

ADAM SMITH AND LIBERTY¹

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While popular sentiment holds Adam Smith to be the founding father of capitalism, free markets, and free trade, many scholars question the degree to which Smith can properly be considered an unalloyed supporter of laissez-faire politics. Some scholars go so far as to claim that Smith is closer to being an egalitarian progressive liberal than he is to being a classical liberal. In this paper, I defend the view that Smith is properly seen as a supporter of political individual liberty. As a realist, Smith sees the potential hazards involved with commercial societies, but I argue that his insistence on liberty, along with his belief in the beneficial powers of both moral and economic markets, put him much more in the camp of classical liberal than progressive liberal.

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Introduction

Adam Smith's writings have recently undergone something of a revolution. Since at least the middle of the nineteenth century, Smith has been considered a founding father of capitalism, with his 1776 *Wealth of Nations* (WN)² a clarion call for free trade, open markets, light taxes, and limited state intrusion on economic affairs. Recently, however, several scholars have claimed that Smith was really not a classical liberal after all but instead something closer to a progressive liberal: his concerns for the poor, his worries about the damage that excessive division of labor can do to workers, and his criticisms of merchants and monopoly corporations all indicating, to some at least, that he was at least as concerned with "positive" as with "negative" justice. So while Adam Smith neckties were worn by "conservative" politicians and advisors in Washington, DC during the Reagan years, scholars were busy claiming Smith for the progressives. Some indeed went so far as to claim that Smith was a proto-Marxist.³ Today, scholarly opinion of Smith's politics runs the political gamut. Which Adam Smith, one might therefore reasonably ask, is the real one?

Contributing to the confusion is the fact that the meanings of terms like "conservative" and "liberal" have not remained constant; another part of the problem is that political alignments do not always square with philosophical, economic, or moral positions. It is also true, of course, that commentators have their own political purposes and inclinations, and it is sometimes useful and therefore easy to find a friendly ally in a prominent historical figure. Finally, adding to the difficulties in the case of Adam Smith are the facts that his books cover an enormous range of aspects of human social life and that both of them —WN and his 1759 *Theory of Moral Sentiments* (TMS)— evolved with his developing thoughts over the course of many years.

What, then, *can* one say about Smith? In this paper, I defend the view that liberty was of enormous importance to Smith. Other values were also important, but in both his moral philosophy and in his political economy, the liberty of individuals to pursue their peculiar interests as they saw fit and to negotiate with willing others as *they* saw fit was the key to discovering beneficial systems of social cooperation and exchange.

² In referring to Smith's works, I use the now standard abbreviations to the Glasgow Edition of Smith's works: TMS for *The Theory of Moral Sentiments*, WN for *The Wealth of Nations*, EPS for *Essays on Philosophical Subjects*, and LJ for *Lectures on Jurisprudence*.

³ One who made this claim was Rothbard (1995), 438.

Working out the assumptions in that position, as well as its multifarious implications, is, I suggest, the business of the lion's share of Smith's extant writings. My claim is not that Smith was merely personally disposed toward freedom or that he was only echoing the rallying cries about liberty one was apt to hear during the eighteenth century. Rather, Smith's investigations discovered that individual liberty is a necessary condition of both individual happiness and social welfare, and much of his work should be understood as either showing why that is the case, working out its consequences, or presuming that it is the case. It is my aim in this paper to argue that, in the words of Emma Rothschild, "The idea of freedom is central to everything Smith wrote."⁴

The Importance of Liberty in Political Economy

Friedrich Hayek argued in the twentieth century that no third party can possess the relevant information to make good decisions about how you or I should husband or expend our resources, or about which opportunities are available to us and, of those, of which we should avail ourselves—in essence, a third party cannot know what you or I ought to do.⁵ Why not? What is the allegedly missing information? Hayek claims that others do not—and *cannot*—know which goals and aspirations we have and what their relative rankings to us are, they cannot know exactly what our resources are and what their relative and absolute scarcities are, they cannot know what opportunities are available to us in our particular local circumstances, and they cannot know what our schedule of values is, including what their relative rankings are.

Hayek became famous for taking this position and is now perhaps its standard-bearer, but each step of his position builds on arguments Adam Smith made some two hundred years earlier. Smith makes his case by means of three interlocking arguments. First is his Local Knowledge Argument: given that everyone has unique knowledge of his own "local" situation, including his goals, desires, and the opportunities available to him, each individual is therefore the person best positioned to make decisions for himself about what courses of action he should take to achieve his goals. Here is the argument in Smith's words: "What is the species of domestick industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can, in his local

⁴ Rothschild (2001), 70.

⁵ See Hayek (1960), chaps. 1 and 2.

situation, judge much better than any statesman or lawgiver can do for him” (WN IV.ii.10).⁶

Second is the Economizer Argument, which holds that as each of us seeks to better his own condition (however each of us understands that), each of us will therefore be led to seek out the most efficient uses of his resources and labor, given his peculiar and unique circumstances, so as to maximize their productive output and return on his investment. Here is this second argument in Smith’s words:

The uniform, constant, and uninterrupted effort of every man to better his condition, the principle from which publick and national, as well as private opulence is originally derived, is frequently powerful enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of government, and of the greatest errors of administration. (WN II.iii.31)⁷

Third and finally is Smith’s famous Invisible Hand Argument, which holds that as each of us strives to better his own condition as provided for in the Economizer Argument, each of thereby simultaneously, though unintentionally, betters the condition of everyone else. This argument is

⁶ Smith continues: “The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it” (WN IV.ii.10). This passage also contains a statement of what I call the Great Mind Fallacy, a point to which I shall return. Other statements of the Local Knowledge Argument can be found throughout WN. See, for example, WN I.i.8, IV.v.b.16, IV.v.b.25, and IV.ix.51.

⁷ Smith also writes: “But though the profusion of government must, undoubtedly, have retarded the natural progress of England towards wealth and improvement, it has not been able to stop it. The annual produce of its land and labour is, undoubtedly, much greater at present than it was either at the restoration or at the revolution. The capital, therefore, annually employed in cultivating this land, and in maintaining this labour, must likewise be much greater. In the midst of all the exactions of government, this capital has been silently and gradually accumulated by *the private frugality and good conduct of individuals, by their universal, continual, and uninterrupted effort to better their own condition*. It is this effort, protected by law and allowed by liberty to exert itself in the manner that is most advantageous, which has maintained the progress of England towards opulence and improvement in almost all former times, and which, it is to be hoped, will do so in all future times” (WN II.iii.36; my italics). This argument too can be found throughout the *Wealth of Nations*. See, for example, WN I.viii.44, I.x.c.14, II.i.30, II.iii.28, II.iii.31, II.v.37, III.iii.12, IV.ii.4, IV.ii.8, IV.v.b.43, IV.ix.28, and V.i.b.18. See also LJ (A), vi.145.

more sophisticated than it seems, and so some delicacy is required to describe it accurately.⁸ To begin, Smith's claim is not that people do not act intentionally; rather, it is that they typically act with only their own, local purposes in mind, unconcerned with, and usually unaware of, whatever larger effects their behavior has on unknown others. Now their "local" purposes are not necessarily related exclusively to themselves. They often, indeed for Smith regularly, include concerns about those family and friends about whom each of us cares. Our concern for others fades, Smith thinks, the farther away from, and thus more unknown to, us they are, but our concern for others closer to ourselves Smith thinks is real and undeniable. So we act in attempts to satisfy our own purposes, whatever they are. Because we are "economizers," however, we tend to try to expend the least amount of our own energy possible while at the same time trying to get the largest, richest, or most extensive achievement of our goals as possible. We seek, as it were, the best possible return on our investment of our energies.⁹

But this search for efficient use of our energies benefits not only ourselves and those close to us about whom we care (the direct objects of our concern), but Smith argues it also benefits others, even others totally unknown to us. This happens for at least two reasons. One, when we specialize or concentrate our efforts on some small range of tasks or talents, we usually produce more of it than we can ourselves consume or use, which means we create a surplus that we can trade or sell away—which in turn means that the overall stock of goods and services increases, and their prices thus decrease, for everyone. Two, we seek out behaviors, policies, protocols, forms of contract and trade, and so on that serve our local interests, but others will learn from us and imitate our successes and avoid our failures, thereby saving themselves time and energy, thereby enabling them to go yet further than we did in securing their—and thus, indirectly, everyone else's—ends. Here is Smith's phrasing of this argument:

As every individual, therefore, endeavours as much as he can

⁸ Many commentators get it wrong. Emma Rothschild, for example, describes the "invisible hand" passage in WN as an "ironic joke," failing to understand, apparently, the Invisible Hand Argument's centrality in so much of Smith's analysis of human social life. See Rothschild (2001), chap. 5; for sustained demonstrations of the centrality of the notion, see Otteson (2002a) and Otteson (forthcoming-a).

