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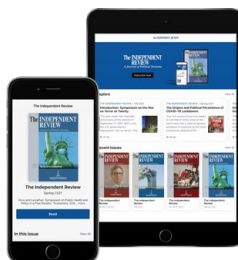
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The Ambitious, Accommodative Adam Smith

————— ◆ —————
SALIM RASHID

If the cause of liberty needs saints to be made palatable, then the arguments for liberty may be in deep trouble. Unmindful of this point, biographies of Adam Smith suggest that any attack on the saintliness of Smith's character sullies the case for economic liberty. (The writings of the late Murray Rothbard are an honorable exception.)¹ Having long believed that the case for freedom of trade has little to do with *The Wealth of Nations* (Rashid 1990, 1992a), I present here a quite different view of Smith. I maintain that Smith was "street-smart"; that he was a radical; that he manipulated the establishment for his own advancement; and that his strategy succeeded largely because by 1776 the intellectual struggle for free trade had already been won. Smith only shot the wounded after the battle.

Friends in High Places

Believing in the principle that one's first acquaintance with someone should be favorable, I always advise my students to begin learning about Adam Smith by reading E. G. West's *Adam Smith* (1976) or, if they can get it, Francis Hirst's *Adam Smith* (1904). However, a great deal more can be said about Smith that is relevant to an evaluation of the nature of *The Wealth of*

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1. Editor's Note: Rothbard's two-volume work on the history of economic thought was reviewed by Paul Heyne in the Fall 1996 issue of *The Independent Review*.

Nations and its reception.

Smith's practical political savvy is the least appreciated part of his character. He took care to introduce himself to, and stay in the good graces of, the political elite, such as Duke Archibald, who was often called the King of Scotland because of his power. The ceremonious openings and closings of Smith's letters to the elite clearly suggest the relationship of client to patron (Rae [1895] 1965, 103, 341). The postscript of a letter from David Hume indicates the importance of such links. Apparently Smith had been touched by accusations of heresy, perhaps because of his friendship with Hume, who wrote back confidently: "P.S. Lord Milton can with his finger stop the foul mouths of all the Roarers against heresy" (Rae [1895] 1965, 133).

Smith's practical abilities were widely appreciated at the University of Glasgow, where he was a professor from 1751 to 1763. College records show that he was a valued member of committees and was even sent to London in 1761 to transact business for the college (Rae [1895] 1965, 153). Later he carefully and capably handled his bureaucratic duties in the customs office. One way to reconcile these facts with the traditional portrayal of an archetypal absentminded professor is by assuming that Smith possessed a power of enormous concentration that enabled him to handle very competently such practical affairs as he thought necessary to deal with, but that this work was always an effort.

As Smith's airs of vacancy were both characteristic and well known from his Glasgow days, it is hard to believe that he would have been seen as a suitable tutor to young men or that Charles Townshend, a leading member of Parliament, would not have been put off by such a reputation, unless Smith took special pains to soften this image. The extant correspondence does suggest that Smith was particular about his aristocratic pupils. W. R. Scott (1937, 317) was confident that Smith wrote the manuscript known as the Early Draft of *The Wealth of Nations* specifically to remind Townshend of his suitability as tutor to the young duke of Buccleuch.

Smith's membership in various clubs served to keep him in touch with a Who's Who of Scottish life.

The [Select] Society was established and met with the most rapid and remarkable success. The fifteen original members soon grew to a hundred and thirty, and men of the highest rank as well as literary name flocked to join it. Kames and Monboddo, Robertson and Ferguson and Hume, Carlyle and John Home, Blair and Wilkie and Wallace, the statistician; Islay Campbell and Thomas Miller, the future heads of the Court of Session; the Earls of Sutherland, Hopetoun, Marchmont, Morton, Rosebery, Erroll, Aboyne, Cassilis, Selkirk, Glasgow, and Lauderdale, Lords Elibank, Garlies,

Gray, Auchinleck, and Hailes; John Adam, the architect, Dr. Cullen, John Coutts, the banker and member for the city; Charles Townshend, the witty statesman; and a throng of all that was distinguished in the country, were enrolled as members. (Rae [1895] 1965, 108)

Smith also touched all the right bases during his stay in France. He “went more into society in the few months he resided in Paris than at any other period of his life. He was a regular guest in almost all of the famous literary salons of that time—Baron d’Holbach’s, Helvetius’, Mademoiselle l’Espinasse’s, and probably Madame Necker’s” (Rae [1895] 1965, 197).

