from a family of small landowners, and worked assiduously for the most powerful landowners in Scotland. As a professor of moral philosophy in Glasgow he taught the children of the landed elite and growing merchant class. After he left Glasgow he acted as a tutor and advisor to his patrons, the Duke of Buccleuch and the future prime

minister, the Earl of Shelbourne, who later also obtained for him the position of Commissioner of Customs at Edinburgh. He frequently visited Buccleuch, and acted as an advisor in his interests in landed estates and financial matters. Smith was close to many large landowners, and they rewarded and celebrated him for his advice and support. Smith tailored a philosophy which showed how commercial culture could work within the agrarian regime.

Smith saw economies as creating wealth through self-interest, operating through supply and demand, but this also worried him. He did not think greed would simply self-regulate into wealth. As a professor of moral philosophy, the very essence of his work was to teach an ethic opposed to selfishness. Smith's task was to teach his students to become good citizens, and he was aware that he could not celebrate greed as a desirable character trait. Smith was sharply critical of greed and consumerism, but even more innovatively, he thought that he could harness greed and make it work for his purposes. In his 1759 book The Theory of Moral Sentiments, Smith quoted Stoic philosophers to describe the ideal moral person who could be guided by an impartial spectator. The impartial spectator was the voice of conscience and could control people's passions, support them in resisting vices such as greed, and help them feel sympathy for other people. Overall this allowed peole to see that their own interests were not the centre of the universe and taught them to act in a disinterested way. Smith attacked Bernard Mandeville's Fable of the Bees as 'sophistry' which argues that 'private vices are public benefits.' (Smith 1976b: 312-3). In contrast Smith insisted that '.... the love of virtue, the noblest and the best passion of human nature' (Smith 1976b: 309). In other words, greed was very bad.

Echoing the French agrarian free market Physiocrats, he called merchants, manufacturers and artisans an 'unproductive class' as 'no equal quantity of productive labour employed in manufactures can ever occasion so great a reproduction [as agriculture].' (Smith 1976a: 364) Agriculture was the true and most moral source of wealth because nature literally helped it produce. Manufacturing, on the other hand was not helped by nature and it was spurred by human greed: 'No equal quantity of productive labour employed in manufactures can ever occasion so great a reproduction. In them nature does nothing; man does all.' (Smith 1976a: 364). In other words, because he believed nature helped farming, it was both more productive and morally grounded than commerce.

The person who embodied Smith's ideal of virtue was not the merchant, but rather the 'country gentleman' or landlord who 'cultivate[s] the ground' which supported 'predeliction' of man for agriculture.' (Smith 1976a: 378). The landlord was never greedy because all capital investments made to improve the land helped the country, the public good, and created essential wealth. Smith believed that agriculture had an internal morality as it created wealth within the country

and supported the existing social order.

Perhaps because it is so foreign to our own modern notions of capitalism and wealth creation, most modern readers of Smith ignore the central argument of The Wealth of Nations: that agriculture was the only true source of wealth. No equal capital puts into motion a greater quantity of productive labour than that of the farmer, he said, and the most productive workers were rural labouring servants and labouring cattle. While modern economists and neoliberals ignore these ideas, Smith repeats them over and over again. It's important to read Smith's refrain to understand his economic and moral message: 'Agriculture, therefore, not only puts into motion a greater quantity of productive labour than any equal capital employed in manufactures. (...) Of all the ways in which a capital can be employed, it is by far the most advantageous to a society '(Smith 1976a: 364). In other words, manufacturing could not create wealth; only farming could, and, therefore, capital had to be focused on the agricultural sector.

For Smith, virtue lay in what was productive, but also advantageous to society and the social order, and this clearly was neither greed nor commerce on its own. The economic dominance of agriculture mattered in countering the greed of manufacturers because the landed class produced what Smith idealized as disinterested leaders of society. The entire point of the leader of society was to support the Stoic virtues that influenced Smith's moral philosophy: 'The first of those causes or circumstances is the superiority of personal qualifications, of strength, beauty, and agility of body; of wisdom, and virtue, of prudence, justice, fortitude, and moderation of mind.' (Smith 1976a: 711).

In keeping with the ideas of the English philosopher John Locke, Smith's great inspiration, this person would support civil government by being a legislator who would protect this natural order and make sure the greed of merchants pushed wealth back towards farming. 'The man whose public spirit is prompted altogether by humanity and benevolence, will respect the established powers and privileges even of individuals, and still more those of the great orders and societies, into which the state is divided.' (Smith 1976b: 232). A government dominated by such guardians of the status quo could stop greedy 'statesmen' from trying to create monopolies via immoral and unproductive governmental regulations.

Born from leading landowners, the great moral legislator would be a 'man whose public spirit is prompted altogether by humanity and benevolence, will respect the established powers and privileges even of individuals, and still more those of the great orders and societies, into which the state is divided,' and try to either protect and pass good laws, or, more like, 'ameliorate' bad laws and regulations. (Smith 1976b: 233). The invisible hand was not simply self-interest, or supply and

demand, but rather Smith's 18th century, agrarian vision of a good, legislative society.

Thus, the idea that Smith can somehow be seen as a representative of modern capitalism is a stretch. He was a man of his time, in the very particular society of oligarchic, 18th century Scotland. It was a world in which he thrived precisely by not fighting the status quo, but rather by making a proposal for harnessing greed, while keeping merchants in their social place and celebrating the ruling class of his time, and trying to envision a way in which it could play a part in a modernizing economy. In many ways, he got it right. While capitalism flourished in 18th century Scotland, the landed elite remained firmly in place and has managed to do so to this very day. In that aspect, Smith was quite visionary.

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Adam Smith and the Immorality of the Cronyism of the Empire

Maria Pia Paganelli[1]

Adam Smith described his Wealth of Nations as:

***"the very violent attack I had made upon the whole commercial system of Great Britain"* (Adam Smith to Andreas Holt, 26 October 1780 (1987). Emphasis added).**

Reading the *Wealth of Nations* as an attack against lobbying from special interest groups and cronyism suggests that for Smith the violence and inefficiencies of rent seeking mercantilist policies cause harm *and* are unjust.

For Smith, rent seeking and state capture by special interest groups is not only inefficient, but uses the (actual) "blood and treasure" of fellow citizens to enrich a few merchants and manufacturers under the false pretence of enriching the country. The *Wealth of Nations* can therefore be read as a moral condemnation of mercantilist policies: unjust policies are also inefficient policies.

Here is why. Smith is explicit about concentrated benefits and dispersed costs when he analyses policies which benefit few at the expense of many.

[1] Based on "Adam Smith and the Morality of Political Economy: a Public Choice Approach" in Paul Sagar (ed), Interpreting Adam Smith: Critical Essays. Cambridge University Press. 2023.

Smith considers that from the origins of commercial societies to the most developed ones, merchant and manufacturers have had a tendency to find ways of working together at the expense of the public: they are relatively few in number and they are clustered in cities. This proximity allows them to form corporations (guilds), or simple voluntary associations, which are meant to decrease competition.

On the other hand, "The inhabitants of the country, dispersed in distant places, cannot easily combine together. They have not only never been incorporated, but the corporation spirit never has prevailed among them" (WN I.x.c.23). For Smith, the inhabitants of the country are country gentlemen and farmers, and in his time, they were the majority of the population (WN IV.ii.21).

That merchants and manufacturers can be easily cartelized, given their concentration, is problematic because their interest runs counter to the interest of society.

Merchants and manufacturers want to expand their markets, which is not in contradiction with the interest of society, but they can also profit by limiting competition. Limiting competition implies higher profits at the cost to consumers of higher prices and lower quantity supplied. This desire for higher prices is the reason why, for Smith, the interest of merchants and manufacturers is always opposite to the interest of society (WN IV.iii.c.10).

If the problem was limited to the interest of a group going against the interest of wider society, the problem need not be too serious. But for Smith, because merchants and manufacturers are able to convince most people, and statesmen, that their interest is the same as societys, they are able to affect legislation to favour them. That makes the problem much more serious.

For Smith, accepting merchants' false claims that they want protections for the public good is dangerous, if not folly (WN IV.ii.9-10).

How is it possible to convince many people including statesmen that the interest of a small group is the interest of society? Smith believes that most people have an intuitive sense that trade makes a country better off, but they do not understand the actual process through which this improvement takes place. Merchants can play on this ignorance.

Merchants know how to enrich themselves and we tend to believe their false claims that they also know how to enrich the nation. We may trust their words because, if we take an argument that Smith makes in the *Theory of Moral Sentiments* seriously, we tend to believe the rich and powerful, just because they are rich and powerful. We look up at the wealthy, we admire them, so we follow their authority (TMS I.iii.2).

The seriousness of the problem emerges in its full power for Smith because by conflating their interest with the interest of society, while in reality they are opposite, merchants and manufacturers *"conspire against the public"* (WN I.x.c.27, see also WN IV.iii.c.10. Emphasis added) to limit competition, by asking for and obtaining monopolies.

If in medieval times the monopolies of merchants and manufacturers were limited to guilds and forced apprentices, with the discovery of the new world these monopolies had become the base of the construction and the defence of the rapidly growing British Empire.

In medieval times, it was relatively easy to obtain these monopolies because the merchants and manufacturers directly controlled the government of the towns (WN I.x.c.18). Along with the growth of the economy, especially through colonial trade, interest groups pressing for legislation to achieve monopoly powers also grew. The most striking and damaging example of these monopolies was the East India Company, which managed British interests throughout South Asia and East Asia, and operated with all the powers of a sovereign state – including the ability to raise taxation and maintain an army. The amount of wealth up for grabs from colonial trade was colossal. And so the means of persuasion also escalated. They now included also force, offenses, and intimidation (WN IV.ii.43).

The lobbying power of merchants and manufacturers is so strong, according to Smith, that they can create an entire economic system to promote their own interests. And that mercantile system that merchants and manufacturers have arranged to put in place is the actual colonial Empire.

> *"The maintenance of this monopoly has hitherto been the principal, or more properly perhaps the sole end and purpose of the dominion which Great Britain assumes over her colonies"* (WN IV.vii.c.64. Emphasis added).

And again,

> *"A great empire has been established for the sole purpose of raising up a nation of consumers who should be obliged to buy from the shops of our different producers all the goods with which these could supply them. For the sake of that little enhancement of price which this monopoly might afford our producers, the home-consumers have been burdened with the whole expense of maintaining and defending that empire"* (WN IV.viii.53. Emphasis added).

For Smith, the monopoly of colonial trade broke the natural balance between all branches of industry. Now a big single channel replaces many smaller channels.

This big channel decreases security. The economy looks like "a sick body with some overgrown vital parts" (WN IV.vii.c.43). A small blockage in a great vein which is artificially swollen is very dangerous. If a small vein bursts, not much happens. But, Smith says, if a big vein breaks, we can have "convulsions, apoplexy, and even death" (WN IV.vii.c.43). So people now look at a possible break of this great vein of the colonial trade with more terror than they would have looked at the Spanish Armada.

The problem with special interest groups having so much political influence, as Smith claims they do, may be a moral problem as well as a problem of economic inefficiency. The mercantilist system is a system that creates injustices.

Monopolists increase their wealth through higher prices, and so harm others. But in *The Theory of Moral Sentiments* Smith tells us that we should not approve the unjust behaviour of those who, rather than fairly compete, harm their adversaries. In *The Theory of Moral Sentiments,* Smith claims that in the race for wealth, anyone who elbows aside a competitor or violates fair play, would, and should, become the deserved "object of [...] hatred and indignation" (TMS II.ii.2.1).

For Smith, the harm that monopolists cause is not just higher prices for consumers. They also enrich themselves at the cost of the human lives that must be foregone to obtain these higher prices. For Smith, crony merchants and manufacturers enrich themselves with blood money. Smith claims that merchants are perversely and dangerously clever in fooling those who believe in them. They pervert what commerce ought to be: "a bond of union and friendship" among nations. The wealth of one's neighbour is beneficial in trade.