⁹ I emphasize that the Economizer Argument does not hold that everyone always and without exception so seeks to economize: that would be obviously false, since there are many cases of people deliberately taking harder ways. Think, for example, of serious athletes. The Argument's claim speaks, rather, to overall tendencies. Even for people who would rather bicycle to work than drive, for example, in most other areas of their lives they will economize on their energies—perhaps in part to make sure they have energy to bicycle!

[...] to direct [his] industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. [...] [H]e intends only his 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. (WN IV.ii.9)¹⁰

It is this that, according to Smith, effects the “universal opulence which extends itself to the lowest ranks of the people” (WN I.i.10); the wealth, that is, does not stay only in the hands of the person generating it or in the hands of the previously or otherwise wealthy. Two centuries later, U. S. president John F. Kennedy would paraphrase Smith’s argument by stating that “a rising tide lifts all boats.”

Note that the Invisible Hand Argument does not maintain that the unintended social orders that are produced by this invisible-hand mechanism *guarantee* beneficial results. People can make unwise, imprudent, irrational, or downright immoral choices, and those choices can lead to habits, protocols, and standards that are not in fact conducive to everyone’s best interests. We are fallible creatures, after all —as Smith realizes all too well. But *given* that we are fallible, the argument focuses not on what is ideally best but rather on what is better among what is actually possible. And Smith’s argument is that the best way to find that out is by allowing the invisible-hand mechanism to work itself out, and by granting the results of this trial-and-error process of winnowing and culling presumptive, if not absolute, authority. This invisible-hand mechanism is what Smith describes as “the obvious and simple system of natural liberty.” Here is how he concludes the argument:

All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord.

¹⁰ Smith continues: “Nor is it always the worse for the society that it was no part of it [that is, his intention]. By pursuing his own interest he frequently promotes that of the society much more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the publick good” (ibid.). Smith repeats variants of this argument throughout WN as well. See, for example, WN Introduction.8, II.Introduction.4, II.iii.39, IV.ii.4, IV.v.b.25, and IV.vii.c.88.

Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society. (WN IV.ix.51).¹¹

A final passage from Smith, this one from TMS, describes an approach to politics that is contrary to the one Smith recommends; it provides a striking image and a powerful argument, and is thus worth quoting at length:

The man of system, on the contrary, is apt to be very wise in his own conceit; and is often so enamoured with the supposed beauty of his own ideal plan of government, that he cannot suffer the smallest deviation from any part of it. He goes on to establish it completely and in all its parts, without any regard either to the great interests, or to the strong prejudices which may oppose it. He seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board. He does not consider that the pieces upon the chess-board have no other principle of motion besides that which the hand impresses upon them; but that, in the great chess-board of human society, every single piece has a principle of motion of its own, altogether different from that which the legislature might chuse to impress upon it. If those two principles coincide and act in the same direction, the game of human society will go on easily and harmoniously, and is very likely to be happy and successful. If they are opposite or different, the game will go on miserably, and the society must be at all times in the highest degree of disorder.

¹¹ In his 1793 *Account of the Life and Writings of Adam Smith, LL.D.*, Dugald Stewart speaks of a manuscript of Smith's, now unfortunately lost, that Stewart reports as stating, "Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things. All governments which thwart this natural course, which force things into another channel, or which endeavour to arrest the progress of society at a particular point, are unnatural, and to support themselves are obliged to be oppressive and tyrannical" (EPS IV.25).

Some general, and even systematical, idea of the perfection of policy and law, may no doubt be necessary for directing the views of the statesman. But to insist upon establishing, and upon establishing all at once, and in spite of all opposition, every thing which that idea may seem to require, must often be the highest degree of arrogance. It is to erect his own judgment into the supreme standard of right and wrong. It is to fancy himself the only wise and worthy man in the commonwealth, and that his fellow –citizens should accommodate themselves to him and not he to them. It is upon this account, that of all political speculators, sovereign princes are by far the most dangerous. This arrogance is perfectly familiar to them. They entertain no doubt of the immense superiority of their own judgment. When such imperial and royal reformers, therefore, condescend to contemplate the constitution of the country which is committed to their government, they seldom see any thing so wrong in it as the obstructions which it may sometimes oppose to the execution of their own will. They hold in contempt the divine maxim of Plato, and consider the state as made for themselves, not themselves for the state. The great object of their reformation, therefore, is to remove those obstructions; to reduce the authority of the nobility; to take away the privileges of cities and provinces, and to render both the greatest individuals and the greatest orders of the state, as incapable of opposing their commands, as the weakest and most insignificant. (TMS VI.ii.2.17–18)

The Political Implications of Smith's Arguments

Smith's chain of arguments constitutes a powerful argument in favor of limiting the scope of the state's power and authority over the lives of individuals. His arguments do this in two principal and connected ways. First, they imply that no third parties can have the knowledge required to make competent decisions about how other individuals, let alone millions of other individuals, should behave in order to achieve their (the individuals') goals and ends. Second, granting individuals wide scope, within the rules of (negative) justice, to pursue their own ends will tend to benefit not only themselves but everyone else as well. Consider these two claims in turn.

The wide scope of facts that legislators cannot know about their citizens are not trivial matters, for they comprise the values, circumstances, and estimations necessary for selecting courses of action appropriate to individuals' ends. Without knowledge of these facts, one is engaging in

only idle speculation. But that does not stop people from engaging in just such speculation. Indeed, much of mainstream contemporary political philosophy consists of careful delineations of all the decisions that theorists believe government experts must make and all the areas of human life they believe government experts must superintend. Take influential law professor and political theorist Cass Sunstein as an example. Here is a partial recent list of things he believes that legislators or other third-party rulers should investigate, make decisions about, or provide: “liberal education” and “the inculcation of critical and disparate attitudes toward prevailing conceptions of the good”; “aggressive initiatives with respect to the arts and broadcasting” including “subsidizing public broadcasting, ensuring a range of disparate programming, or calling for high-quality programming”; investigating and educating people about the correct “risks of hazardous activity”; and not only enforcing nondiscrimination policies but also investigating and educating people regarding “the beliefs of both beneficiaries and victims of existing injustice [that] are affected by dissonance-reducing strategies,” such as “blaming the victim.”¹² Sunstein does not specify what exactly constitutes “high-quality programming,” for example, but his presumption is that he is in a position to recognize and make decisions about such things for others. His list continues:

[G]overnmentally required disclosure of risks in the workplace is a highly laudable strategy [to “provide information and to increase opportunities”]. In a few cases, however, these milder initiatives are inadequate, and other measures are necessary. A moderately intrusive strategy could involve economic incentives, which might take the form of tax advantages or cash payments. For example, the government might give financial inducements to day-care centers as a way of relieving child-care burdens. Such a system might well be preferable to direct transfers of money to families, a policy that will predictably lead many more women to stay at home. In view of the sources of and consequences of the differential distribution of child-care burdens, it is fully legitimate for the government to take steps in the direction of equalization.