Smith was always cautious about his political connections. He appreciated eighteenth-century realities and looked before he leaped. In writing the Early Draft of *The Wealth of Nations* to impress Charles Townshend, Smith was undoubtedly aware of the lucrative potential of an appointment as tutor. Even with the ample pension from the Buccleuch tutorship, Smith seemed concerned about the rivalry of Sir James Steuart as adviser to the East India Company in 1772. Whatever he may have written about the serenity of true philosophy, he was not indifferent to being in control of influence. Nor was such influence to be idly held.

What rendered the integration of the educated classes of Scotland into the British state system so complete in the late eighteenth century was the way in which the intellectual and spiritual influence of a limited number of outstanding Scottish publicists was supplemented by solid career opportunities for many more North Britons. To the bachelor Adam Smith his access to the great and powerful such as Dundas was clearly useful mainly as a means of securing small favours, often for colleagues or acquaintances or indeed for their wives and families after the decease of their breadwinner. (Lenman 1981, 90)

It would be wrong to single out Smith. He belonged to a mutual support club in which everyone tried to do the best for himself and his group.

Starving in a garret for the sake of Art or Truth was not a lifestyle admired by the Scottish intellectuals of this period. They all tried to make money. By his own standards Robertson made a great deal....The Scots literati tended to operate on two different, but not contradictory levels. Their material they deliberately tried to make as universal as possible, but in the manoeuvres which presented them with the crucial opportunities to seize Fame and Fortune they took it for granted they would be supported by a

phalanx of fellow-Scots. (Lenman 1981, 39)

Smith's involvement in politics was neither marginal nor ineffective. Strange as it may sound, in today's parlance he would have been called "street-smart." He was considered a good judge of what would sell (Rae [1895] 1965, 76). He kept in touch with the leading journal of the day, the *Monthly Review*, which had favorably reviewed his *Theory of Moral Sentiments*. For example, he wrote: "Remember me likewise to Mr. Griffiths. I am greatly obliged to him for the very handsom character he gave of my book in his review" (Rae [1895] 1965, 150). Whether Smith knew the editor before the review appeared is not known. The *Monthly* was the organ of the dissenters, so Smith's connection with it tells us that for all the care he took to cultivate the elite, he favored unorthodox politics. It is quite likely that he quietly contributed some pieces to the radical journals, perhaps to the *Monthly*.

Smith's advice on the conduct of the war with the American colonies, in an unsigned memorandum to Alexander Wedderburn, the solicitor-general, not only focused on the "ulcerated minds of the Americans" but seriously proposed a Machiavellian policy of deception.

An apparent restoration of the old system, so contrived as to lead necessarily, but insensibly to the total dismemberment of America, might, perhaps, satisfy both the people of Great Britain and the leading men of America; the former mistaking, and the latter understanding the meaning of the scheme. It might, at the same time, gradually bring about an event which, in the present distressful situation of our affairs, is, perhaps, of all those which are likely to happen, the most advantageous to the state. But the policy, the secrecy, the prudence necessary for conducting a scheme of this kind, are such as, I apprehend, a British Government, from the nature and essence of our constitution, is altogether incapable of. (quoted in Guttridge 1933, 719)

Smith also suggested that the Americans be scared back to loyalty by returning Canada to the French and the Floridas to Spain, thus surrounding the colonists with enemies. Samuel Johnson had advanced the same idea in *Taxation No Tyranny* as a "wild proposal." It is one thing to present such statements in a public pamphlet as a wild proposal and quite another to write them in confidential government memoranda. On the whole, it would be best if supporters of Smith could find reasons for denying his authorship of this unsigned document.

Smith's inclinations toward political scheming also manifested themselves in his desire to "manage" merchants during the Irish Free-Trade

agitation. In a strange letter of 1779, he wrote:

Whatever the Irish mean to demand in this way, in the present situation of our affairs I should think it madness not to grant it. Whatever they may demand, our manufacturers, unless the leading and principal men among them are properly dealt with beforehand, will probably oppose it. That they may be so dealt with I know from experience, and that it may be done at little expense and with no great trouble. I could even point to some persons who, I think, are fit and likely to deal with them successfully for this purpose. I shall not say more upon this till I see you, which I shall do the first moment I can get out of this Town. (quoted in Rae [1895] 1965, 355)

R. H. Campbell and A. S. Skinner (1982) view this extraordinary letter as showing “that Smith was not an academic recluse, giving advice without recognising the difficulties of its implementation” (209). This assessment is a rather generous dumping of sand on an unexploded grenade. Smith was not just pointing out practical difficulties; he was offering to provide practical guidance on how to remove them. Nor was this advice given to a fellow academic, signifying an idle boast, but to the mighty Dundas, soon to be practically the prime minister for Scotland. What did Smith mean when he said that he knew “from experience” that such management could be done “at little expense and with no great trouble”? And is this the same man who wrote that the policy of trade retaliation did not belong to the legislator but to “that insidious and crafty animal, vulgarly called a statesman or politician” (Smith [1776] 1987, 468)?