A rich man is a better customer than a poor one. Open ports enrich cities and towns, and do not ruin them. Amsterdam is a very good example of it. But the "passionate confidence of interested falsehood" of merchants and manufacturers is such that they make every nation look with envy at the prosperity of other countries. Their faulty rhetoric transforms neighbours into dangerous rivals, even if in reality their competition is beneficial to the majority of the people. Merchants and manufacturers convince people and governments that the neighbours are necessarily enemies, so that their wealth and power would inflame violence and "discord and animosity" (WN IV.iii.c.9).

Thus, merchants and manufacturers capture the government in such a way to lead it straight into wars. Wars could stop foreign goods and merchants from entering markets in colonies. For Smith, all recent wars had been fought to protect these colonial monopolies. Even the very large naval force of Britain was built to 'to preserve this important colonial trade (WN IV.vii.c.64).

"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. Such statesmen, and such statesmen only, are capable of fancying that they will find some advantage in *employing the blood and treasure of their fellow citizens,* to found and to maintain such empire" (WN IV.vii.c63. Emphasis added).

This is not some chance remark. Smith repeats it. Monopolistic privileges given to the special interest groups of merchants and manufacturers are deadly:

"But the cruellest of our revenue laws, I will venture to affirm, are mild and gentle, in comparison of some of those which the clamour of our merchants and manufacturers has *extorted* from the legislature, for the support of their own absurd and oppressive monopolies. Like the laws of Draco, *these laws may be said to be all written in blood"* (WN IV.viii.17. Emphasis added).

The deaths caused by mercantilist cronyism can be read directly and indirectly. Mercantilist privileges are written in blood because those privileges must be conquered and defended with wars. And for Smith the wars to build and defend the Empire are demanded by merchants and manufacturers to establish and defend their privileges. Furthermore, mercantilist privileges may cause death by increasing poverty, or retarding growth. For Smith, exclusive companies are dreadful to both the home country and the colonies. Not only is the production of opium in Bengal kept artificially low by burning the excess that may cause a decrease in price in Europe, but so is the population. Wages are kept so low as to maintain only the number of people needed to supply their garrisons (WN IV.vii.c.101). According to Smith, in a country as fertile as Bengal, hundreds of thousands of people die each year of starvation, and the human devastation is directly attributable to the presence of the monopoly of the East India Company (WN I.viii.26).

For Smith, the monopolies of exclusive companies, such as the East India Company, create incentives to use force to oppress people over which they preside. Think, Smith says, of the exclusive company as a government in which the members of the administration will leave carrying their fortune away with them. On leaving, they are completely indifferent to the circumstance of the country, even if the whole country were to be swallowed by an earthquake (WN IV.vii.c.105-106).

This image of the indifference of the members of an exclusive company when faced with the devastation they cause becomes even more devastating when compared with the discussion of a country being completely swallowed by an earthquake in *Theory of Moral Sentiments.* There, Smith tells us that we care more about our little finger than about the destruction of a faraway country like

China. If we know that we are going to lose our little finger tomorrow, we would not be able to sleep tonight.

But if we know that the entire population of China would be swallowed by an earthquake, we would snore placidly though the night. Yet, if asked to let the whole population of China die to save our little finger, we would not do it. We would not let China be swallowed by an earthquake. Nobody would. "Human nature startles with horror at the thought, and the world, in its greatest depravity and corruption, never produced such a villain as could be capable of entertaining it" (TMS III.3.4). But in the *Wealth of Nations,* Smith tells us that there are such villains: the monopolists. They impassibly let Bengal "be swallowed by [the] earthquake" (WN IV.vii.c.106) of their rapacious policies.

Smith is also concerned that the poor will feel artificially high prices the most. And the poor are the most vulnerable people in society. The problems caused by commercial interests' capture of government extend to their policies hindering economic growth and prolonging poverty.

Poverty is a problem, for Smith, because people in poor places suffer unjustly and die. In rich countries, on the other hand, people have more chances to live, to live longer, and to live better. In fact, "Some countries are so miserably poor, that, from mere want, they are frequently reduced, or, at least, think themselves reduced, to the necessity sometimes of directly destroying, and sometimes of abandoning their infants, their old people, and those afflicted with lingering diseases, to perish with hunger, or to be devoured by wild beasts" (WN Intro, 4).

A woman in the poor parts of the Scottish Highlands usually bears twenty children, but she is lucky if only a couple survive (WN I.viii.23). Poverty is the unjust cause of suffering of the weakest of society; it is the weakest of society who suffer the most, it is the weakest of society who die. And monopolistic policies perpetuate these situations.

And so, for Smith, we need to be very careful about laws governing trade because despite their (false) claim to benefit society, they come "from an order of men, whose interest is never exactly the same with that of the publick, and who, accordingly have, upon many occasions, both deceived and oppressed it" (WN I.xi.p.10).

So for Smith, trade restrictions implemented by the "mean rapacity" of merchants and manufacturers are inefficient, and deter growth, but they are also profoundly unjust, as they hurt many to benefit a few.

On the other hand, the combination of our natural propensity to truck, barter, and exchange, our natural desire to better our condition, the division of labour, capital accumulation, and some luck, allow for "the silent and insensible operations of

foreign commerce" (WN III.iv.10) to break the chains of poverty and dependency. In Smith's view commerce brings wealth, liberty, and good government, and justice (WN III.iv.4). Wealth and justice thus grow hand in hand.

Adam Smith may have seen his "violent attacks against the mercantile system" in the *Wealth of Nations* as the rope that tied Ulysses to the mast of his ship. It enabled Ulysses to survive as he sailed through the siren-infested seas. Smith believes there are things that have remedies and things that do not. The universal violence and injustice of rulers has no remedy. The "mean rapacity" and the monopolizing spirit of merchants also has no remedy. But it can be and it ought to be prevented from disturbing the tranquility of society because "merchants neither are, nor ought not to be the rulers of mankind" (WN IV.iii.c.9).

His warning is sound: "The proposal of any new law or regulation of commerce which comes from this order (people who live by profits, i.e. merchants and manufacturers), ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men, whose interest is never exactly the same with that of the publick, who have generally an interest to deceive and even to oppress the publick, and who accordingly have, upon many occasions, both deceived and oppressed it" (WN I.ix.p.10). Rent seeking causes harm, it is inefficient, and most of all it is unjust.

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Adam Smith as an inspiration for Behavioural Economics[1]

Sheila Dow

Adam Smith is best known for the book *An Inquiry into the Nature and Causes of the Wealth of Nations,* first published in 1776. This work is seen by many as the foundation of modern economics. Many readers have found a theme running through it that coordination in the market of the self-interested decisions of independent individuals tends to produce the best outcomes for society. But, as with all great books, *The Wealth of Nations* is subject to a wide range of interpretations, particularly when we try to draw lessons from it which we can apply to modern economies. In addition, as Kat Riach and Graeme Roy have noted in their chapter on lessons which we can take from celebrations to mark the tercentenary of his birth, Smith's political economy was just one product of his important contributions to philosophy and to the emergence of a range of new disciplines like psychology.

Specifically, before developing the arguments of *The Wealth of Nations,* Smith

[1] This paper has benefitted from the helpful editing contributions of Robbie Mochrie.

had written *The Theory of Moral Sentiments.* This earlier book, on which Smith relied in writing *The Wealth of Nations,* analysed the nature of social interactions and moral conventions. It was natural for it to have many applications from economics. However, many economists have disregarded this work, treating it as being separate from Smith's economics. Some of these scholars have even gone as far as arguing that the two books are largely incompatible.

Throughout the twentieth century neoclassical economists saw their task as formalising Smith's theory of market coordination. They relied on the concept of 'rational economic man,' an abstract notion of an isolated, fully-informed, rational individual acting to optimise personal well-being. But then behavioural economists started to conduct experiments to learn more about how people actually behave and found that behaviour was often, and quite systematically, different from what they had expected that 'rational economic man' would choose to do. Such results developed into a broad research agenda which aimed to build up theories which could better explain this behaviour. This work was initiated by the psychologists Daniel Kahneman and Amos Tversky just over fifty years ago. By the late 1970s economists, most notably Richard Thaler, had started to apply their approach to a rather wider range of problems of how we make choices.

These developments encouraged renewed attention to Smith's *Theory of Moral Sentiments.* Leading behavioural economists, including Vernon Smith who played a leading role in developing the use of laboratory experiments in economics, have shown how Smith had already identified key features of behaviour which are evident in experiments. Many of these features have been incorporated within modern behavioural economics under the umbrella of 'prospect theory'. This examines behaviour in the presence of risk and uncertainty in terms of the anticipation of gains and losses from possible actions. In developing prospect theory, behavioural economists have attempted to explain a tendency to be much more sensitive to the prospect of losses compared to the prospect of gains (a tendency to which Kahneman and Tversky gave the name, 'loss aversion'), and a tendency to be overconfident in our ability to predict outcomes. Other experiments have revealed a capacity for participants to act altruistically, rather than always being self-serving, and a strong tendency among many participants to value fairness in interactions. Smith discussed all these tendencies in *The Theory of Moral Sentiments.* They are all inconsistent with the strict form of rationality represented by 'rational economic man'.

Leading behavioural economists continue to insist that it is possible to retain the standard approach to analysing economic behaviour, which involves developing mathematical models and making deductions about behaviour from the specific assumptions of the model. Treating the 'rational economic man' assumption as

a special case, they seek to broaden the scope of theory to explain what might previously have been treated as interesting 'anomalies' in behaviour. Kahneman and Tversky began their work with a model of decision making which was typically rational, apart from a few 'biases' in decision making processes. The language of 'anomalies' and 'biases' directs researchers' attention to exploring deviations from the rational standard.

This agenda is approached in two main ways. The first, associated with the work of Richard Thaler and his collaborators, is to take account of our cognitive limitations, which these researchers define as difficulties in forming fully-rational and fully-informed expectations of the future. This approach has the policy implication that governments can 'nudge' individuals into being more 'rational'. The second way, which is perhaps even more widespread, argues that what seems like irrational behaviour is in fact rational once we take into account the costs of making decisions which fully-informed 'rational economic man' does not face. In this approach, the heuristics, or short-cuts, which individuals use in decision-making can be explained as a rational response to cognitive limitations. One such short-cut is to trust others in market interactions or as experts, rather than try to acquire full information. Such behaviour is then presented as being rational in terms of serving self-interest.

Turning to *The Theory of Moral Sentiments,* some behavioural economists have lit on Adam Smith's notion of the 'impartial spectator'. Smith proposed that when we make decisions we take into account our anticipation of how observers of our actions, who are not affected by them, will judge them. From a behavioural economics perspective this imagined figure fits the 'dual-process' view of decision-making in which emotion drives short-term decision-making, but the impartial spectator encourages rational deliberation. There is also a tendency among economists to treat the impartial spectator as being a 'conscience', with the implication that this imaginary being is encouraging a rational application of ethical preferences.

This approach seems very different from Smith's view of the impartial spectator. His account of behaviour follows from his theory of human nature, as set out in *The Theory of Moral Sentiments,* an early instance of psychological theory. There are good reasons to expect behavioural economists to look back at Smith's work and give it a fresh interpretation. In doing so they need to remember that this theory of human nature was at the heart of Smith's system of social science. Comparing Smith's system with the rational optimising system of mainstream economics, we can understand why behavioural economists tend to approach individual behaviour so differently from Smith, despite the common elements in their thinking.