Sunstein goes on to claim that as a would-be philosopher-king he can know that “liberalism does not forbid citizens [...] from enacting their considered judgments into law, or from counteracting, through the provision of opportunities and information, preferences and beliefs that have adjusted to an unjust status quo.” It does not require much thought to

¹² All these quotations come from Sunstein (1997), 26–9.

see just how many things a government charged with such a wide scope of duties, powers, and purposes would need to manage. And I have not listed everything Sunstein believes that supercompetent legislators should do.¹³

Or consider philosophers Liam Murphy and Thomas Nagel, who are similarly confident in their abilities to know what the state must do for its citizens. “In addition to public goods in the strict sense,” say Murphy and Nagel,

there are other institutions that clearly confer a public benefit, so that their provision by the state is supported by the motive of collective self-interest. Roads, air traffic control, a postal system, some regulation of airwaves depending on the technological situation, education that ensures near-universal literacy, the maintenance of public health, a reliable system of civil law—all these are plausible candidates for systemic conditions that have benefits for everyone in the society through their large effects on safety, the economy, and the smooth functioning of social conditions. (Murphy and Nagel (2002), 46–7)

It is precisely because of the “large effects on [...] social conditions” that state-enforced policies concerning such matters would have that a Smithian would caution the legislator against believing he can fully understand them and manipulate them according to his plan. Murphy and Nagel believe the legislator can do yet more:

Included prominently in this category [that is, “the large one of state action that aims to benefit individuals”] are social services such as unemployment compensation, disability benefits, retirement pensions, child care support, health care, aid to dependent children, food stamps, free school lunches, and so forth. Also included are many kinds of educational support, including public universities, subsidized student loans, publicly financed scholarships, and financial support,

¹³ Sunstein later asserts that “The American government should compile and distribute an annual ‘quality of life’ report, including, among other things, per capita income, poverty, housing, unemployment, average weekly earnings, inflation, child mortality, longevity, subjective to violent crime, literacy, and educational attainment. The report should also specify minimum standards for such things as income, education, health, and housing and allow for comparison across regions, between men and women, and among different racial and ethnic groups” (Sunstein (1997), 123). Knowing what exactly would count as “minimum standards” for such matters is just the kind of thing that Sunstein assumes that wise legislators can know, and it is just the sort of thing that Smith (and Hayek) claim a legislator however wise cannot know.

direct and indirect (through tax deductions, for example), to private institutions. (Murphy and Nagel (2002), 48)¹⁴

That many of these endeavors are routinely pursued by western governments today does not by itself justify their attempt to do so. Their decidedly mixed success at accomplishing these goals not only should perhaps give a contemporary theorist pause but also might constitute support for the Smithian position.

Or consider philosopher Samuel Fleischacker's list.¹⁵ In order to allow for "the judgment that we need for truly free choices," Fleischacker asserts that, if the market does not provide for them adequately, the state must do all of the following: (1) provide "good information about the options among which one is choosing"; (2) provide "a thorough education in the skills of interpretation and the assessment of evidence," including education in "the skills of aesthetic interpretation" and in applying "those skills to the decisions [people] need to make about running their own lives"; (3) provide "access to rich, clear, and clearly organized facts about products and jobs"; and (4) provide "centralized computer services open to everyone" where such information will be available at no cost to the user. So far Fleischacker's list is not very different from some of what federal, state, and local governments routinely do, or attempt to do, in the United States today; but Fleischacker is not finished. In order to alleviate problems he believes free markets lead to, the state must also ensure (5) that all citizens are raised "from childhood on with adequate nutrition, shelter, and health care"; (6) that citizens know "they would receive considerable aid in unemployment"; (7) that they know they "could take any job in the country because funds [are] available to transport them there"; (8) that they are "well trained in evaluating evidence and [have] easy access to a large amount of information about their opportunities"; and (9) that they have "sufficient leisure to reflect on their lives and alter them if necessary," on

¹⁴ Murphy and Nagel go on to claim authorities on behalf of the state that a Smithian would find even more dubious: "The government must operate more like a price-discriminating monopoly. It must figure out how much the public good is worth to each individual and charge each of them accordingly, financing the total cost of the good out of the sum of the unequal assessments and setting the level of provision at a point where for each person the assessment is less than or equal to that person's reserve price for that level" (Murphy and Nagel (2002), 83). How, a Smithian would ask, can the state possibly know or calculate such things? Murphy and Nagel do not lack for confidence in such matters. For yet more tasks they believe the legislator can and should oversee, see also Murphy and Nagel (2002), 91, 181–2, and 184.

¹⁵ Fleischacker (1999), 238–9.

the order of “six weeks a year, or a several-month sabbatical every few years.”¹⁶ Why are these, and not other, tasks the ones the state should undertake to provide? What if, for example, I, given my life goals and values, do not want six weeks a year to reflect on my life? Or what if your moral or religious values dictate that you should work all the time, say, or that you should not provide others who engage in specific lifestyles with monetary or other aid? The Smithian would say two things here: one, no legislator or theorist can take into account the indefinitely large number of such individual variations; two, the presumption that he can is precisely the “conceit” of the “man of system.”

Finally, consider the notion of “basic needs” or “basic goods,” which are everywhere in contemporary political philosophy literature, and about which theorists believe not only that a consensus exists but also that their respective weightings and importance for others can be known and reflected in law. Here is the list of such goods according to philosopher David Copp.

Any credible analysis of the concept of a basic need would imply that all or most of the following are either basic needs or forms of provision for a basic need: the need for nutritious food and water; the need to excrete; the need otherwise to preserve the body intact; the need for periodic rest and relaxation, which I presume to include periodic sleep and some form of recreation; the need for companionship; the need for education; the need for social acceptance and recognition; the need for self-respect and self-esteem; the need to be free from harassment. (Copp (1998), 124)¹⁷

Copp adds, ominously, that his list “is perhaps not complete,” and he adds that although the state cannot directly provide citizens with several

¹⁶ It should be noted that duties (1) and (3) require not only that the state provide information, but also that it procure or generate it; and duties (6) and (7) require not just that the state notify citizens of services, but also that it actually provide the services. That suggests that Fleischacker’s full list is perhaps longer. See also Fleischacker (1999), 18–19.

¹⁷ Cf. the Universal Declaration of Human Rights adopted by the United Nations General Assembly in 1948, which, in addition to the standard life, liberty, and property, includes among everyone’s “universal rights” such things as “a right to social security” (Article 22), “the right to [...] periodic holidays with pay” (Article 24), and “the right to a standard of living adequate for the health and well-being of himself and his family” (Article 25); and it declares that “Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages” (Article 26). Several other “fundamental human rights” are included; see the entire list at <http://www.un.org/rights/50/decla.htm>.

of these things (like self-respect and companionship), its duty nevertheless is to enable citizens to meet their basic needs, if not provide them the needs outright, which means that the state is morally required, and therefore should be empowered, to pursue means necessary to these ends (*ibid.*).