Smith was loyal to his friends. He was benign, pleasant, and generous to many people. But he was also eccentric, jealous, calculating, a trifle obsequious, and willing to resort to manipulation.

A Radical?

The approach adopted in *The Wealth of Nations* attracts many readers because of its close link with natural-rights arguments and political radicalism. The fact that Smith identified human labor as the primary source of wealth no doubt fostered this link. Many have noted Smith’s sympathy for laborers and farm workers and his hostility toward masters and landlords. Combined with the general emphasis on liberty—recall the radical stress on liberty of his old teacher, Francis Hutcheson—the ideas would appear to have been a powerful solvent of traditional ideas, especially in Europe, as appreciated by such commentators as Charles Ganilh and Adolphe Blanqui.

Wealth, produced by labour—restores man to his primitive dignity, through the sentiment of his independence, through his obedience to laws common to all, and his sharing in the benefits of society in proportion to his services. (Ganilh [1812] 1966, 46)

There were no longer any sterile occupations, since every body was capable of giving things an exchange value, by means of labor. What an encouragement to men ill-favored by fortune and to those who did not expect the boon of an inheritance! (Blanqui 1880, 386)

John Rae provided a perceptive statement of the political impact of free trade ideas in the 1790s:

By French principles the public understood, it is true, much more than the abolition of all commercial and agrarian privilege which was advocated by Smith, but in their recoil they made no fine distinctions, and they naturally felt their prejudices strongly confirmed when they found men like the Marquis of Lansdowne, who were believers in the so-called French principles and believers at the same time in the principles of Adam Smith, declaring that the two things were substantially the same. (Rae [1895] 1965, 292)

Nor should this affinity entirely surprise us. That Smith had a partiality for radicalism is evidenced by his admiration of Rousseau and Voltaire. “Voltaire,” Smith wrote,

set himself to correct the vices and follies of mankind by laughing at them, and sometimes by treating them with severity, but Rousseau conducts the reader to reason and truth by the attractions of sentiment and the force of conviction. His Social Compact will one day avenge all the persecutions he suffered. (quoted in Rae [1895] 1965, 372).

James Beattie, a professor of moral philosophy at Aberdeen, criticized David Hume’s skepticism as displayed in his *Essay on Truth* and later wrote to Lady Wortley Montagu that even though he had known Hume’s close friend Smith well once, after the publication of the *Essay on Truth*, “nous avons changez tout cela.”² Insofar as the movement toward a philosophic basis for free trade had sociopolitical origins, Smith’s case supports Leo Rogin’s thesis that “new systems first emerge in the guise of arguments in

2. “We have changed all of that.” Beattie’s letter is in the Huntington Library in California. For Smith’s continued serviceability to radical causes, see Thompson (1984) and Stafford (1987).

the context of social reform" (Rogin 1950, xiii).

The link between natural-rights economics and political radicalism would have been evident to contemporaries. Perhaps it explains the fact that the first parliamentary reference to *The Wealth of Nations*—a reference that helped to bolster sales considerably (Rashid 1992c)—was made by Charles James Fox, the leader of the radical Whigs, who was otherwise ignorant of economics. Most of the early references to *The Wealth of Nations* in Parliament were by Whig-Radicals (Willis 1979). Smith's claim that labor was the primary source of value was picked up not only by French liberals but also by several radicals in England and served as the inspiration for most of the misnamed "Ricardian socialists" as well as for Karl Marx.

Why would the conservatives bother with such a radical author? Did they not play with fire by sanctifying his name?

To unravel this mystery, we must probe other aspects of Smith's personality. Although he was probably a Whig-Radical, he was a very deferential one. His was not simply a case of going along with existing prejudices in order to accomplish his own ends. It was more a case of willful and public support for ideas or institutions at odds with his spoken or written opinions. Consider Smith's uniformly deferential tone in his letters to his social superiors, the eagerness with which he sought public office, the unseemly diligence with which he tried to enforce customs laws, the absence of any efforts on his part to reform the system from within, and his steady use of patronage when possible. Even Smith's strong language against merchants tells against him. If he really aimed to support some notable political reform, why would he choose to bash the socially deprived class of merchants? As Lord Cockburn (1856, 170) makes clear, the landlords held all the real power, and Smith took care to avoid offending them.