Smith sought an explanation in human nature for the urge to build knowledge

in the first place. He identified a range of human faculties: the capacity for sentiments (among which he studied both the moral, and the aesthetic), the power of imagination, and the capacity to reason. He proposed that the sentiments of awe and wonder at new unexplained events, as well as moral sentiments with respect to promoting the good, motivated the search for explanations. Proposing that imagination suggested patterns in reality, experienced through introspection or through detailed study of history, he argued that the imagination, together with reason, would then suggest theoretical formulations based on these patterns. Persuading others to accept these theories in turn required an exercise in rhetoric, appealing to these others' experience, sentiments and reason. (In his *Lectures on Rhetoric and Belles Lettres,* Smith also made a notable contribution to our understanding of these arts of persuasion.)

Smith presented this philosophy of science in his essay on *The History of Astronomy,* in which he set out as an alternative to Descartes's rationalist system whereby all knowledge was derived by reason alone. For Smith, as for his friend and fellow-philosopher David Hume, the nature of the physical and social worlds meant that reason was insufficient for determining the true causal forces at work. These worlds were complex and evolving – we would now call them 'open systems' – with the result that the past was an inadequate guide to the future. We try our best to theorise about underlying causal mechanisms, but we can never be sure that we have truly identified them. This impediment to certain knowledge could ultimately be said to be caused by cognitive limitations. But for Smith these limitations were a feature of the human condition, so that they could not be overcome. The context for decision-making was thus one of inescapable, intractable uncertainty. In contrast, according to prospect theory, uncertainty is ultimately resolvable through careful observation and calculation.

In the same way, where modern behavioural economics emphasises the nearly perfectly rational individual decision maker, interpreting social interactions in terms of self-interest, Smith set the pursuit of self-interest in specifically social terms. For Smith, self interest could exist only with reference to others. That is why the individual, motivated to achieve a level of propriety within society, would make decisions with an eye to how they would be judged by others. Propriety in turn required the pursuit of a range of virtues with respect to rights and duties: the virtues of prudence, justice and beneficence. In other words, behaviour was governed by moral sentiments and efforts at self-command. The impartial spectator was thus a socialising agent, promoting and establishing constructive moral sentiments, rather than correcting them. For Smith our imaginative faculty facilitated self-command by dampening the passions while simultaneously enhancing engagement with others by heightening passions.

The individual therefore exercised the imagination in relation to sympathy with

others. Formally, Smith's sympathy was an ability to enter into the feelings which our actions might cause – quite literally to feel with others. It was not just a matter of compassion but an imaginative capacity to understand others' point of view, with respect to one's actions as well as their own actions. Sympathy thus involved a sense of awareness of the approval or disapproval of others. The impartial spectator was a product of the imagination, an embodiment of individuals' social sense in general, and their moral sentiments in particular.

While behavioural economics treats sentiment as separate from, and distorting, cognition, Smith saw the two as intimately interrelated. Cognition originated in sentiment since sentiment provided the motivation for seeking knowledge. Cognition was also facilitated by sentiment since building knowledge drew on the imagination and conventional beliefs in the absence of demonstrable truth. Cognition was also shared by means of the exercise of rhetoric. Sentiment thus performed an invaluable social role. But Smith also identified damaging effects of sentiment, distinguishing between the social and unsocial passions. He was also wary of passions (social or unsocial) being overly strongly held since they would not attract the sympathy of others. He also knew that the exercise of imagination could lead to a false sympathy in which we feel emotions which the person whom we observe does not.

We can now see that there are fundamental differences between Adam Smith's system and the system of mainstream economics of which modern behavioural economics is a part. There is nevertheless scope for behavioural economics to develop, not just by incorporating more of Smith's ideas, but more importantly by embracing his approach.

First, Smith's system was more comprehensive. It included a theory of mind as part of its account of the origins of behaviour. This contrasts with the behavioural economics practice of assuming the norm of rationality without further explanation, and then identifying behaviours as being biased with respect to the strict rationality model. The emphasis is thus put on discovering and categorising many biases rather than developing a general theory explaining all behaviour. There is much more which could be incorporated from the fields of psychology and philosophy to produce a more complete theory.

Second, Smith's account of social conventions would enhance the modern discussion of heuristics as short-cuts to rationality in the case of cognitive limitations. Smith analysed conventional beliefs more generally as a way for society to deal with the inaccessibility of demonstrably-true knowledge. He saw conventional belief as a general feature of knowledge which was necessary for society to function. His friend David Hume, who was famously sceptical about how we acquire knowledge, pointed out that while the existence of reality could not be proved, the conventional belief in existence had over centuries provided an

invaluable workable assumption.

Of course, both Smith and Hume knew that conventional beliefs could be, or could become, misguided, and they saw it as being the role of the philosopher or scientist to challenge them with reason and evidence, employing sentiment to be persuasive. The scope of modern behavioural economics could expand were it to develop an analysis of behaviour under uncertainty which went beyond the current treatment of heuristics as being short-cuts to rationality.

Third, while modern behavioural economics sometimes notes the possibility of moral sentiments, they tend to be assigned a peripheral role. For example, trust is treated as an exercise in rational self-interest, while other-regarding behaviour is analysed as altruism and is typically understood as being the opposite of self-interest. But for Smith moral principles were wrapped up in the concept of self-interest of individuals as social beings. All decision-making involved moral sentiments in some form and degree or another. There may be scope for modern behavioural economics to consider incorporating more complex sets of goals for human behaviour than the pursuit of self-interest. This possibility has been developed in the literature on hierarchies of goals. Nutrition, shelter and security (the most basic self-interest) might be given first priority at subsistence levels of income, while transcendence might come last after intermediate goals. This does not capture Smith's notion of goals as being complex in themselves. But it could provide a framework for operationalising that complexity.

In all three examples, the scope for building on Smith's psychological framing is limited by insistence on retaining the mainstream rationality framework. Behavioural economics aims to provide a realist account of behaviour rather than the abstract account of neo-classical economics, which is based on rational economic man. But there are so many difficulties in explaining how strict rationality with full information could work in practice that its usefulness even as a benchmark is in considerable doubt. It has never been meant to be understood as a realist account.

Perhaps the most challenging feature of Smith's theory of behaviour is the integral role of moral sentiments as determining goals for behaviour and means of achieving them. The mainstream economic modelling framework requires goals to be fully-specified such that behaviour can be presented as optimisation with respect to one goal. Multiple (possibly hierarchical) goals could in principle provide a basis for formalising moral sentiments within a mathematical model. But incorporating moral goals would also require us to abandon the practice of building theory on the individual as an isolated unit.

A final feature of Smith's approach from which mainstream economics diverges is his historical method. Smith's theories were developed based on patterns found

in historical experience, but are treated as provisional; they might need to be amended for application to other contexts. Smith did seek commonalities where possible. Thus he identified what he regarded as universal features of humanity, but was at pains to explain that these features manifested themselves differently in different contexts. This contrasts with the mainstream economics goal of generating theories for universal application.

The conclusion therefore is that modern behavioural economics could build more fruitfully on Smith's *Theory of Moral Sentiments* if efforts to fit into the mainstream framework were abandoned. In fact, there is a tradition in behavioural economics dating back to the 1950s, which is sometimes referred to as 'old behavioural economics' when compared to the 'new behavioural economics' which emerged about twenty years later. This older tradition, which is especially associated with Herbert Simon's work on decision theory which spanned political science, economics, psychology, and computer science, developed separately from mainstream economics and has built theory along the lines suggested above, often with explicit reference to Smith. One possible fruitful direction for research would be to blend the old and new behavioural economics traditions, in the process setting aside the strictures of the mainstream approach to economics with its very narrow, individualist definition of rationality.

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Adam Smith, "The Invisible Hand", "Self-Love", and Care

Robert McMaster

In this chapter, I discuss the importance attached to the "invisible hand", "self-love", and care in Adam Smith's thinking. Of the three, the concept of the "invisible hand" is especially associated with Smith. Indeed, many economists believe they are being faithful to his use of it as a metaphor for the supposed benefits that emerge from the pursuit of self-interested behaviour. Seemingly, the antithesis of what we might think of as care and caring. By presenting evidence in Smith's work of greater nuance in his argument than is commonly supposed-by mainstream economists, I argue that the standard economic interpretation of Smith is misleading.

I start by outlining Smith's different uses of the invisible hand metaphor. Then I consider the standard economic story of Smith's employment of the invisible hand in the *Wealth of Nations*. This highlights the societal rewards from selfishness. Smith did not contend that unlimited self-interest was beneficial for society, and I attempt to highlight how the invisible hand in the *Theory of Moral Sentiments* suggests something different: the potential of an other-regarding and

caring individual. This is not to suggest that there are significant inconsistencies between the WN and TMS, rather that they are generally complementary. Smith presents us with a nuanced argument about self-love and care.

The "Invisible Hand"

Smith referred to an invisible hand on three occasions in his works, once in the essay, *The History of Astronomy,* as well as in the *Theory of Moral Sentiments* and Wealth of Nations. In *The History of Astronomy,* Smith noted the invisible hand of the Roman God Jupiter when describing the attitude of polytheistic religions (the worship of more than one God). By contrast, in the *Theory of Moral Sentiments* he writes:

> *"The rich ... consume little more than the poor, and in spite of their selfishness ... they are led by an invisible hand to make nearly the same distribution of the necessaries of life ..."* (350, emphasis added).

Here, Smith alludes to limited choice in the necessities of life. Regardless of income, wealth, and social standing, we have the same *needs*. Smith differentiates between needs and wants. For example, while he explicitly observes that our capacity for food is limited by our biology, he also argues that the desire for material ornamentations is seemingly without limit. While I say more about these differences later, it is worth emphasising now that modern economics focusses on the insatiability of wants. This is important, as the fundamentals of the standard approach are predicated on the combination of limited resources and unlimited wants. In the often-quoted definition which Lionel Robbins proposed in the 1930s, economics becomes the science of choice: we all face the problem of deciding which wants to satisfy, given our finite resources.

In the *Wealth of Nations* (1776 [2000]), Smith states:

> *"By preferring the support of domestic to that of foreign industry; he (sic) intends only his (sic) own security; and by directing that industry in such a manner as its produce 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"* (209, emphasis added).

Further to this, Smith famously states:

> *"It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own*

> *interest. We address ourselves, not to their humanity but to their self-love, and* never talk to them of our own necessities but of their advantages" (Smith, 1776 [2000]: 119, emphasis added).

Some scholars, such as Vivienne Brown and Emma Rothschild, have argued that Smith uses the metaphor differently in *Theory of Moral Sentiments* and *The Wealth of Nations*. In the latter, Smith argues that the pursuit of "self-love" by the "bold undertakers" (who we might now call entrepreneurs) results in the material benefits to all. On the face of it, this appears to be a strong argument against concern for others, which is bound up in benevolence (as the quality of kindness and well-meaning of spirit, if not act), and indeed, Smith's notion of sympathy as "fellow feeling" at the centre of his thinking in the *Theory of Moral Sentiments*. Many modern economists, facing this tension, have resolved it by dispensing with benevolence and sympathy in their analysis.

I now turn to further discuss how modern economics interprets Smith's notion.

The Standard Economics' Interpretation of "The Invisible Hand"

The standard interpretation of Smith's "invisible hand" in economics was arguably pioneered by Paul Samuelson and the likes of Milton Friedman, Gary Becker and George Stigler, the latter leading figures of the "Chicago School" of thought (Evensky, 2005; Garnett, 2019; Montes, 2003). It can be expressed simply as a very specific understanding of the invisible hand, especially within the WN.

In his highly influential text, *Principles of Economics: An Introductory Analysis,* which first appeared in 1948, and has sold about five million copies, Samuelson explicitly associated Smith's invisible hand of *The Wealth of Nations* with the efficiency outcome of perfect competition. In other words, Samuelson adopted a position in which he contended that Smith had argued that the pursuit of selfish behaviour by producers in idealistic competitive markets attains the best possible outcome for society. Samuelson's case is more convincing in its emphasis on the importance of competition to Smith's thinking, but arguably less so in conflating selfishness with self-love.