Now contrast those imputations of knowledge and benevolence on the part of legislators with Smith's condemnation of the "man of system." Smith frequently criticizes legislators' pretensions to knowledge they cannot have and to wisdom they do not possess: "The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it" (WN IV.ii.10).¹⁸ Note

¹⁸ We should not underestimate how deep Smith's commitment to this claim is. Here is a selection of other passages on the topic: "The uniform, constant, and uninterrupted effort of every man to better his condition, the principle from which publick and national, as well as private opulence is originally derived, is frequently enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of government, and of the greatest errors of administration. Like the unknown principle of animal life, it frequently restores health and vigour to the constitution, in spite, not only of the disease, but of the absurd prescriptions of the doctor" (WN II.iii.31); "Great nations are never impoverished by private, though they sometimes are by publick prodigality and misconduct. The whole, or almost the whole publick revenue is in most countries employed in maintaining unproductive hands. Such are the people who compose a numerous and splendid court, a great ecclesiastical establishment, great fleets and armies, who in time of peace produce nothing, and in time of war acquire nothing which can compensate the expence of maintaining them, even while the war lasts. Such people, as they themselves produce nothing, are all maintained by the produce of other men's labour. When multiplied, therefore, to an unnecessary number, they may in a particular year consume so great a share of this produce, as not to leave a sufficiency for maintaining the productive labourers, who should reproduce it next year. The next year's produce, therefore, will be less than that of the foregoing, and if the same disorder should continue, that of the third year will be still less than that of the second. Those unproductive hands, who should be maintained by a part only of the spare revenue of the people, may consume so great a share of their whole revenue, and thereby oblige so great a number to encroach upon their capitals, upon the funds destined for the maintenance of productive labour, that all the frugality and good conduct of individuals may not be able to compensate the waste and degradation of produce occasioned by this violent and forced encroachment" (WN II.iii.30); "But though the profusion of government must, undoubtedly, have retarded the natural progress of England towards wealth and improvement, it has not been able to stop it" (WN II.iii.36); and "the frugality and industry of private people can more easily repair the breaches which the waste and extravagance of government may occasionally make in the general capital of the society" (WN V.iii.49).

that Smith's claim here is not only that such would-be rulers lack the requisite knowledge to "direct private people in what manner they ought to employ their capitals," but also that those who presume they do have such knowledge and are ready to act on their pretensions are "dangerous." Why are they dangerous? Smith's answer: because they will enact their limited ideals into law, enforcing them with state coercion —and thus restricting liberty.

In the twentieth century, Hayek too cautions us against legislators' overestimation of their own ability.¹⁹ He goes one step further than Smith's epithet of "conceit," however: given the bloody history of twentieth-century states attempting to impose their visions of the good on their citizens, Hayek calls it indeed a "fatal conceit."²⁰

Sticking to the more philosophical part of the problem, that regarding knowledge, I call this the Great Mind Fallacy. This fallacy is to think that there exists, sometimes in the person of the theorist himself, a Great Mind able (1) to assemble a nearly infinite number of facts about human beings and their circumstances; (2) to simultaneously hold them before his consciousness; (3) to assess their relative values, including perhaps to grade them according to the correct conception of the good life that the Great Mind has apprehended; (4) to foresee all the consequences that would attend upon taking various possible courses of action, and (5) to decide on courses of action suitable for those other human beings that takes all of this into account. The Smithian and Hayekian argument holds that there is no such mind —with the possible exception of God's, perhaps, but this remains a false presumption for the rest of us.²¹

Why, then, do Sunstein, Murphy and Nagel, Fleischacker, Copp, and others believe they can make these determinations? Why, in other words, do they seem to commit the Great Mind Fallacy? That is unclear. Sunstein discusses the plurality of human goods and is cognizant of the complexities of the variables involved in such decisions (1997, chap. 2), Murphy and Nagel also lay out many of the difficulties involved in making such decisions (2002, chaps. 3, 4, and 6), and Fleischacker emphasizes the importance of individuals exercising their own private judgment (1999, chaps. 4 and 5).²² But they seem to disregard these difficulties when it

¹⁹ Hayek (1960), chaps. 2 and 4.

²⁰ Hayek (1995).

²¹ See Hayek (1980 (1945)).

²² Fleischacker also makes political policy recommendations that I believe a Smithian would claim that the state is incompetent to make and that therefore should be left to the private sector in Fleischacker (2004a), chap. 12. I outline my reservations about Fleischacker's argument in my review of this book in Otteson (forthcoming-b).

comes to making their own recommendations. Either that or they refer them to the processes of “deliberative democracy”²³—which, apparently, are supposed to be able to arrive at some kind of truth, though it is not explained exactly how. My own experiences with attempts at “democratic deliberation,” both in education at the lower and higher levels and in local and state-level politics, have rendered me decidedly less sanguine about the prospects of such processes arriving at anything like the public good and the proper means for achieving them. Fleischacker, interestingly, has apparently had similar experiences:

Arrogant, self-deluded, and otherwise morally incompetent people abound who participate well in communal government. Political activists, kibbutz leaders, school and church board members—anyone who has spent a significant amount of time with such people knows plenty who are shallow, ambitious, and vain, whose service to their cause or community is a means of self-promotion or, at best, a distraction from personal failings. (1999, 248–9)

Strong words. But then why trust democratic deliberation with such a difficult and weighty task as determining the good for everyone and deciding the proper courses of action people should take with their lives and with their capitals?

The faith some theorists seem to have in the processes of democracy are reminiscent, and may be a version, of the notion of the Rousseauvian “general will”: people get together, they do something, and, somehow, truth or justice or a “general will” emerges. In his 1762 *Social Contract* Rousseau talks at length about the “general will,” about its connection to “the common interest,” and about the public “assemblies” where citizens gather and—again—do *something* after which or through which the “general will” emerges, as if by magic.²⁴ Rousseau is notoriously

²³ See, for example, Sunstein (1997), chaps. 1 and 2.

²⁴ Rousseau (1997 (1762)). If the reader balks at my usage of the disparaging term “magic” to describe Rousseau’s “general will,” consider that I am following Samuel Fleischacker’s lead. In discussing an argument of Quentin Skinner’s, Fleischacker eloquently makes an argument similar to mine when he writes that Skinner’s argument “is metaphysical hocus-pocus. As long as we begin from individual wills, there is no such thing as a ‘will of the entire membership,’ at least aside from the extremely rare cases in which everyone in a society agrees exactly on what the society should do. There is no ‘it’ to have ‘its own ends’ in a society; there are merely coalitions of larger and small numbers of individuals who happen to agree, here and there, on things that further their various individual ends” (1999, 247).

fuzzy, however, on the details of how this process is supposed to work. He writes, for example, that “the general will is always upright and always tends to the public utility: but it does not follow from it that the people’s deliberations are always equally upright” (59). But then how do the deliberations arrive at the public utility? Rousseau’s answer: “There is often a considerable difference between the will of all and the general will: the latter looks only to the common interest, the former looks to private interest, and is nothing but a sum of particular wills; but if, from these same wills, one takes away the pluses and minuses which cancel each other out, what is left as the sum of the differences is the general will” (60). It is difficult to see what, concretely, this can possibly mean.²⁵ A similar airy vagueness plagues, I suggest, many contemporary deliberative democracy theorists as well. In response to claims about the appearance of the Rousseauvian “general will” from public assemblies or of the public good from “democratic deliberations,” a Smithian would say we are in a position similar to that described by T. H. Huxley regarding consciousness: “But what consciousness is, we know not; and how it is that anything so remarkable as a state of consciousness comes about as the result of irritating nervous tissue, is just as unaccountable as the appearance of the Djinn when Aladdin rubbed his lamp in the story, or as any other ultimate fact of nature.”²⁶ The Smithian (and Hayekian) claim would be that in both cases we are ignorant of the process that gives rise to the mysterious entity, and thus we should be equally suspicious in both cases of people claiming either to know how it happens or to presume they can speak for the magical entity itself. This is a, perhaps the, central problem of practical political theory; ignoring this problem or pretending it does not exist does not address it or make it go away.

Thus the difference between the two conceptions of the limits of legislative knowledge and efficacy—that advocated by Smith and Hayek which recommends limited government and wide individual liberty, and that advocated by other theorists who wish to set up more expansive states on the authority of their ability to know and implement the good—could not be clearer.