In the wider sweep of British economic thought, the liberty of trade conformed entirely with traditional ideas, such as the sanctity of property and the beneficence of the existing social order. Traditional policy had long since adopted, on pragmatic grounds, a policy of noninterference in trade, manifested in the philosophy of the common law, in the decisions of the law courts, and in the policies of Smith's predecessors.³ The common law deserves emphasis, especially as some descriptions of its growth have a very Hayekian ring. The words of Sir John Davies in 1612 are striking:

For a Custome taketh beginning and groweth to perfection in this manner: When a reasonable act once done is found to be good and

3. The following paragraphs draw on my "The Pragmatic Imagery of Free Trade," Working Paper, Department of Economics, University of Illinois, 1991. A revised version of this paper is forthcoming in *Research in the History of Economic Thought and Methodology*.

beneficiall to the people, and agreeable to their nature and disposition, then do they use it and practise it again and again, and so by often iteration and multiplication of the act it becometh a Custome; and being continued without interruption time out of mind, it obtaineth the force of a Law. (quoted in Pocock 1957, 112)

William Blackstone's authoritative summary of English rights in his *Commentaries* uses somber language, but the practical import is much the same: "The rights of the people of England...may be reduced to three principal or primary articles; the right of personal security, the right of personal liberty, and the right of private property" ([1765–69] 1973, 62). The adoption of non-interference as a general guide by the judges is adequately documented by Eli Heckscher ([1935] 1955).

Adam Anderson wrote the *Historical and Chronological Deduction of the Origin of Commerce*, a work utilized by the younger Pitt. Anderson had less patience with usury laws than Smith: "We have seen the blind zeal of a Parliament of 1552, in their law against usury, or the use of interest for money.... But our legislators were now become more enlightened" (Anderson [1801] 1967, 2:135). On the sensitive policy question of the corn trade, Anderson took almost as strong a stand as Smith by calling a proclamation of 1630 against engrossers and buyers of corn "a more extraordinary proclamation" (137). It is no surprise that Anderson adumbrated notions attributed to Smith regarding the prosperity of Britain as consequent upon political stability and the security of property.

In *The Interest of Scotland Considered* (1733), Patrick Lindesay argued strongly that the Scots should concentrate on linen and consider other manufactures as subsidiary. Although Lindesay's efforts to encourage the linen industry may well have had practical effect, the interesting point for us is the manner in which he states that economic growth is "natural" under a free and equitable government: "[N]o Commonwealth can flourish, but where every Individual finds his Account in his own Business; and by promoting his own Interest, he so far advances that of the Publick" (41). Lindesay came close to introducing the invisible hand:

The best Patriotism, in private Life, is to be diligent and regular in our Application to Business, and frugal in the Management of our private Affairs: And so far every one acts the Part of a Patriot, as he promotes and advances his own Interest and Prosperity, he thereby contributes towards the Advancement of the Interest of the Publick, which consists of, and comprehends the Whole. (46)

Against this background, it is clear that Smith's views only reinforced

traditional views about the sanctity of property and the liberty of trade.

Go with the Flow

Smith rose to prominence when he was repeatedly cited in the debates over public policy during scarcities. Here Smith's policy was strict *laissez faire*. The policy of leaving the market for food alone had been accepted by a substantial number of British economists. Arthur Young in particular had vociferously urged the abolition of all restraining laws in the market for grain. Nonetheless, the policy was dangerously unpopular with the poor (Rashid 1980).

Smith began by assuring readers that the interests of the consumer and the seller are identical: "The interest of the inland dealer, and that of the great body of the people, how opposite soever they may at first sight appear, are, even in years of the greatest scarcity, exactly the same" (Smith [1776] 1987, 524). He admitted that if a monopoly could be formed, it might be harmful to the public, but he scoffed at such a possibility: "It is scarce possible, even by the violence of law, to establish...an extensive monopoly with regard to corn" (525). Indeed, if a famine were to occur, Smith was sure it was because the government had attempted to regulate that which was properly left free: "[In Europe] a famine has never arisen from any other cause but the violence of government attempting by improper means, to remedy the inconveniences of a dearth" (526). "The unlimited, unrestrained freedom of the corn trade, as it is the only effectual preventitive of the miseries of a famine, so it is the best palliative of the inconveniences of a dearth" (527). How could the conservatives resist this closely reasoned defense of the traditional order when someone of radical sympathies provided it?

In economic matters, the dominant opinion between 1790 and 1830 undoubtedly supported property, that is, it was conservative. Despite the radicalism of his personal sympathies, Smith tailored his views and his life to be acceptable to the established order. There is little surprise in finding that this cultivation bore fruit and that Smith's ideas proved serviceable in the defense of conservatism. One must admire Smith's acumen and strategy in utilizing the existing order to achieve immortality.

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