The Chicago School effectively endorsed Samuelson's interpretation of the implications of Smith's invisible hand. Its arguments go further, claiming that Smith's analysis points to a *laissez faire* system in which the state (government) should not intervene in the workings of the market, but should instead leave them well alone. Especially in Friedman's polemics on the importance of limited government, and Stigler's work on the nature of production within capitalism, we can discern an ideological commitment to the position that competitive markets will ensure the best possible outcomes in terms of addressing all societies' wants.

Thus, selfish behaviour produces superior outcomes. On this, the Chicago School has argued that *The Wealth of Nations* and the *Theory of Moral Sentiments* apply to different spheres of society. The former provides an analysis of economic activity, with its compelling case for 'free markets', whereas the latter is confined to non-economic behaviour, such as friendships and other relations. Accordingly, Stigler created what Jerry Evensky has identified as the "Chicago Smith", which advised economists only to be interested in *The Wealth of Nations*.

I believe there are grounds for arguing that such understandings and interpretations of Smith's work, in general, and his use of the invisible hand metaphor, in particular, profoundly misrepresent his thinking and work.

Shining a Light on the Invisible Hand: Self-Love and Care

In arguing that Smith is either only partially interpreted, or misrepresented, it is important to investigate how he used and defined important terms, including the 'invisible hand' metaphor. I consider four aspects in turn: the implications of the invisible hand in *Theory of Moral Sentiments;* the context-specificity of the metaphor in *The Wealth of Nations;* Smith's conception of "self-love", and his discussion of care. On this, Smith's thinking pre-figures a modern care literature.

The invisible hand in TMS suggests that the requirement for necessities does not differ across classes, or income, and wealth levels. We can find in Smith's thinking a distinction between needs and wants. The former suggest a lack of autonomy and choice over their consumption, whereas wants may be influenced by avarice, desire, and social pressures, such as the expectations associated with one's position in society. For Smith, we are social beasts and neither how we behave, nor the nature of our consumption are determined in splendid isolation.

More than this, he refers to "provisioning" in *The Wealth of Nations*. Subsequent scholars note how social provisioning captures the tenor of Smith's thinking in both his major works in which he investigates how interdependent people organise themselves to address their needs, wants, and to ensure the survival of society into the future. For example, feminist economists, notably Marilyn Power, have developed the concept of social provisioning in terms of the set of social processes which have developed so that people will be able to organise themselves to address their needs, and wants, and to ensure the survival of society into the future. In this approach, some services, and activities are more valuable to society than others. Allowing a role for social provisioning challenges the assumption of the moral equivalence of all goods and services. It emphasises that self-interest is not simply self-love. Proposing that we are not simply atoms, but are bound together by bonds of social obligation, and (other-regarding) concern, it offers an alternative to the egoism of "Chicago Smith", inviting a

broader reading of *The Wealth of Nations.* If some goods are more valuable to society than others, then there are reasons to expect social institutions emerging to support their production and use. In short, it precludes the moral equivalence of all goods and services. Modern economics does not make such a distinction to nearly the same degree. Here, as needs and wants are conflated, the value of anything resides in a simple benefit-cost calculation. In essence, there is moral equivalence across all goods and services.

By this interpretation, for Smith, the economy is more than the generation of wealth, important though that is, it is also part of a broader society. Indeed, Smith does not speak of a 'market economy' in the way that later economists seem to presume, but of a "commercial society" (Garnett, 2019). This becomes more obvious with reference to Smith's invisible hand in WN.

Smith's "commercial society" was infused with values that "corrected" or limited the potential harms of selfishness and greed, notably inequality. In the *Theory of Moral Sentiments,* he refers to the corrupting of our moral sentiments arising from the admiration of those of great wealth and the deriding of the poor. He perceived that this tendency could potentially undermine the "harmony" of the commercial society. Indeed, Smith alluded to "general rules of conduct" that guide what is "fit and proper" behaviour in particular situations. Such a value system was necessary to generate and ensure the harmony that enabled the commercial society to benefit all.

Again, this echoes Smith's references to provisioning. He believed that the emerging commercial society represented a pivotal moment in human history in which a subsistence existence that limited the richness of life would be replaced by abundance. This would enable people to lead fulfilling lives. Recall that Smith was writing at the outset of the industrial revolution, which transformed the way people lived. Smith's optimism was unbridled, but he believed that the path to abundance required our active engagement with the interests of other people.

Thus, contrary to the Chicago School's interpretation, for Smith, the economy is not divorced from society; it is part of it. This is evident from his discussion of the properties of "self-love". This is emphatically not selfishness. Rather, it is self-approval in that it is a balance between an individual's self-interest and those of others. It is guided by sympathy and virtues, such as prudence, beneficence, and justice. In Smith's thinking, our behaviour is partly shaped by cultural norms, and he demonstrates this through the abstract notion of the "impartial spectator". Would our behaviour meet with the approval of the impartial spectator? In other words, is it socially acceptable?

Accordingly, care and caring are important aspects of Smith's commercial

society. Indeed, in my recent work with John Davis, we have shown that he devotes greater attention to discussing care in his work than the invisible hand. Care is an ambiguous entity. It can refer to numerous actions and intentions. It has various properties, such as labour – the acts of delivering care, which may range from treating a patient to listening to a friend; moral – as in the responsibilities associated with particular social roles, such as parenting, or teaching, or employing, and so forth; and emotional – there may (or may not) be psychological bonds. Whilst he alluded to the many aspects of care, Smith did not offer a definition (Davis and McMaster, 2020). In his account, care is relational and portrayed in a series of concentric rings centring on the individual, then their immediate family, and so on. For Smith, care is bound up with sympathy and affection. Yet, there is scope for a duty of care, which is wonderfully demonstrated in the *Theory of Moral Sentiments* through the Chinese earthquake parable.

Smith considers the position of an individual (in Smith's language, inevitably, a man) in Europe. This person, he argues, would not lose any sleep over a devastating earthquake in China that costs the lives of millions of people. They are unknown and distant to the European. By contrast, the same person would lose sleep over the potential loss of one of their fingers. In the grand scheme of things, this is a "trifling" matter. Yet, it impacts directly on the individual. Smith considers this position to be morally justifiable. The man can do nothing to save lives. Then Smith invites us to consider a thought experiment.

What if the loss of the individual's finger – a significant harm to them – could somehow prevent the devastating earthquake in far-away China? Smith argues that the individual would sacrifice their finger to save lives. This is not through benevolence or beneficence, but self-love. If the individual were not to part with their finger, would their inaction meet the approval of the impartial spectator? "No", argues Smith. By the characteristics of self-love – balancing self-interest with that of others – there is a duty of care.

The parable is highly instructive. According to standard economic theory, the self-interested individual would only act according to their personal calculation of the benefits and costs to *them*. By contrast, Smith demonstrates that the self-loving individual has a moral responsibility to act if they can make a difference. These are substantially different explanations of human behaviour and motivation that underpin the distinctive properties of mainstream economists' notion of the "market economy" and Smith's vision of a harmonious "commercial society". The former is divorced from notions of justice and sympathy, whereas the latter is based on them.

Smith employed the invisible hand metaphor in different ways in his works. Nonetheless, there is a complementarity to them. The invisible hand of modern

standard economics, with its emphasis on the alleged benefits of selfish behaviour and 'free markets' is not the one Smith intended. Rather, his system is far more nuanced and embraces the notion that economic activity reflects social values in which individuals' self-love can direct them to assume responsibility to care about their fellow beings.

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4

ADAM SMITH'S INFLUENCE ON LITERATURE

(Michael Brown, Gerard Carruthers)

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Adam Smith's Cultural Influence, and the Sin of Pride

Michael Brown

Adam Smith is not famous for his cultural views. He did not write a novel, he was not a poet, nor did he express a fashionable interest in art and antiquity. By reputation his concern was with the world of factories, papers mills and coal mines – not that of newsprint, of squibs and libels, nor that of salon sophisticates, of philosophical speculation and ironic detachment from matters of concern. That was the world his friend David Hume inhabited and one from which Smith at times seems to have kept a studied distance.

Where Smith did intrude on matters of aesthetic concern, it was in his professional capacity as a public educator. In 1748-49 he delivered a series of lectures on Rhetoric and Belles Lettres to a general audience. Successful, he repeated them for two further years. He returned to the subject while chair of moral philosophy at Glasgow, giving a lecture course on the subject from 1751 to 1763.[1] Rhetoric for Smith was about clarity of expression and, crucially, the communication of sympathy. Unpublished in his lifetime, his views were by no means as influential as those of his contemporary Hugh Blair, whose 1783 lectures under the same title arguably helped create the discipline of English literary criticism.[2] And as it is only student notes by which the lectures have survived, the prose that has comes down to us is drained of much of the

[1] Adam Smith, Lectures on Rhetoric and Belles Lettres, J. C. Bryce (ed.) (Indianapolis: Liberty Fund Press, 1985).
[2] Robert Crawford (ed.), The Scottish Invention of English Literature (Cambridge: Cambridge University Press, 1998).

illumination and anecdote that make his finest passages sparkle like granite in the rain.

So why take Smith and culture as a topic worthy of reflection? I would like to posit that while he was renowned as a political economist, the heft of this intellectual achievement has overshadowed something else to which Smith might lay some intellectual claim, namely the emergence of a culture of sympathy that shaped culture then and continues to do so. And to show how this might be, I want to turn to *The Theory of Moral Sentiments* and two moments in two foundational works of literature, namely Jane Austen's *Emma* (1816), and Mary Shelley's *Frankenstein* (1818).[3] But I must begin by reflecting upon sin.

Smith's concept of sin is not as straightforward as might at first appear. Certainly, Smith was disinclined to speculations on the otherworldly. He was notoriously private about his religious views, and fretted for his more outspoken friend, Hume, even if his biographer Nicholas Phillipson is correct to assume that the two shared a set of sceptical assumptions about matters of the divine.[4]

Despite this, his views of this-worldly affairs were temperamentally in keeping with his upbringing in the sturdy Presbyterianism of the merchant community of Kirkcaldy.[5] In particular, in his moralising (in both senses of the term) Smith remained very chaste indeed. His *Theory of Moral Sentiments* can be read as a careful guide to the acquirement of social virtue and the avoidance of immoderate vice. The entire work revolves around the issue of how actions are perceived and understood in a social setting, and how to model proper conduct. Sin is here transmogrified into anti-social behaviour. And one of the most anti-social of vices is that of pride. 'The proud man is sincere,' Smith propounds,

> *and, in the bottom of his heart, is convinced of his own superiority. He wishes you to view him in no other light than that in which, when he places himself in your situation, he really views himself … If you appear not to respect him as he respects himself, he is more offended than mortified, and feels the same indignant resentment as if he had suffered a real injury.*[6]

[3] Adam Smith, The Theory of Moral Sentiments, D.D. Raphael and A.L. Mackie (eds) (Indianapolis: Liberty Fund Press, 1982); Jane Austen, Emma (Richmond: Alma Classics, 2007); Mary Shelley, Frankenstein: A Modern Prometheus, 1818 Text (Oxford: Oxford University Press, 2019). Smith was also influential on earlier writers, notably Henry Mackenzie and Maria Edgeworth. See, for instance, Maureen Harkin, 'Mackenzie's Man of Feeling: Embalming Sensibility', ELH, 61 (1994), 317-340 and Fraser Easton, 'Cosmopolitical Economy: Exchangeable Value and National Development in Adam Smith and Maria Edgeworth', Studies in Romanticism, 42 (2003), 99-125.

[4] Nicholas Phillipson, Adam Smith: An Enlightened Life (London: Allen Lane, 2010), 244.

[5] His father, also Adam, had been Controller of the Customs at Kirkcaldy. See Phillipson, Adam Smith, 9-16.

[6] Smith, Theory of Moral Sentiments, 47, 255.