One final note on this issue. This ‘knowledge problem’ is different from what Fleischacker articulates elsewhere, when he represents it as the

²⁵ I would point out that Rousseau’s further explanation of how deliberative democracy can achieve the general will explicitly endorses a Great Mind that can guide it in the correct direction: the “Censor,” who somehow “maintains morals by preventing opinions from becoming corrupt, by preserving their uprightness through wise applications, sometimes even by fixing them when they are still indeterminate” (1997 (1762), 141).

claim that “society is uncontrollable, so government attempts to solve the problem of poverty are likely to fail.”²⁷ The claim is not that society is “uncontrollable,” rather that control functions best when decentralized and is most effective when exercised locally. It holds that attempted redistributions will be successful only if this requisite knowledge is had; but because it cannot be had centrally (that is, not held in or known by a Great Mind), governmental attempts will either fail or succeed only by accident. Consider this passage from Hayek:

It is evident, however, that the values of the factors of production do not depend solely on the valuation of the consumers’ goods but also on the conditions of supply of the various factors of production. Only to a mind to which all these facts were simultaneously known would the answer [regarding which means of production to support, to what degree, etc.] necessarily follow from the facts given to it. The practical problem, however, arises precisely because these facts are never so given to a single mind, and because, in consequence, it is necessary that in the solution of the problem knowledge should be used that is dispersed among many people. (1980 (1945), 91–2)²⁸

For both Smith and Hayek, recognition of the limits of human knowledge leads them to a general skepticism of the abilities of reformers, politicians, or rulers to superintend human society effectively. Their conclusion, then, is that the proper state is a limited one, with wide scope for individual liberty.

To summarize. Two central passages from Smith that have already been quoted —the “man of system” passage (TMS VI.ii.2.17–18) and the “obvious and simple system of natural liberty” passage (WN IV.ix.51)— are powerful even in isolation; but combined they reflect Smith’s sustained argument. Their philosophical basis is what I have called the Local Knowledge Argument, the Economizer Argument, and the Invisible Hand Argument. It is this series of interlocking arguments that give force to Smith’s political recommendations and his explanations. They explain *why* Smith endorses free trade, free migration, and freely ‘gravitating’ prices. They explain *why* Smith opposes state-enforced monopolies and why he

²⁶ Huxley (1866), 193. I thank Torin Alter for this reference.

²⁷ Fleischacker (2004b), 92.

²⁸ For another classic statement of the impossibility of achieving this knowledge (thus a statement of why the Great Mind Fallacy is indeed a fallacy), see Mises (1981 (1922)).

warns us to be wary of businessmen conniving with legislators. These claims do not make Smith a “conservative” —see Hayek’s chapter on that²⁹ — which is part of the reason I stated at the beginning of this essay that the labels “right” and “left” are of limited use and are sometimes even misleading. But Smith’s arguments do mean that liberty is of paramount importance.

The Importance of Liberty in Morality

So far the discussion has centered on the reasons individual liberty is important politically. Smith makes a similar argument, however, about the crucial role liberty plays in the development of morality, both for the individual, in the development of a moral conscience, and for the community, in the development of shared —and, one hopes, beneficial— moral standards.

Smith believes that commonly shared moral standards arise on the basis of a market-like process that takes place in and over specific historical locations. Since human beings live in different times and places, the systems of commonly shared moral standards vary in their details; but since human beings also share, in some specific relevant respects, a common human nature, their moral systems also enjoy significant overlap. The element of human nature most crucial for Smith’s account is the desire for mutual sympathy of sentiments. This desire —as Smith says, perhaps the strongest social desire we have³⁰— is the *sine qua non* of his theory. It is what drives us into society, what leads us to moderate our own behavior, and what ultimately gives rise to the habits and rules of moral judgment that constitute the ‘system’ of commonly shared morality. Although there are other desires Smith says all humans have,³¹ a large part of Smith’s explanation of human morality is based on this single principle.³²

I call Smith’s explanation of morality a “marketplace model.”³³ Here is how it works. We are born, Smith thinks, with no morality whatsoever. A baby knows only its own wants. The baby has no notion of a proper (or improper) thing to ask for, of a proper (or improper) way to ask for it, or of shame or remorse for having asked for something it should not have asked

²⁹ The Postscript to Hayek’s *Constitution of Liberty* is entitled “Why I am Not a Conservative.”

³⁰ See TMS, I.1.2.1; cf. VI.i.3.

³¹ Food and sex among them. See TMS II.i.5.10, II.ii.3.5, and VI.i.1.

³² Smith also relies on what I call the “familiarity principle”; for discussion of this principle, see Otteson (2002a), chap. 5.

³³ See Otteson (2002b).

for. Hence the baby attempts to have its wants satisfied simply by alarming its caregiver with its howls and cries. The baby is not to blame for its self-indulgence, however: not only is it not yet capable of considering such matters as propriety or others' interests, but it is probably also encouraged in its selfishness, says Smith, by its overly indulgent parent or nurse.³⁴

According to Smith it is not until the baby has grown to a child and begins playing with its mates that the child has the unpleasant experience of realizing that he is not the center of everyone's life, only of his own. Smith writes that this is the child's introduction into the "great school of self-command" (TMS III.3.22): it is on being with others and having the experience of being judged by them that one has the distinct displeasure associated with not sharing a mutual sympathy of sentiments. After the initial displeasure, one casts about to find a way to relieve the displeasure, and, apparently somewhat randomly, one hits upon modifying one's behavior to more closely match that of one's mates. And *voilà*: an exquisite new pleasure is experienced, that of the mutual sympathy of sentiments, and a new and permanent desire for that pleasure has been aroused. From then on, according to Smith, the child regularly engages in trial-and-error investigation into what behaviors will achieve this sympathy and thus satisfy this desire.

This investigation leads the individual to adopt habits and then rules of behavior and judgment that increase the chance of achieving this mutual sympathy.³⁵ By the time the child becomes an adult, he has adopted

³⁴ TMS I.ii.4.3 and III.3.22.

³⁵ Lest one suspect this interpretation is not anchored in Smith's texts, there are many places in TMS where Smith describes this development of each individual's moral standards. For example: "Our continual observations upon the conduct of others, insensibly lead us to form to ourselves certain general rules concerning what is fit and proper either to be done or to be avoided. [...] It is thus that the general rules of morality are formed. They are ultimately founded upon experience of what, in particular instances, our moral faculties, our natural sense of merit and propriety, approve, or disapprove of. We do not originally approve or condemn particular actions; because, upon examination, they appear to be agreeable or inconsistent with a certain general rule. The general rule, on the contrary, is formed, by finding from experience, that all actions of a certain kind, or circumstanced in a certain manner, are approved or disapproved of" (TMS III.4.8). Smith continues: "Those general rules of conduct, when they have been fixed in our mind by habitual reflection, are of great use in correcting the misrepresentations of self-love concerning what is fit and proper to be done in our particular situation" (TMS III.4.12). One more example. When Smith discusses the perspective of an "impartial spectator" he believes we consult to judge our own conduct, how, he asks, are we able to develop this all-important impartial perspective? His answer: "habit and experience" (TMS III.3.3). Development through experience can only take place if there is a criterion of selection, however, which means that Smith's

a wide range of principles of behavior and judgment that he applies skillfully in many different situations. At the community level, moreover, everyone else is engaging in precisely the same investigation, thus creating the invisible-hand mechanism that Smith thinks generates commonly shared standards of behavior and judgment, indeed a commonly shared *system* of morality.

This mechanism is similar to markets in other parts of human social life, including economics. For Smith, an economic market exists wherever people exchange goods or services in an effort to improve their condition.³⁶ A newcomer to a market might initially have no idea what his goods or services will command, so he tries more or less arbitrarily chosen exchange methods, rates, and partners, until he hits upon some combination that succeeds. And then he too feels a pleasure —of his condition being bettered, which Smith claims in WN is our constant, cradle-to-grave motivation.³⁷ There are thus several similarities between the Smithian moral system and the Smithian economic system. Let me point out just one: the process of trial-and-error discovery is supplemented crucially in both cases by an element of *negotiation*: the person principally concerned tries to convince potential mutual sympathizers or exchange partners that the behaviors or judgments, or the goods or services, *should* be sympathized with or exchanged for. He offers reasons or arguments, he exhorts, he demands, he pleads, he cajoles, he begs, he harangues. You and I try to talk each other into sympathizing with one another's sentiments,³⁸ just as you and I might try to talk each other into selling one of our proffered goods at the other's proffered price. These negotiations take many different forms, and they frequently end in failure. Even in failure, however, they are instructive; and when they are successful, they establish precedents that both we later on and others will imitate. The precedents become habits, then rules and principles; they then come to constitute a system of rules or principles.

This, roughly, is Smith's account of the genesis both of shared moral standards, which include commonly held conceptions of propriety

model presupposes a kind of utilitarian consequentialism that guides the development. Once one has fixed principles in the personage of the "impartial spectator," at that stage moral judgments are rendered by their compliance (or not) with the impartial spectator's judgments —and at that stage, as Smith suggests (TMS IV), utility is not immediately consulted. The role of utility lies elsewhere in the process.

³⁶ See WN I.iii and *passim*.

³⁷ WN II.iii.28; see also I.viii.44, II.i.30, II.iii.31, II.iii.36, II.v.37, III.iii.12, IV.ii.4, IV.ii.8, IV.v.b.43, and IV.ix.28. Cp. LJ (A), vi.145.

³⁸ See TMS I.i.2.1, I.i.3.1–3, I.i.iv.1–10, and VII.iv.6.

and merit, and of shared economic standards, which include commonly accepted prices, conditions of exchange, contracts, and so on. Both systems are turbulent at the micro-level and subject to change over time, but both also settle on, or work towards, a modified equilibrium at the macro-level: the individual decisions that make up the systems are, on the individual level, often unpredictable and highly variegated; yet they (unintentionally) give rise to a larger system that is relatively coherent and susceptible of general description.³⁹

Smith's marketplace of morality relates to liberty in the following way. Moral standards are the rules that prove themselves by this trial-and-error process to be the most conducive to satisfying people's ends. Because, however, human knowledge is limited, it cannot be known in advance or by third parties which rules of behavior will so conduce: hence a wide scope of freedom must be accorded to individuals so that they can experiment with various decisions, ways of cooperating with others, and courses of life to discover what complexes of behavior will allow them the best chance at securing their happiness. That means the state must not make selections for them in advance. On the other hand, since it is probably true that poverty will impede anyone's attempt at achieving happiness (however he defines happiness), then those limited institutional structures that empirical investigation has shown conduce to wealth generation may fall within the state's proper purview. What are those institutions, on Smith's view?

According to the system of natural liberty, the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understandings: first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain publick works and certain publick institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expence to any individual or small number of individuals, though it may frequently do much more than repay it to a great society. (WN IV.ix.51)

³⁹ For a discussion of the *micro* and *macro* terminology and their nature and uses in explanations, see Schelling (1978).

One might be tempted to think that that third duty grants more latitude to the state than it actually does. For consider: how many public works or institutions will literally “never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit would never repay the expense”? As we can now know —what Smith could not have guessed in the eighteenth century—robust markets are capable of providing an astonishing array of goods and services, including every single one of the goods and services that Smith himself hazards as possible examples of what might satisfy the high standard of his third category of state responsibilities.⁴⁰ Regardless of whether Smith is right or not on his guesses about what might qualify on this criterion, his general assessment seems right, is perfectly clear, and serves well as a summary of Smith’s overall political position:

All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society. (WN IV.ix.51)

Classical, Not Progressive, Liberalism

There are other reasons that Smith should be considered a “classical” rather than a “progressive” liberal. One central reason is Smith’s belief in an irredeemably fallible human nature. Although institutions can improve over time, human nature, Smith thinks, cannot fundamentally change. Formal legal institutions, social mores, and cultural incentives can all influence a person’s training or development, in good directions or bad; but they cannot change his nature. Thus the classical liberal conceives the state as serving the necessary role of limiting injustice, while he is quite

⁴⁰ Discussion of market provision of virtually every kind of good or service that is routinely assumed by some to be available only by the hand of the state is widely available. See, for example, Beito (2002), Coulson (1999), and Foldvary (1994).

skeptical of its ability to create virtue. Hume, a classical liberal par excellence, could not be clearer:

All men are sensible of the necessity of justice to maintain peace and order; and all men are sensible of the necessity of peace and order for the maintenance of society. Yet, notwithstanding this strong and obvious necessity, such is the frailty or perverseness of our nature! it is impossible to keep men, faithfully and unerringly, in the paths of justice. Some extraordinary circumstances may happen, in which a man finds his interests to be more promoted by fraud or rapine, than hurt by the breach which his injustice makes in the social union. But much more frequently, he is seduced from his great and important, but distant interests, by the allurements of present, though often very frivolous temptations. *This great weakness is incurable in human nature.*⁴¹

Elsewhere Hume is perhaps even more blunt: “It is, therefore, a just *political maxim, that every man must be supposed a knave*: Though at the same time, it appears somewhat strange, that a maxim should be true in *politics*, which is false in *fact*.”⁴² Hume goes on to argue that although it is indeed false that *everyone* is a knave, nevertheless there are enough knaves among us—and each of us has enough knave in him—to justify the political maxim.

But Smith is similarly disposed to view human nature somewhat askance. One significant and seemingly fixed feature of human nature that Smith repeatedly highlights in WN is our inveterate laziness. As presumed in the Economizer Argument set forth earlier, Smith thinks that human beings are naturally lazy, and this fact seems to be one of the key analytical focuses for his investigation in WN into exactly what institutional arrangements are most conducive to human welfare. “In every profession,” Smith writes, “the exertion of the greater part of those who exercise it, is always in proportion to the necessity they are under of making that exertion” (WN V.i.f.4); even more explicitly: “It is the interest of every man to live as much at his ease as he can” (WN V.i.f.7).⁴³ Smith writes eloquently and at length of what effects the desire for “ease” has on

⁴¹ Hume (1994 (1742)-a), 194; my italics.

⁴² Hume (1994 (1742)-b), 113; italics in the original.

⁴³ See also WN I.i.7–9 and I.x.c.14. Smith also speaks frequently of people’s natural “indolence,” and of the fact that relative scarceness of means rouses people from it, while relative wealth and ease exacerbate it; see WN I.x.p.8, V.i.d.5, and V.i.g.1.

politicians, merchants, lawyers, clergy, and even teachers⁴⁴—the suggestion being, of course, that this is a pervasive feature of all human beings in all walks of life. If it is true that there will always be people who will exploit others when they have the chance, enrich themselves at others' expense when it is easier to do so than enriching themselves at their own expense, and contrive to arrange economic and political policies so that they advantage themselves (and those they care about) even if they simultaneously disadvantage others (or those they do not care about), then this must be constantly held in mind when examining or recommending institutional reform.

This debars Smith from counting as a progressive liberal. His view of human nature is what Thomas Sowell has felicitously called a “constrained” vision, whereby political institutions cannot solve human failings like laziness or self-interestedness, but rather—one hopes—merely channel these aspects of our nature so that they conduce, even unintentionally, to everyone's good. As Sowell puts it, Smith “repeatedly pointed out how the aristocracy, royalty, and the privileged or mighty in general were foolishly worshiped by the masses, even to the point of imitating their vices—and how this huge psychic windfall gain was taken gain was taken for granted by its recipients, who did not even regard ordinary people as their fellow men.” Sowell then continues, anticipating many contemporary commentators on Smith, “A distinguished scholar [Jacob Viner] once pointed out that several socialist orations could be put together out of quotations from Adam Smith. But Smith's constrained vision of man and society led in the opposite direction—to *laissez-faire* capitalism.”⁴⁵ As Sowell argues, progressive liberals tend to have, rather, an “unconstrained” vision of human nature, whereby its malleability is such that its vices can, with the proper institutional structures, be permanently solved, rather than merely managed. Smith would fall in the former camp.