As this passage suggests, pride can have two distinct and damaging consequences. First, pride can result in someone underestimating the value of others. As Smith observes the proud man 'disdains to court your esteem. He affects even to despise it, and endeavours to maintain his assumed station, not so much by making you sensible of his superiority, as of your own meanness.'[7] Secondly, pride can result in heightened and false sense of self-worth, which can ostracise an individual from their society. Smith notes how 'the proud man does not always feel himself at his ease in the company of his equals, and still less of his superiors.'[8] And it in presenting this double danger pride can be understood as powerfully disruptive of social connection. And by articulating this insight, and in supplying a moral philosophy that distained the sin of pride, Smith was to be highly influential on the culture of Regency Britain.

This leads me to my first vignette. Emma Woodhouse is picnicking with her friends on Box Hill. Despite the fineness of the day, 'there was a languor, a want of spirits, a want of union, which could not be got over. They separated too much into parties.'[9] This factionalism irritated Emma, for whom the event was being marked by 'downright dullness' and finding her companions, Harriet Smith and Frank Churchill, 'both insufferable'.[10] Finally deciding to idle the hours away by flirting with Churchill, Emma teases that his behaviour is only sociable as he is now '"under command". "Your command? Yes"', he replies. '"Perhaps I intended you to say so"', Emma responds, '"but I meant self-command".'[11] This exchange sets up the theme of self-control and social decorum.

Drawing the company back together, Churchill asks the coterie to provide Emma with an entertaining diversion. '"She only demands"', he says,

> *'from each of you one thing every clever, be it prose or verse, original or repeated – or two things moderately clever – or three things very dull indeed, and she engages to laugh heartily at all of them'*
>
> *'Oh very well' exclaimed Miss Bates, 'then I need not be uneasy, "Three things very dull indeed" That will just do for me, you know I shall be sure to say three dull things as soon as ever I open my mouth, shan't I?' – looking around with the most good-humoured dependence on everybody's assents. 'Do you not think I shall?'*

[7] Ibid.
[8] Ibid., 258.
[9] Jane Austen, Emma, 282.
[10] Ibid.
[11] Ibid., 283.

Emma could not resist.

> *'Ah, Ma'am, but there may be a difficulty. Pardon me – but will you be limited as to number – only three at once.'* [12]

This brutal put-down breaks the rules of self-command to which the earlier conversation with Churchill alluded. In this moment, the demands of decorum and decency have been set aside and Emma has revealed herself to be self-important and careless, supercilious and callous. A sin of pride has been committed.

Ultimately, Emma's social blunder is recovered by an admission of error. And she is saved by her ability to listen to Knightley and take his admonitions seriously. As the opening pages of the novel tell us, 'Mr Knightley, in fact, was one of the few people who could see faults in Emma Woodhouse, and the only one who ever told her of them'.[13] In this way Knightley acts as both her social conscience and her benevolent benefactor. This is to place him in the position of the impartial spectator to Emma's social actor. And as Cecil Bohanon and Michelle Vachris have observed,

> *Smith moral philosophy centres on the idea that humans have a social nature and want to be positively viewed by others ... Through interactions with others, we develop a moral conscience that Smith refers to as an impartial spectator that guides our behaviour.*[14]

And in acting as that impartial spectator, Knightley, they suggest, earns as it reveals Emma's love. Virtue is here understood by Austen as reciprocal, sociable and interpersonal. But it is worth noticing how this plot twist (Jane Austen was good at plot twists) hinges on the social impropriety of Emma's dismissal of Miss Bates. As Knightley squarely puts it to her in admonition:

> *'I would not quarrel with you for any liberties of manner, were she your equal in situation – but Emma, consider how far this is from being the case. She is poor; she has sunk from the comforts she was born to, and if she lives to old age, must probably sink more. Her situation should secure your compassion. It was badly done indeed!'*[15]

This is akin to a sermon on Smith's intersubjective moral schema, with Emma being reminded of the different social conditions of Miss Bates and herself, and

[12] Ibid., 284.
[13] Ibid., 7.
[14] Cecil E. Bohanon and Michelle Albert Vachris, Pride and Profit: The Intersection of Jane Austen and Adam Smith (Lexington Books, 2015), 120.
[15] Austen, Emma, 288.

the demands for understanding that places upon her. And Emma's sin is one expressed through social impropriety. And propriety was a (arguably the) central concern of the *Theory of Moral Sentiments*.

To make sense of why it is necessary to briefly sketch how Smith's moral system relies upon forms of spectacle and spectatorship.[16] Just as in the Wealth of Nations where the idea of the division of labour is explained through reference to a pin factory, here, in the earlier work, Smith provides a set of memorable tableaux to explore his ideas. He writes of how a man suffering torture on a rack may be witnessed by a well-meaning bystander. The moral demand on the witness is to sympathise with the victim and to seek to alleviate the suffering, reaching out to the pained prisoner in an expression of Christian generosity.[17] Elsewhere however, in reflecting on 'duty' Smith offers the example of a man who has lost his leg from a cannon-shot. Here, the demand is made to lessen his expression of distress, so as not to upset any onlooker. This is the Stoic ethos of acceptance.[18] In Emma's case, she is being reminded by Knightley of the Christian duty to express liberal generosity towards a suffering stoic, Miss Bates.

Yet for both the Stoic and the Christian propriety is the overriding moral imperative. Miss Bates continues to model this value, both in suggesting initially that she is aware of her own dull conversation, and then taking the admonishment as well as she can (Knightley tells Emma, '"I wish you could have heard her honouring your forbearance, in being able to pay her such attentions ... when her society must be so irksome"' [19]). Emma, in contrast, needs to be recalled to her duty by Knightley, leaving her tearfully to reflect on her social misstep.

Similarly, propriety is crucial to Smith's ethical framework. Daniel B. Klein observes rightly of how 'The reader of *The Theory of Moral Sentiments* finds that a sense of propriety operates in every sympathy. Since Smith holds that all moral sentiments relate to a sympathy, that means that all moral sentiments involve a sense of propriety.'[20] Excavating what Smith implied by his use of the term, Klein argues that 'Smith designates *propriety* as the appellation for the "fair to middling" region between praiseworthiness and blameworthiness. Conduct that exceeds propriety is deemed praiseworthy, and conduct that falls short of propriety is deemed blameworthy. Propriety itself is just OK'. Importantly, the nature of this behaviour, as we have seen, depends on the personal circumstance of the individual moral actor. It also changes depending on the nature of the

[16] Useful here is David Marshall, 'Adam Smith and the Theatricality of Moral Sentiments', Critical Inquiry, 10 (1984), 592-613.
[17] Adam Smith, Theory of Moral Sentiments, 9.
[18] Ibid., 147-148.
[19] Austen, Emma, 288.
[20] Daniel B. Klein, Smithian Morals (Vancouver, CL Press, 2023), 9.

moral community of which they are a part. And, finally, it varies depending on the position they hold in that society. Smith writes of how the grief of a parent at the death of a young man might be openly expressed in a way 'which would be unpardonable in a general at the head of an army, when glory, and the public safety, demanded so great a part of his attention'.[21] This leads Klein to observe that moral decisions involve a calculation concerning how different virtues - courage and justice – might contradict each other.

In redescribing the Box Hill picnic episode, then, we might narrate it as follows: confronted with Miss Bates' self-deprecating observation, Emma ought to have rejected her friend's low self-valuation, instead she indulged it. In doing so, she expressed her own pride by disparaging her friend in a fashion that was incompatible with sympathetic exchange. In this Emma decidedly lacked propriety in her exchange with Miss Bates. She is subsequently recalled to the norms expected of her place and station by Knightley, who acts as an impartial spectator on her behaviour.

That social pride produces social discord, through forms of impropriety, is the central theme of Austen's novels, from the aptly named *Pride and Prejudice* (1813) to its counterpoint, *Sense and Sensibility* (1811). Think of how Darcy's behaviour is misread by Elizabeth Bennet in the first of these, her prejudicial rendering of his actions as prideful when she attacks his propriety, only to be subsequently disabused of her misunderstanding. Or how, in the earlier work, the fate of Elinor and Marianne Dashwood is determined by questions of social decorum raised by the rakish Willoughby, the upstanding Edward Ferris and the worthy Colonel Brandon. In each case the story's tensile energy comes from the calculus of propriety and the relationship between true worth and social recognition. In this sense they are fables in an Smithian mode.

But the underestimation of other people's moral worth was not the only way in which Smith's careful moral calibrations might become unbalanced. If Emma's fault was to disregard the capability of others, that of Victor Frankenstein was to overvalue his own achievements. This leads me to my second vignette, one concerned with the ways pride might involve the overestimation of self-worth.

Frankenstein is commonly read as a parable of the overreach of the modern scientific method; the moment in which the natural philosopher, instead of seeking to reveal the nature of God, looks to become him. But once the moment of the monster's creation has been described, Shelley subtly alters the perspective. The very next paragraph opens with Victor asking himself, 'How can I define my emotions at this catastrophe'.[22] And then, in the third paragraph of the

[21] Smith, Theory of Moral Sentiments, 202.
[22] Shelley, Frankenstein, 37.

chapter the solipsism of the protagonist takes centre stage. Note just how the paragraph revolves around the repeated use of the personal pronoun:

> *I had worked hard for nearly two years, for the sole purpose of infusing life into an inanimate body. For this I had deprived myself of rest and health. I had desired it with an ardour that far exceeded moderation; but now that I had finished, the beauty of the dream vanished, and breathless horror and disgust filled my heart. Unable to ensure the aspect of the being I had created, I rushed out of the room, and continued a long time traversing my bed chamber, unable to compose my mind to sleep.*[23]

Each sentence in turn works to identify Victor as the central actor in the emotional drama. The creature is already displaced; what matters is how it affected Victor. The passage is filled with the sin of self-regard. It is that which energised Victor's intellectual exploration, and that which brings his small society to its doom.

Throughout, Victor's intellectual ambition, his pride, distances him from his most intimate society, even before the monster physically destroys it. When attending the University at Ingolstadt a moment of intellectual arrogance waylays Victor from society. Having become intrigued by human anatomy, he was 'animated by an almost supernatural enthusiasm' in exploring physical degeneration and death. Recalling the moment of his intellectual breakthrough Victor recollects:

> *Now I was led to examine the cause and progress of this decay, and forced to second days and nights in vaults and charnel houses … I saw how the fine form of man was degraded and wasted; I beheld the corruption of death succeed to the blooming cheek of life; I say how the worm inherited the wonders of the eye and brain. I paused, examining and analysing all the minutiae of causation, as exemplified in the change from life to death, and death to life, until, from the midst of this darkness a sudden light broke in upon me – a light so brilliant and wondrous, yet so simple, that while I became dizzy with the immensity of the prospect which it illustrated, I was surprised that among so many men of genius who had directed their inquiries towards the same science, that I alone should be reserved to discover so astonishing a secret.*[24]

This lengthy passage encapsulates Victor's intellectual pride. It swirls around his experiences and responses; it reflects his deepening separation from the norms

[23] Ibid., 37.
[24] Ibid., 32-33.

of human sociability; and it sets him apart even from the 'men of genius' that he now claimed to be superseding. This is intellectual pride; it is blameworthy impropriety in Smith's terms.

For this moral failing the natural philosopher pays a heavy price. Victor's young brother, his wife, and his closest friend die at the hands of the creature, and his father dies from grief. He is then fated to chase the monster across the globe. Only at the end of his life does he find some small solace in recounting his story to an English adventurer, Walton, who himself laments his own social dislocation in letters to his sister, Mrs Saville.

This, then, is a Smithian fable about how humans are pack animals; how they gather, congregate, and communicate in groups, and find worth and virtue through social intercourse. Victor's pride separates him from humanity, resulting in the creation of the monster, and the destruction of his family. His intellectual impropriety devastates his social world.

What is at stake in both these vignettes is more than propriety, however. The failure of Emma Woodbridge and Victor Frankenstein to observe social etiquette threatens them with the condition of alienation, a condition experienced by the monster. This condition is, as Shelley depicts it, twofold. First, the monster is bereft of society. It is too hideous to engage with humanity, which it scares. Through Frankenstein's intransigence, it is even left without female companionship. Second, and just as significantly, the monster is unable to acknowledge its own origin story: Frankenstein has created it without a childhood and hence without a biography. It is therefore both alienated from society and self-alienated. And in this it exemplifies the fears expressed in the pages of *Wealth of Nations* about how modern society can disconnect humans from each other and from themselves.[25]

For Smith, moral education mitigated the problem of alienation. But as Austen and Shelley were aware, pride still threatened the social settlement of Regency Britain even as it prevailed over the democratic enthusiasms of the French Revolution and the dictatorial conceits of the Napoleonic Age. And the monster, as cultural critics have long recognised, still haunts the outskirts of our imagination. Pride is still present in our anxieties about intellectual overreach that inform concerns about Artificial Intelligence and worries about a bystander society and the social breakdown found in vast conurbations. Smith's moral insight thereby continues to shape our cultural repertoire.

So, what then might we conclude about Smith's cultural influence? I want to

[25] Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations, R. H. Campbell and A. S. Skinner (eds) (2 vols; Indianapolis: Liberty Fund Press, 1981), II, 781-782.

propose that in his *Theory of Moral Sentiments* Smith points us towards both the social comedy of Austen and the Gothic tragedy of Shelley. And in as much as the nineteenth century was a conversation between the realist and the supernatural (think here of how Dickens could author both the social realism of *Hard Times* and the ghost story, *A Christmas Carol*), Smith gives us a means of connecting those traditions. His work informs us of the manners of the bourgeoisie, and speaks to the fear of isolation found in the social imaginary of the period. And in Austen's Emma Woodbridge we see the problems of arrogance inherent in our current celebrity culture and its presumption of social superiority; in the distress of Frankenstein's monster, we can read the improper frustrations of alienated young men. Smith, then, helps us reflect on the place of pride in cultural life and how it erodes connection and dissolves moral sympathy. In that sense we continue to live in the cultural afterglow of Smith's moral imagination.

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Adam Smith & Scottish Literature

Gerard Carruthers

The 'Scottish Enlightenment' was so-labelled for the first time at the beginning of the twentieth century in W.R. Scott's biography of Francis Hutcheson (1900). Within decades of having found a name, however, the Enlightenment in Scotland, a cultural phenomenon of long-standing national pride was being attacked by Scottish literary critics for being, precisely, 'un-Scottish'. The charge-sheet accused the Scottish Enlightenment of being a post-1707 Unionist excrescence, including a neo-classical aesthetic disposition that saw the building of the New Town of Edinburgh and a turning away from the supposedly more 'authentic' Old Town of Edinburgh, where earthy Scots-language poets such as Allan Ramsay (father of the Enlightenment painter) and Robert Fergusson had practised their art. Contrastingly, the Enlightenment activists deployed English for their philosophy and other academic discourse, and were seen also to sponsor rather synthetic, or (like the New Town) pre-programmed literary product such as the poetry of Ossian, fabricated to fulfil a desire for noble savagery. Enlightenment thinkers, among these David Hume and James Beattie, compiled lists of 'Scotticisms', vernacular Scottish idioms to be avoided in 'polite' writing. This critical line ran lengthily through the twentieth century with David Craig

identifying the Scottish Enlightenment's 'alienation from things native' and David Daiches charging Enlightenment as one part (the most culpably ersatz) of a problematically dualistic or schizophrenic national Scottish culture of the eighteenth century[1].

Much, in general, might be said to counter the anti-Enlightenment narrative: including the argument that the roots of Enlightenment in Scotland predated the Union with England (to say nothing of the phenomenon as a French-centred one, to which much more than the influence of England the neo-classical thinking of David Hume owes a debt). Also, a variety of types of Scottish Enlightenment, including Presbyterian and Jacobite, might be said, decidedly, to be 'native'. Again, classicism and its eighteenth-century reiteration represented a long-standing Humanist outlook in learning and was part of the Western rather than – as some Scottish critics facilely tended to read it – a particularly 'English' mode of expression. What such hostile commentators tended towards, in fact, was finding rebarbative the 'polite' (and so supposedly 'English') culture of the Augustan/ Enlightenment age as opposed to the 'primitive' predilections of the Scots poetry revival of the eighteenth-century, whose pinnacle is represented by Robert Burns. Purveyors of Enlightenment, including Adam Smith, tended to be read by Scottish literary critics as coldly theoretical (when one might surely expect this to be an aspect of the philosopher's trade!) as opposed to the more hotly human, as embodied by Burns, the horny-handed son of the soil. In spite of more recent scholarship reading the importance of Smithian sympathy, for instance, to the positive - or at least complex - aesthetic experience of Scottish (and other) literature of the eighteenth-century and beyond, the idea of Enlightenment as posh Unionist, anti-nativist side of Scottish outlook pertains in some quarters.

'Positive' evidence of Smithian psychological insight, in fact, is not difficult to find. We have the case of Burns, the man who can sympathise poetically with such polar opposites as the Covenanters or Mary, Queen of Scots, or a little later Walter Scott providing psychological credence to Jacobites and Covenanters (in the sense at least of trying to understand, if not approve, their mindset in either case). That such poetry and historical fiction in the eighteenth and early nineteenth centuries could sympathise so promiscuously was the result to a large extent of the profound influence of Smith's *Theory of Moral Sentiments* as well as Enlightenment historical study, that - albeit with its own political predilections - attempted to understand a very wide species of historic mentalité. David Hume and others tried to parse what they took to be 'fanaticism' rather

[1] David Craig, Scottish Literature and the Scottish People 1680-1830 (London, 1961), p.63; David Daiches, The Paradox of Scottish Culture: the eighteenth-century experience (London, 1964). In general, the criticism of (Marxist) Craig and Daiches without acknowledging it also partook of a withering post-colonial view of the hypocrisy of sophisticated 'civilization' that began to surface in literary criticism and historical study, especially from the 1950s.

than simply ignore it, and this provides the wide background, for instance, for one of the greatest of all Scottish novels, James Hogg's *Private Memoirs and Confessions of A Justified Sinner* (1824), which is neutrally 'sympathetic' in portraying the initially sincerely believing mindset of a Calvinist who, vouchsafed knowledge that he is one of God's elect, regards himself beyond normal morality. With his supposed impunity he goes on to commit the most heinous crimes, including rape and murder. The trajectory of Hogg's novel is one where this central protagonist ends being torn apart by the reality of a conscience (or moral consequence) which he cannot completely extirpate. That sense of conscience is one that had been strongly affirmed by the communitarian implications of the Scottish Enlightenment, beginning with the philosophy of Francis Hutcheson and continued in his pupil Adam Smith, where human identities are bound together in a series of relationships (part of the reason that Hutcheson is often seen as a pioneer of 'human rights') and where sympathy, including its aesthetic deployment in poetry or art, represents the recognition of the plights of ourselves and of others.

Two particular examples of eighteenth-century Scottish literature might be used, a little more particularly, as illustration of the creative power of Smith's influence (and of the Enlightenment in Scotland in general). The first of these is one of the greatest of all eighteenth-century novels, Tobias Smollett's *The Expedition of Humphry Clinker* (1771). In this text, an Anglo-Welsh family, at its head patriarch Matthew Bramble, travels the three nations of the largest British Isle in an exercise in cultural observation, a facet that can be read as Smollett implying that the different parts of the island fairly recently politically-joined as they are, need to understand each other. One the Bramble party is afraid she will drown in crossing the sea from England to Scotland and that if she does safely arrive there, nothing will be had for eating except sheeps' heads. Amid much similar farcicality, the family's maid goes skinny-dipping in Loch Lomond with a local girl and on being discovered by the local laird, the pair runs from the loch covering their own eyes as he looks on salaciously. As well as the entertaining comedy, the serious business within it here concerns perception and how often human beings mis-perceive. Smollett was a friend of David Hume and the frequent human incapacity to see things properly in *Humphry Clinker* aligns in general with Humean Scepticism over our objective access to reality. Hume is name-checked as Smollett's tourists visit Edinburgh, as comprising part of the 'hot-bed of genius', a landmark, contemporary identification of Scottish Enlightenment.[2] Named amid that genius also is Adam Smith, something of whose pioneering interest in the organisation of labour and economics, is witnessed in Humphry Clinker; for instance, the novel speculates on how to improve the fisheries of Scotland, it observes the Fife ports ruined post-Union by lost trade with

[2] Tobias Smollett, The Expedition of Humphry Clinker (Oxford, 1984), p.233.

the Baltic region, and it laments also the generally poorer state of Scottish agriculture compared to that of England. In other words it looks in quite even-handed terms at losses and opportunities in post-Union Scotland. Smith, already thinking about such practicalities, would have read Smollett's novel, which most likely heightened his interest in a topic that would find fullest published form in his An Inquiry into the Nature and Causes of the Wealth of Nations (1776). Smollett's reading of Smith, most especially his Theory of Moral Sentiments (1759), is obviously apparent in Humphry Clinker especially in numerous acts of sympathy. The eponymous Humphry Clinker is a very minor character in the novel, discovered beaten and virtually naked, as well as in his canting religious outlook, an aspect rather rebarbative to Bramble. Nonetheless, Bramble imagines and feels the young man's pain, taking Clinker under his wing, most especially when he hears from him a cruel and calamitous string of misfortunes which he has endured from unfeeling humankind. In giving his novel's title to the marginal Clinker, Smollett is indicating again how often we overlook the important things: the callous 'expedition', here synonymous with 'expulsion' (and with scatological connotation too), of ordinary human life. The novel is full of the outraged feeling of Matt Bramble (prickly on the outside, soft on the inside) on behalf of numerous other characters. Smollett's text needs to be understood with regard to Humean identification of mis-perception, the way in which this breeds callousness, and a salving Smithian sympathy.

A second instance, of Smith centrally contributing to Scottish literary creativity of the later eighteenth-century is evident in Robert Burns. Burns expresses the highest admiration for Smith in a letter of 13th May 1789 to Robert Graham of Fintry when, writing about *Wealth of Nations,* he writes: 'I could not have given any mere *man,* credit for half the intelligence Mr Smith discovers in his book.'[3] Burns was at this time reading Smith as he entered his career as an exciseman; and Smith's ideas on economic improvement were also to influence his thinking as, in that same period also, the poet was embarking on a new life in Dumfriesshire as an improving farmer. In the literary sphere, Burns had long been a fan of Smith's *Theory of Moral Sentiments,* and, as indicated already, Burns's sympathy, for a wide set of people and identities derived from his reading of Smith and the Scottish Enlightenment thinkers more widely. It is probably no coincidence that in the same month as Burns is writing to Graham about reading Wealth of Nations he refers in Smithian parlance to 'the Poetic Trade.'[4] Some years earlier, Burns's imbibing of Smithian philosophy is explicitly evident in 'To A Louse' one of the cornerstones of his first poetry collection. Similarly to Smollett's *Humphry Clinker,* the poem features a cast of characters whose perception is not all that it might be. At a Sunday church service, Jenny is aware of the 'male gaze',

[3] The Letters of Robert Burns I (Oxford, 1985), p.410.
[4] Letters of Robert Burns I, p.411.

the narrator and other members of the congregation noticing, as she supposes, her beauty. In fact our narrator's attention is attracted by something different, an insect crawling on her. What we have overall, then, are characters not paying attention to the service, or the minister, or God: humans, as Burns knows, are all too readily distracted. The poem's last stanza seemingly laments such human foibles, desirously invoking Smith's idea of objectively seeing ourselves from the position of someone else:

> ***O Wad some Pow'r the giftie gie us***
> ***To see oursels as others see us!***[5]

The twist, of course, is that Burns's narrator is not a Smithian 'impartial spectator'; he is an admirer of Jenny's beauty but in this situation also he observes it undermined. In one sense the wry point is being made that, in fact, the view the spectator has of us is not objectively always appetising. This is the comical riffing on Smith that Burns produces in 'To A Louse'. Jenny's pride in perceiving her admirer's gaze is misbegotten. Human pretension, Jenny in both her self-aware natural beauty and in her manufactured style (including her fine Lunardi bonnet) are mocked. In another act of mis-direction, the dumb insect is mock-berated by the narrator for its breach of decorum: 'How daur ye set your fit upon her./Sae fine a Lady!'[6] The louse is doing what comes naturally and it is our human sense of social and cultural order that is defective. However, we ought also to notice ultimately a recuperation of sympathy in 'To A Louse', and implicit tenderness: towards Jenny, towards us all, frailly human and a part of nature rather than standing separate from it. This is a poem that pinpoints human folly and longs for the idealised and elusive impartial spectator. Burns had thought long and hard about Adam Smith's concept.