Another reason that Smith should be counted as a classical rather than a progressive liberal is his endorsement of our natural concentric circles of concern for others. For Smith, a moral cosmopolitanism that dictates equal concern for all is both fruitless and destructive of happiness in the (vain) attempt. “Every man,” Smith writes, citing the Stoics, “is first and principally recommended to his own care; and every man is certainly, in

⁴⁴ For politicians, see, e.g., WN IV.ii.1–13 and IV.ii.39; for merchants and businessmen, see, e.g., WN I.viii.13, I.x.c.27, I.x.c.61, and II.v.7; for lawyers, see, e.g., WN V.i.b.18; for clergy, see, e.g., WN V.i.g.7–8 and V.i.g.19–21; for teachers, see, e.g., WN V.i.f.7–9 and V.i.f.15.

⁴⁵ Sowell (2002), 143; italics in the original, footnotes omitted.

every respect, fitter and abler to take care of himself than of any other person” (TMS VI.ii.1.1).⁴⁶ I have elsewhere called this Smith’s “familiarity principle”: our concern for others naturally varies directly with their psychological and spatial nearness to us.⁴⁷ Smith puts it this way:

After himself, the members of his own family, those who usually live in the same house with him, his parents, his children, his brothers and sisters, are naturally the objects of his warmest affections. They are naturally and usually the persons upon whose happiness or misery his conduct must have the greatest influence. He is more habituated to sympathize with them. He knows better how every thing is likely to affect them, and his sympathy with them is more precise and determinate, than it can be with the greater part of other people. It approaches nearer, in short, to what he feels for himself. (ibid.)

Smith’s claim is not that one cannot extend these concentric circles of concern, but, rather, that there are certain natural limitations to doing so; and the attempt to do so indiscriminately or universally will only end in failure —because it is impossible— and in frustration —because its failure will cause anxiety, and ultimately, since happiness for Smith is “tranquillity,”⁴⁸ it will cause unhappiness. This places Smith at odds with contemporary or progressive liberals, who routinely argue for an expansion of our circles of concern to all humankind, even, in some cases, to all sentient beings.⁴⁹

A final reason Smith is a classical rather than a progressive liberal is his conception of justice. Smithian justice is what Isaiah Berlin and others have called “negative” justice, meaning that its substantive content is: *do not commit injustice*. Smith claims that justice is “a negative virtue, and only hinders us from hurting our neighbor” (TMS II.ii.1.9). According to Smith, justice is to be carefully distinguished from moral requirements to actively do things for others, what Smith calls “beneficence.” Contemporary progressive liberals tend rather to include beneficence within the compass of justice itself, arguing that a failure in proper beneficence actually constitutes an injustice, or perhaps a failure in “social justice.”⁵⁰ By

⁴⁶ For insightful discussion of this issue, see Montes (2004), chaps. 2 and 3.

⁴⁷ See Otteson (2002a), chap. 5.

⁴⁸ See TMS III.3.30–40 and *passim*.

⁴⁹ See, for example, Appiah (2006), Nussbaum (2006), and Singer (2004).

⁵⁰ See, for example, Barry (2005) or Miller (2001). This conception of justice is called by Berlin and others “positive.”

contrast, Smith claims that “Beneficence is always free, it cannot be extorted by force, the mere want of it exposes to no punishment; because the mere want of beneficence tends to do no real positive evil” (TMS II.ii.1.3). That last clause gives us, indirectly, what for Smith *would* count as injustice, namely the causing of “real positive evil.” Because, on Smith’s view, one can cause real positive evil only by taking real positive action, inaction by itself cannot constitute injustice. If one does not display proper beneficence, one may be the proper object of disapprobation, but on Smith’s account one would not have committed injustice. In what way, then, would one cause real positive evil? Smith’s answer: “The most sacred laws of justice, therefore, those whose violation seems to call loudest for vengeance and punishment, are the laws which guard the life and person of our neighbour; the next are those which guard his property and possessions; and last of all come those which guard what are called his personal rights, or what is due to him from the promises of others” (TMS II.ii.2.2). Those categories of injustice —assault on life, liberty, and property and breach of contract— constitute the core of the classical liberal conception from Locke on down. Smith’s declaration of adherence to this “negative” conception of justice —“We may often fulfil all the rules of justice by sitting still and doing nothing” (TMS II.ii.1.9)— complete with his careful distinction of it from beneficence and his claim that only justice but not beneficence may be coerced, make the differences between his position and that of progressive liberals clear.

Alternative Views of Smith

Samuel Fleischacker argues that I and others who see Smith’s championing of liberty as a call for “negative” freedom rather than “positive” freedom have gotten him wrong.⁵¹ Instead, Fleischacker argues, Smith should be seen as someone who understands the productive power of markets and the potentially counterproductive power of the state, but

⁵¹ I draw here on Fleischacker (1999) and (2004a). More recently, however, Fleischacker seems to have come to appreciate more fully Smith’s skepticism about political theorists and their systems. See, for example, Fleischacker (October 4, 2004). To clarify the difference between Fleischacker and me on this point: Fleischacker’s argument is not that Smith does not prize liberty, rather that Smith believes that some positive state measures are required to enable people to be truly free. That is what I refer to as “positive” liberty. By contrast, I argue that Smith understands the state’s role as preventing injustice and otherwise allowing people the freedom to pursue their ends as they see fit, with little or no help from the state. That is what I refer to as “negative” liberty.

who was not so dogmatic as to recommend the free market at any cost. Indeed, Fleischacker argues that Smith was at least as concerned with equality as he was with liberty. In support of his position, Fleischacker adduces several considerations: he points to Smith's repeated concern for the poor; he points to Smith's description of the unpleasant state to which workmen can be reduced by extensive division of labor; he points to passages where Smith stresses the equality of human beings; and he points to Smith's willingness, even if only occasional, to allow the state to intercede in people's economic affairs.

Smith's concern for the poor is palpable in many places both in *The Theory of Moral Sentiments* and in *The Wealth of Nations*. I would argue, in fact, that finding ways to ameliorate the condition of the poor is one of, perhaps the, central concern Smith has in WN. The question WN sets itself to answer is how to allow them to improve their condition, and much of the book is constituted by Smith spelling out his answer to that question. As we have seen, Smith argues that free trade, markets, and a secure administration of (negative) justice are the most important factors that empirical evidence suggests lead to the betterment of everyone, in society, including the poor, and on these counts history has proven him correct. Smith's concern for the poor in his day does not, however, show either that he is on the political Left or that he is concerned more with human equality than with other values like liberty. Supporters of free-markets, for example, especially among economists, tend to support their position almost exclusively by reference to the increasing wealth markets enable, especially for the poor, and they have been among the most ardent supporters of human equality in the last 150 years.⁵² Moreover, free markets require individual liberty. Thus the supporter of free markets and individual liberty can be, and in Smith's case is, also a genuine supporter of bettering the condition of the poor.

Fleischacker and others also appeal to Smith's powerful condemnation of some of the possible consequences of fine division of labor. Late in WN, Smith writes:

In the progress of the division of labour, the employment of the far greater part of those who live by labour, that is, of the

⁵² There are too many examples of such arguments to list. Two classic sources are Friedman (1982) and Friedman and Friedman (1979). Two contemporary sources are *Economic Freedom of the World*, available at <http://www.freetheworld.com/>; and Dollar and Kraay (2001). An excellent recent book that examines economists' adherence to human "homogeneity" in the nineteenth and twentieth centuries is Peart and Levy (2005).

great body of the people, comes to be confined to a few very simple operations; frequently to one or two. But the understandings of the greater part of men are necessarily formed by their ordinary employments. The man whose whole life is spent in performing a few simple operations, of which the effects too are, perhaps, always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become. The torpor of his mind renders him, not only incapable of relishing or bearing a part in any rational conversation, but of conceiving any generous, noble, or tender sentiment, and consequently of forming any just judgment concerning many even of the ordinary duties of private life. Of the great and extensive interests of his country, he is altogether incapable of judging; and unless very particular pains have been taken to render him otherwise, he is equally incapable of defending his country in war. The uniformity of his stationary life naturally corrupts the courage of his mind, and makes him regard with abhorrence the irregular, uncertain, and adventurous life of a soldier. It corrupts even the activity of his body, and renders him incapable of exerting his strength with vigour and perseverance, in any other employment than that to which he has been bred. His dexterity at his own particular trade seems, in this manner, to be acquired at the expence of his intellectual, social, and martial virtues. But in every improved and civilized society this is the state into which the labouring poor, that is, the great body of the people, must necessarily fall, unless government takes some pains to prevent it. (WN V.i.f.50)⁵³

Smith's genuine concern here for workers is as obvious as his worries about the potential effects on the national character. One might argue with Smith about whether his dire diagnosis is correct —about whether, that is, workers in highly commercialized societies really do suffer as much as Smith predicts they will⁵⁴— but note what measures Smith actually recommends to combat the negative effects he believes might

⁵³ See also WN V.i.f.60.