[5] Burns, Poems & Songs I (Oxford), p.194.
[6] Burns, Poems & Songs I, p.193.

5

EDUCATION AND CONTINUING SIGNIFICANCE OF ADAM SMITH

(Sir Anton Muscatelli, Kathleen Riach and Graeme Roy)

Professor Sir Anton Muscatelli has been Principal and Vice-Chancellor of the University of Glasgow since 2009. An economist, his research interests are monetary economics, central bank independence, fiscal policy, international finance and macroeconomics. From 2007-2009 he was Principal and Vice-Chancellor of Heriot-Watt University. Sir Anton was Chair (2016-21) of the First Minister's Standing Council on Europe, a non-political group providing expert advice to Scottish ministers on Scotland's relationship with the EU. He was a member of the Scottish Government's Council of Economic Advisers 2015-21 and from 2017-20 he was Chair of the Russell Group of UK research-intensive universities.

Adam Smith & Education

Sir Anton Muscatelli

As Principal of The University of Glasgow, and as an economist, I'm always delighted to talk and write about Adam Smith. Smith is one of our most famous former students and professors and he had such a remarkable impact on our city and on our University. In this chapter I want to evaluate Smith's take on education, and ponder what he might have said about the big challenges facing our education systems today.

Smith's first experience of education was at the Burgh School of Kirkcaldy where he studied Latin, maths, writing and history until the age of 13. He then enrolled at the University of Glasgow aged 14, under the tutelage of Francis Hutcheson who himself was undertaking a campaign of reform of education at the University. Hutcheson believed teaching should be in English to increase accessibility of learning and move away from the tradition that only the privileged went on to do further studies.

This notion of accessibility of education was something Smith carried with him and wrote about in his own works. The general consensus among Smith scholars is that Smith was in favour of a public contribution towards education – although obviously in the 18th century that was only a discussion about very basic

education. But in typical Smith fashion, he believes education should be governed by supply and demand.

Smith largely supports the public provision of education in the Wealth of Nations, with partial contributions from enrolled students. When Smith was a student himself he probably lived in University accommodation which cost around £1 per year, he would have subsisted on around £5 per year and paid course fees of £3, 10s. All in amounting to £10 per annum- around £3000 in today's money. (Or possibly much more if you use a different indexation method!)

In the Wealth of Nations Smith also argues for universal education because he believes it will offset the harmful effects of division of labour on the workers, and therefore, education had to be accessible to the workers. He sees the nature of the division of labour as "benumb(ing)" their understanding. Smith instead argues education can occupy the minds of workers and encourage their sociality. He considers an educated workforce is *"more decent and orderly than an ignorant and stupid one".*

The issue of skills formation and the needs of the economy is a topical issue today with both the Scottish Government and UK Government prioritising the skills agenda as a means to drive economic growth and productivity. There is a key role for universities here: we are driving Scotland's productivity through equipping graduates with the skills needed for success in the modern economy.

Indeed, Smith will have observed the transformation of Scotland's Universities during his time as student and professor. In the 18th Century Universities established new professorships in law, and medical schools and there was an expansion into new subjects like chemistry and botany as part of the development of agriculture, commerce and industry. Indeed, then (as now) much of the knowledge transferred from universities to industry occurs through knowledge embedded in graduates who take up employment. These spill-over effects from human capital formation to the productivity of business and industry are not easy to measure, but we know that today many firms in high-technology sectors speak of the supply of high-level skills as being key to their own innovation activities in Scotland.

Productivity growth is complex, and there has been an active debate in recent years as to what the underlying cause is of the recent slowdown. But what most economists will agree on, including myself, is that productivity depends on the development of human capital. And indeed, we know that Smith's view on the division of labour and the development of specialised skills was similar though of course from a different era.

Smith argues for public investment in education, using the Scottish example

where public funds are used to establish parish schools. Smith believed that in such schools, children will be taught for a fee that 'even a common labourer may afford' (Smith 1976a: 785). He also believed strongly that there should be a curriculum covering basic literacy and elementary mathematics.

We need a productive and efficient workforce to drive GDP, but in doing so we mustn't leave behind those marginalised groups in our society. In economics, there is evidence that labour productivity, and thus overall output, could be improved by increasing worker wellbeing. Much of this relates to the need for a workforce that is informed and equipped with all the necessary skills, as well as the opportunity to build on these skills and learn throughout their working life.

The discussion on skills in recent years has also included a debate on the provision of apprenticeships across various fields (and the role for colleges and universities). This issue troubled Smith, too. He observed in the Wealth of Nations Book I that apprenticeships are part of the market process and are not the responsibility of the sovereign but are controlled by the guilds. While Smith agrees with this, he insists that the traditional apprenticeship structures that existed in his time needed reform, noting they are 'the epitome of the restrictions of the principles of competition and liberty.' He goes on to say that 'during the continuance of the apprenticeship, the whole labour of the apprentice belongs to his master.' (Smith 1976a: 119).

The success of the skills agenda will also hinge not only on the quantity of education provision but the quality of education too. Smith echoed these sentiments and much of his commentary in the Wealth of Nations about education are dominated by concerns about quality. He unsurprisingly makes a series of market-based recommendations for education.

I noted his reference to apprenticeship reform, but Smith, ever in favour of competition, also sees competition as a means of improving teaching and teacher quality. He complains about the laziness of tutors who are too secure in their jobs and makes reference to his colleagues at Balliol College, Oxford, who had 'given up altogether even the pretence of teaching.' (Smith 1976a: 761).

To improve quality of education and support the drive for upskilling and reskilling, there must be sustained and long-term public investment. Another reason for investing in education publicly is the point that if technological progress is skills-biased (i.e. it tends to favour those with more advanced skills as imparted by longer periods of education), then there is potential to increase socioeconomic inequality, something Smith would likely argue ardently against.

The economists Daron Acemoğlu and Simon Johnson recently published a book entitled Power & Progress: *The Thousand-Year Struggle Over Technology and*

Prosperity that touches on the interaction between technology and prosperity.

Whilst Adam Smith argued clearly and compellingly in the Wealth of Nations that capital investment (i.e. better machines) would lead to higher real wages automatically through productivity, Acemoglu and Johnson question whether that is always true and inevitable. They ask whether in the 21st Century with the different nature of technological change we might not see such a benign correlation. They argue that new ways of organising production and communication can either serve the narrow interests of the elite or become the foundation for widespread prosperity. Acemoğlu and Johnson argue compellingly the path of technology was once - and can again be - brought under control for the benefit of the majority, not the few.

The key forces that drive a more balanced and equitable benefit from growth are, as Acemoglu and Johnson note, linked to the developments in democracy which distributed political and social power more widely in the 19th and 20th Century. It is the role played by robust institutions which matters most. Adam Smith was well aware of the close link between strong political institutions and good economic outcomes. But here again the key is education. Smith believed that if people in a country are more educated, they'll be less likely to be taken in by the notion of what he perhaps sees as 'radical' politics. He believed this is because people will have the skills necessary to think for themselves and to see errors in other people's reasoning.

Often it is universities who can drive change in government- our sectoral values of integrity and truth demand us to take this responsibility seriously. And of course, our students are often also at the heart of driving political change, particularly in recent years with the youth climate strike and in calling out issues of social injustice. Smith himself was a champion for students and student causes. While a professor at the University of Glasgow, he supported and raised funds for a new university library, a printing press and an Academy of Fine Arts. Each of these would have brought enrichment to the lives of students on campus.

In assessing Smith's *Theory of Moral Sentiments,* there is also fairly broad consensus that Smith viewed education as going beyond books or practical experience, and should include the learning of 'wisdom' and 'virtue', as central to a prosperous or flourishing society. Smith also saw social learning as a means of education - that's to say learning between friends, acquaintances and parents and children. He argued children should be educated through accessible and inexpensive parish schools, with adults receiving some form of lifelong education through religious institutions, civic institutions and events. He also believed an educated population is less susceptible to religious fanaticism.

One caveat to note of course is that in Smith's era the focus on education of

the 'population' was, merely the education of men and boys. In the Wealth of Nations, in discussing public works and institutions, Smith touches briefly on this issue. He says, and I quote:

> *'There are 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 mind to reserve, to modesty, to chastity, and to economy (....) and to behave properly (....).'* (Smith 1976a: 781).

Read in isolation this passage is very jarring to us as a 21st Century audience as it seems to convey a low esteem of women, focusing as it does on women's limited place in 18th Century society.

I think given Smith's analytical skills, if he had lived in our time he would, without a doubt, have embraced the importance of equality in education. His reflections on the importance of education on society transcended social class, and emphasised social cohesion, and without a doubt in my mind he would have been a champion of gender equality in education.

Overall, one could argue Smith viewed education as requiring a holistic approach - nurturing the academic and intellectual development of citizens and workers, but equally encompassing experiential, spiritual, social, philosophical elements too.

This is the goal for us as universities today: to provide a well-rounded, quality learning experience for our students so that we create good global citizens who will support Scotland to flourish. And like Smith we must continue to champion education and lifelong learning as a means to facilitate social mobility. Today we must also uphold the values of integrity and inclusivity.

We must continue to be engines of change and growth, supporting the upskilling of the population but in doing so ensuring we do not widen inequalities. We must harness the technologies with the most potential to drive productivity, but again this must be for the public gain and not solely for the benefit of private pockets. And again it is important for us to reflect on how technologies impact on labour and how we foster technological paths which serve humanity, and do not destroy the usefulness of labour.

The beauty and frustration of Smith's work is his nuances and that he challenges us to consider a variety of angles. Smith's comments on education are definitely

not as complete or robust as we might like, but they provide a compelling basis for which we can evaluate our own actions today.

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Adam Smith's return to Glasgow University, 300 years on

Kathleen Riach and Graeme Roy

If you are lucky enough to come into possession of a Bank of England £20 note, the person you will see profiled on one side is Adam Smith.

Smith is the first, and only Scot thus far, to be captured on a Bank of England banknote. This amazing accolade shows just how famous and influential he remains three hundred years from his birth. His fame stretches beyond the UK, having been credited with influencing the thinking of many who have followed him, including Karl Marx and Barack Obama.

Quite an achievement for a boy from Kirkcaldy!

Adam Smith's intellectual home was Glasgow University where he studied and worked, and was latterly Rector (a ceremonial-style role). He first enrolled as a student at the age of just 14. This sounds young but was not unusual at the time.

Just like today, Glasgow University in Smith's time was a world changing institution, leading the way in the Scottish Enlightenment. The Scottish Enlightenment was an amazing period in Scotland's history, providing a new way of thinking beyond doctrine and superstition through attention to science, philosophy and literature. Smith was a major figure during this period, alongside John Miller (an important pioneer in law and sociology) and James Watt (inventor of the steam engine) who were also based at Glasgow University. He was also friends with the famous Edinburgh-based philosopher David Hume as well as other merchants and authors of the day.

Who was Smith?

So, what makes Smith special? The easy answer is that he's known as the 'father of economics' – the professor whose lectures and writings helped set out the building blocks for understanding how modern-day commercial societies and economies operate.

But that characterisation on its own would do Smith a disservice. Having studied a wide variety of subjects at School and University, Smith's writings extended far beyond economics, into history, law and literature. He was, arguably, the world's first social scientist: observing and trying to understand what helped a society work, how it might become more prosperous and what might hold it back. In his writings, we see that people's behaviours are key to how a society might become more prosperous, both in terms of individual choices or actions, and collective outcomes.

At the University of Glasgow, these questions are still fundamental to what we do in terms of seeking to understand society better, explore how we might work towards a society that will 'flourish' (to use Smith's term, as well as the city's motto), and set out to equip current and future leaders to become world changers. Commemorating the three hundredth anniversary of Smith's birth has provided an opportunity to reflect upon many contemporary challenges and to think once again about how Adam Smith's revolutionary ideas might help us address some of them.

The Tercentenary at Glasgow

To mark this important anniversary, the University of Glasgow embarked on a year-long set of events. Activities were held across Scotland and in over 18 locations around the world from Barbados to Beijing and Chicago to Sydney. Not only did the University work with other globally renowned experts and researchers, but we also engaged with business leaders, policymakers, students and high school pupils.

While the programme was marked by its diversity and plurality, an underlying theme was to relate Smith's approach to thinking about the economy and society to some of today's 'grand challenges'. Much of this arose from a deceptively simple question that Smith asks in his best-known book, *An Inquiry into the Nature and Causes of the Wealth of Nations,* and one that we are still asking ourselves today: "What makes a nation wealthy?"

Is it how rich we are? Or should we be concerned about the gap between the richest and poorest in society? Should wealth be measured only in material values, or does our national wealth depend upon the quality of our natural environment, the climate we leave our children and grandchildren or our collective happiness and wellbeing?

Based on our tercentenary activities, we set out to connect Smith's question to some of today's grand challenges, and to consider how Smith might help us navigate our way to solutions.

1. **Smith and inequality**

   Smith was writing at a time when prosperity was thought to be best measured in the value of gold and silver someone had in their possession. National wealth was therefore the total stock of bullion held by the country as a whole. Smith argued that this was a false view of wealth and that this would not necessarily lead to improving living standards across society.

   To deliver that greater prosperity, Smith saw commerce as being a powerful positive force. Our own self-interest in improving the quality of life for

ourselves and our families can help guide us to make good decisions. But for many years, an interpretation of Smith's belief in the power of self-interest was pushed to the extreme by a group of economists and policymakers to justify a radical *laissez-faire* view of how an economy should be run. Margaret Thatcher, who led the UK Conservative party for over a decade during a period of privatisation and deregulation, was considered a big fan of Adam Smith, assuming his ideas supported her *laissez-faire* economic policy.

In recent years, we have seen a greater recognition that, left on its own, the economy can lead to poor outcomes for a great many people. Self-interest and market competition cannot be relied upon to improve prosperity just on their own.

Sir Angus Deaton, also a Scot, won the Nobel Prize for Economics in 2015 for his work on poverty and inequality. As part of the tercentenary commemorations, Sir Angus spoke at the University of Glasgow about how widening economic inequalities have led to a growing gap between the health, and life expectancy, of the richest and the poorest in society.

Part of the reason for this, Sir Angus argues, is that powerful companies have used their riches to exert undue influence over policymakers and regulators. He cited the case of drug companies in the USA using their profits to influence the regulation of controversial prescription drugs that ultimately led to a rise in addictions, poverty, abuse and ill health.

Sir Angus concludes that proponents of free market capitalism fail to acknowledge Smith's belief that governments not only have a crucial role in the economy but that the wealthy can use their influence to generate outcomes that are not in the interests of everyone in society.

Away from Deaton's lecture, the tercentenary provided an opportunity to reflect upon broader concerns with inequality that manifests across nations. For example, Smith's work on debasing slavery, suggested that systems and relations of slavery were reliant upon the intersection of two elements. First, and as discussed in Professor Maria Paganelli's book chapter, was the effect of mercantilist systems which involved restricting colonial trade in a way that favoured certain parties over others. The second element was his awareness of a more negative disposition of human nature – what Smith referred to as a 'love of domination'. In his Lectures on Jurisprudence, he discusses how an individual's desire to exert power over another has been an underlying motivation for slave ownership for centuries, and it is these darker sides of human nature that may be one underlying reason for continuing inequality in a contemporary context.

2. Technology and Productivity

If the wealth of a nation is related to the living standards of its people, Smith argued that the best way to improve those living standards was to improve productivity. Productivity is a crucial measure of economic performance as it compares the amount of goods and services produced (output) with the amount of inputs used to produce those goods and services.

This idea is especially relevant today because global productivity growth has been slowing for more than a decade, undermining the advancement of living standards. To counter this, how might new forms of technology help to reverse this trend?

This was the question posed during a lecture by Dr Gita Gopinath, the Deputy Managing Director of the International Monetary Fund at the University of Glasgow. During her talk she considered to what extent Artificial Intelligence might help to improve productivity through relating Smith's metaphor of the 'invisible hand' of the market to the 'artificial hand' of AI.

The invisible hand is one of the most famous metaphors associated with Smith. While it would have been used at the time of his writing to religion, Smith employs the metaphor as a way of referring to a system of natural liberty in which individuals are free to pursue interests and behaviours without intervention from others, such as the government. However, as Dr Gopinath suggested, this has often been viewed by proponents of *laissez-faire* economics as operating in isolation, when in fact, Smith emphasises how this is only one of many systems at work, including the need for systems of governance since 'commerce and manufactures can seldom flourish long in any state which does not enjoy a regular administration of justice' .

Of course, AI has the potential to improve living standards. With machines taking care of routine and repetitive tasks, that frees up our time to do other things, including spending time with our friends and families. Goldman Sachs has forecast that AI could increase global output by 7%, or roughly $7 trillion, over a decade. That is more than the combined size of the economies of India and the United Kingdom.

However, it may also bring challenges. AI could lead to the loss of jobs as robots replace workers. Some estimate that up to two-thirds of existing occupations could be vulnerable to some form of automation. It may also widen inequalities if the profits from AI flow to only a small number of specialist companies. Or if the owners of AI technologies are able to use their market power to influence government policy in unfair ways.

The rise of the 'artificial hand' of AI is likely to require careful regulation as

Smith forewarned when observing change during his own time, to ensure that it is harnessed for the benefit of society. As Dr Gopinath argued, "when it comes to AI, we need more than new rules: we need to recognize that this might be an entirely new game". As Smith suggests in his lectures on Astronomy, such paradigm shifts and changes in the way we think are an inherent part of the evolution of scientific knowledge, as we seek to connect the seemingly 'invisible' sets of ideas and practices around AI. In the case of AI, and in the context of current global complexity, this will require international coordination around regulation and partnership.

3. Representation of Smith

Adam Smith has been visually depicted in many ways. In Scotland, there are statues of him at the University of Glasgow and on the Royal Mile in Edinburgh. Even during his life, he had a somewhat 'celebrity status' with his students. They could even buy memorabilia of their favourite lecturer! The extent to which the images we have – including his statues – mirror how he really looked is unknown. Descriptions of him suggest that he had an unsightly nose and oversized lip, none of which are noticeable in these more aesthetically pleasing representations. What we do know is that Smith had a shy personality and often shunned publicity.

As part of the University's Tercentenary Student Day, the consistency or relative diversity of these depictions was debated. This is both a historical and contemporary issue. Smith's fame means that systems of memorialisation and representation have ebbed and flowed and shaped what we think of Smith and his ideas. There is also a need to contend with how representations of Smith are situated and received in the current climate around contested heritages and the politics of how we memorialise. During the Student Day, participants paid attention to addressing the inherent tension between the need for historical accuracy, authenticity, credibility and consistency over time, while being sensitive to changing tastes, perceptions and events in which historical works are read and taken up. How we represent Smith today is not simply about aesthetics but also about confronting what Smith the man and his ideas might symbolise in a world where #metoo, #blacklivesmatter and calls for decolonisation have changed the political and cultural landscape.

Within the ethos of debate and advancing knowledge, Smith himself would have encouraged us not to shy away from having these difficult and sometimes uncomfortable conversations. Neither would he have been concerned by accusations that his work was either populist or 'woke'. Smith was writing at a time before the 'right' and 'left' political were tightly associated with fixed ideological beliefs. This is one reason his writing has been taken up by those across all sides of the political spectrum, and why his

ideas continue to provoke and disrupt many contemporary views about the economy and society.

Consistent across Smith's work is an emphasis on the importance of systematic and rigorous learning and the use of evidence as a way of thinking through ideas, rather than stating an opinion as definitive or static. Indeed, his broader views on education and scientific knowledge stress the continuity of learning as melding together a desire for knowledge with the development of a broader moral character of a person. No part of this implies a desire to 'deplatform' - to use a 21st century term - but rather a wish to engage in ways which recognise plurality and the need for the sustained and the permeable generation of ideas.

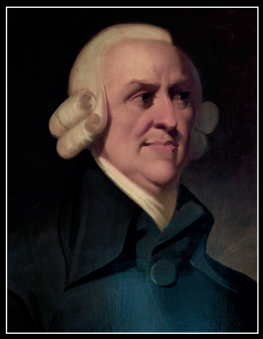
Conclusion

Smith's Tercentenary has provided a valuable opportunity to introduce, connect and revisit Smith and his ideas with a wide variety of audiences, from students to scholars and policymakers to practitioners. While this has meant a deepening of our understanding of Smith and his contemporary relevance to Scotland, the UK and the world in 2023, it has in many ways also opened up new ideas for Smith-like thinking that are only beginning to be considered.

In some ways, this speaks to Adam Smith as a complex figure and the need to reflect upon the context in which he was living. For example, he was explicit in his views against enslavement and inequality, yet he indirectly profited from them through his time at Glasgow, which was then on its way to becoming one of the richest cities of the empire. There is also evidence that young men whom he taught while at Glasgow went on to be involved in the transatlantic slave trade.

Similarly, whilst he was present in mixed gender intellectual circles, notably during his travels in France, and relied on his mother and female cousin throughout his life for support, his views on women or gender relations are very much of the time. The Tercentenary and its legacy present an interesting challenge around how we balance these various aspects in a way that is sensitive but accurately reflects his work and is therefore not immune to challenge and criticism.

Our own feeling is that this is exactly what Adam Smith would have wanted: not to provide easy answers but inviting us to open up questions and, in doing so, new vistas of knowledge. While today's world looks radically different to Smith's time, we continue to learn much from his thinking and approach. Most of all his unwavering commitment to evidence and respectful discourse.



ADAM SMITH:
The Kirkcaldy Papers

Published by the Adam Smith Global Foundation to celebrate the tercentenary of the birth of Adam Smith, Scottish political economist and philosopher, *Adam Smith: The Kirkcaldy Papers* features a collection of essays from an international group of distinguished scholars.

The papers recount the presentations made on June 8th and 9th 2023 at the Old Kirk in Kirkcaldy, Scotland where Adam Smith was baptised.

The Adam Smith Global Foundation hosted the two days of presentations and conversations across four sessions, broadly covering the fields of education, philosophy, economics and culture.

This publication is intended as a legacy of the events in Kirkcaldy, but also to take Adam Smith to a wider audience. The Adam Smith Global Foundation will contribute copies to schools, local, further and higher education institutions, libraries and cultural bodies within Fife, Scotland and beyond.

ADAM SMITH
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