⁵⁴ Here I think subsequent history tells against Smith's position. Standards of living for workers in market-based economies have risen spectacularly over the last 200 years, far more than have conditions on non-market-based economies. For overviews, see, for example, Bauer (1991), Landes (1999), North (1990) and (1999), and Rosenberg and Birdzell Jr. (1987).

ensue. It is not the universal health care, the unemployment insurance, the mandated leisure and vacation time, and so on that contemporary political theorists, like those cited earlier, include in their capacious lists of comprehensive governmental duties. Instead, Smith's main suggestion is, by comparison, strikingly modest: *partially subsidized local primary schools*. The schools he recommends teach only "the most essential parts of education," which he identifies as the abilities "to read, write, and account" (WN V.i.f.54; cp. V.i.f.16 and V.i.f.42); that means what we today would recognize as primary schools—not secondary schools, let alone institutions of higher learning. And Smith argues that these schools should be "partly, but not wholly paid by the public; because if [teachers were] wholly, or even principally paid by it, [they] would soon learn to neglect [their] business" (WN V.i.f.55). Smith's sensitivity here to incentives and how human beings respond to them is in keeping with other parts of his analysis in WN, signaling once again his reasons for preferring market to state incentives. Smith's recommendation is that state subsidies must constitute *less than half* of the total paid to teachers. Even this much state provision might break with libertarian or Lockean rights-based arguments for the limits of government, but it is quite in keeping with classical liberal arguments. And compared with the other end of the spectrum, Smith's recommendation is nothing like the extensive packages of state welfare benefits progressive liberals typically recommend.

Turning now to Smith's concerns about equality: As free-market economist Thomas Sowell has written, "No one believed in the innate equality of human beings more than Adam Smith" (2002, 142). Smith's words on this count are striking: "The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education" (WN I.ii.4). Hence there *are* differences, but they arise more from training than from nature. Smith goes on to suggest that the differences among human beings are in fact relatively small, less, for example, than the differences among different species of dogs (WN I.ii.5). It is to Smith's credit that he not only recognized that natural differences are small, but trumpeted it, and made it a central and recurring theme in both his books to remind us that pretensions to superiority are indeed mere pretensions. I would make two observations. First, I think Smith's championing of equality is meant to be more of a negative than a positive claim: it is an objection to claims of natural inequalities based on race, nationality, or economic class. Smith is not claiming that all people are equal

simpliciter; that would be inconsistent with what he says about the real differences. Neither, however, is the claim that all people are equally deserving of respect. Smith's many, many passages throughout both TMS and WN in which he criticizes both institutions and individuals from all walks of life make clear that he does not think that everyone is equally deserving of our respect. The rapacious highwayman does not deserve the respect or approbation that his innocent victim does.⁵⁵ Smith is instead reminding us that although people can be trained in various specialties, virtue and vice in particular are equally prevalent in all races, nationalities, and economic classes.⁵⁶

Second, one should not forget the lesson from Smith's diversity-of-talents argument in favor of division of labor. "Among men," Smith writes, "the most dissimilar geniuses are of use to one another; and the different produces of their respective talents, by the general disposition to truck, barter, and exchange, being brought, as it were, into a common stock, where every man may purchase whatever part of the produce of other men's talents he has occasion for" (WN I.ii.5). One of the great virtues of open markets, Smith argues here, is that they allow the diversity of talents naturally present among human beings a chance to flourish, develop, and be of service to others. By contrast, closed societies tend to be narrow and selective in the talents they allow to flourish, and woe to those whose natural talents lie someplace other than where the minister, commissar, satrap, or bureaucrat decides he needs them. But note that built into this argument is, in fact, a notion of differences: a 'dissimilarity' of talents necessarily implies differences. It does not imply a general or overall or presumptive moral superiority or inferiority. But it does imply that some people will be better at different tasks than others —the street porter is presumably better at cleaning the streets than the philosopher, and the philosopher is presumably better at writing books than the street porter, for example— and Smith's argument is that markets, which allow the division of labor, can exploit, give release to, and thus respect these differences better than closed economies can.

Adam Smith and Political Liberty

Returning, by way of conclusion, to politics, the import of Smith's repeated insistence on equality is thus that rulers are no better on average—that is, no less biased, self-interested, narrow-minded, subject to fashion

⁵⁵ See, for example, TMS III.2.11 and VII.iv.9–12.

⁵⁶ See Peart and Levy (2005), chaps. 1 and 2.

and delusion, and so on— than is the rest of the population (on average). And here Smith is clearly on to something. Demonstrating just how much of otherwise inexplicable government behavior this assumption explains has been the main focus, and the great achievement, of contemporary public choice economics.⁵⁷ If there is one way Smith seems to think that politicians, political theorists, and other aspiring rulers (or aspiring counselors to rulers) may distinguish themselves from the rest of the population, it is in their hubristic delusion that they are indeed superior to others in their Olympian perspective from which to view the rest of us and in their possession of the relevant knowledge required to rule over others. If one took just one practical lesson away from Smith, it would be a profound distrust of anyone who displays such pretensions, and a robust support for the individual liberty to lead one's life as one sees fit. Smith does not believe that a limited government based on free markets, free trade, and free migration would be perfect; he is too much of a realist, and too deep a believer in the "constrained" view of human nature, to be so naïve. But he does believe that such a government would tend to make everyone better off, including the poor. Although, then, each of us would still have work to do and our localized moral responsibilities would not be exhausted or even largely addressed by a Smithian government, and although Smith recognizes many values in human life, liberty is perhaps the most important political value for Smith. That is why, to return to Emma Rothschild's words, "The idea of freedom is central to everything Smith wrote."

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<i>LJ</i>	<i>Lectures on Jurisprudence.</i>
<i>RN</i>	<i>La Riqueza de las Naciones</i> [WN, <i>The Wealth of Nations</i>].
<i>TSM</i>	<i>La Teoría de los Sentimientos Morales</i> [TMS, <i>The Theory of Moral Sentiments</i>].

⁵⁷ A founding father of public choice economics, James Buchanan, won the Nobel Prize in 1986 for his pioneering work in this field. There is also a respected scholarly journal dedicated to this work called *Public Choice Journal* that is edited by another candidate for a Nobel Prize, Gordon Tullock.

- (LJ) *Lectures on Jurisprudence*. R. L. Meek, D. D. Raphael y P. G. Stein (eds.). Indianapolis: Liberty Fund, 1982 [Oxford University Press, 1978].
- (RN) *An Inquiry into the Nature and Causes of the Wealth of Nations* [WN, 1776]. R. H. Campbell y A. S. Skinner (eds.). Indianapolis: Liberty Fund, 1981 [Oxford University Press, 1976, 1979].
- (TSM) *The Theory of Moral Sentiments* [TMS, 1759]. D. D. Raphael y A. A. Macfie (eds.). Indianapolis: Liberty Fund, 1984 [Oxford University Press, 1976, 1979].

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