

# ADAM SMITH

## A BICENTENARY APPRECIATION

C. R. FAY

Professor of Economic History, University of Toronto.

IN the year 1776, the darkest year in the annals of the British Empire, one of the world's great books was published. Its author was Adam Smith (born on June 5th, 1723,) and its title *An Inquiry into the Nature and Causes of the Wealth of Nations*.\* The writer was a Scotsman, with the national sense and original humour of Scotland at its best. This Scotsman was in policy a liberal imperialist. Because he hated tyranny and was disgusted by shams, he was eager to see "the project of an empire" (for as he saw it, it was nothing more) converted into a reality so free that it would endure. This imperialist was a man of cosmopolitan vision; and his appreciation of differences in national characteristics did not shake his faith in the universal application of those economic principles which would, he argued, benefit the nation that practised them not less than the world at large.

The age, the country and the experience of the writer were alike favourable to the creation of an economic masterpiece conceived in this mood.

### I

The age was favourable, for the spirit of a new freedom was already in the air. In religion men were turning from the rigid gloom of Calvinism to the light of nature by which the Deity of the eighteenth century was rationalized and reduced to benevolence. The mediaeval conception of an essential clash between private interest and public policy was all but dead. At every turn local regulations were collapsing before nation-wide enterprise, and the economics of Elizabethan England were remembered chiefly for their irritating survivals. Even as Adam Smith wrote, Britain was crossing the threshold of the Industrial Revolution, and in a practical sense he assisted the crossing by securing for James Watt a sanctuary within the precincts of Glasgow University where he could experiment in peace upon his steam-engine. In the text of

\*All references in this article are to the edition by Edwin Cannan. Methuen, 1904, 2 vols.

the *Wealth of Nations* there is a reference to fire engines in which "boy" is comically confused with "buoy" (I, 11), but the word "steam" does not occur. The division of labour which Adam Smith observed in pin factories (I, 6) and elsewhere was still a division of hand-processes. But his analysis is altogether on the line of modern development, for the reason that the revolution in mechanical technique was preceded by changes of a commercial and financial order with which he was fully conversant. Indeed his constant emphasis on the cost of bringing a commodity to market puts him closer to us of the twentieth century than were his successors who, dominated by the marvels of factory production, studied too little the economics of marketing and transport.

The country, too, was favourable. The Scotland of 1750, like the Canada of to-day, was a country in the making, poor by comparison with its neighbour to the south, but growing and conscious of growth. As we read the subtle pages of the Third Book, in which Smith sketches out a dynamics of society with his eye on the centuries and on all the continents, we can feel him to be aware that *his* society is not "one that is standing still," and that *his* country at any rate had not yet received its "full complement of riches." Though Scotland was still "much poorer" than England, it was "evidently advancing" (I, 92). For the Act of Union had brought opportunities and markets. No longer did the Lowlands produce "scarce anything but some miserable pasture, just sufficient to keep alive a few struggling half-starved cattle" (I, 92). But in the biggest things of life, in church and school and university, Scotland—as Adam Smith could fairly claim—was richer than England. His master, the "never to be forgotten Hutcheson," had lectured to him and his fellow students at Glasgow in the mother tongue, and had held them spellbound. But "in the University of Oxford the greater part of the public professors have for these many years given up altogether even the pretence of lecturing." (II, 251)

Equally favourable was the experience of the man. He studied widely before he taught, and he taught and travelled before he wrote. Born at Kirkcaldy, a small town on the north side of the Firth of Forth, he attended as a lad its excellent Burgh School. Thence he proceeded to Glasgow University, and from Glasgow with a Snell Exhibition to Balliol College, Oxford, where he taught himself much in its excellent college library, residing continuously for six years, term time and vacation. Returning to a lectureship in Edinburgh, he removed to Glasgow to become Professor of Logic in 1751, and of Moral Philosophy in 1752, published in 1759 his *Theory of Moral Sentiments*, and delivered for a number of years lectures

on "Justice, Police, Revenue and Arms," a copy of which as taken down by a student has by rare good fortune come down to us (edited by Edwin Cannan, 1896). In 1763 he left at such short notice that he felt it incumbent upon him to return the lecture fees. The pupils were loth, but the professor insisted. "You must not refuse me this satisfaction; nay by heavens, gentlemen, you shall not," he said; and seizing by the coat the young man who stood next to him, he thrust the money into his pocket and then pushed him away.

The occasion of his going was the offer of a travelling tutorship to the young Duke of Buccleuch. He gained thereby an increase of income, and that which his catholic soul craved far more, the illuminating experiences of the Grand Tour—a visit to the great Voltaire at Geneva, conversations at Paris with Turgot the financier, the Abbé Morellet, Quesnay, that very ingenious and profound author (II, 171) of the *Tableau Economique*—a copy of the jigsaw puzzle which goes by this name is reproduced in Cannan's edition of the *Wealth of Nations*, Editor's Introduction xxxii—and others of the Physiocratic School. On this tour he began his great book "in order to while away the time," and returning from the Continent in 1766, he worked at his manuscript for the next ten years. Standing to dictate it with his back to the fireplace in his study at Kirkcaldy, he would rub his head on the wall above, to which there adhered for many years to come this greasy proof of the absent-minded agony of authorship (John Rae: *Life of Adam Smith*, 260). The book was instantly acclaimed by the public, and ran through five editions before his death in 1790. It has been given to few men to achieve a world reputation by a single book, and to fewer still to prepare that work with such deliberation that, though it breaks much new theoretical ground and is intimately concerned with current policy, the author with a few strengthening additions is saying in the last edition essentially what he said in the first.

Adam Smith is the father of political economy. There is indeed a long roll of economic literature before his time, but where it was not Utopian or statistical, it was partial and unsystematized, and usually little more than a party pamphlet for or against a particular economic policy. A great part of it was occupied with the Doctrine of a Favourable Balance of Trade. This doctrine, together with the policy known as the Mercantile System which it was employed to prop up, was ruthlessly attacked by Adam Smith, and the attack supplies the driving force of the *Wealth of Nations*. But the book is more than a polemic. For in smashing a policy

## III.

It is rash to dissect a work of genius. Nevertheless, at the risk of coming miserably short, I shall try to say why the *Wealth of Nations* has made an appeal so universal and abiding.

First of all, it has an inspiring philosophy. The note of liberty rumbles through the book, and the author keeps at hand a standard thunder for denouncing particular violations of it,—“Evident violation of natural liberty and justice”. Now it is the Statue of Apprentices (I, 123) which causes the thunder to be launched, now the English Law of Settlement of the poor (I, 142). Now it is a regulation so prosaic as the restriction of private note issue (I, 307), and now a high concern of empire—“To prohibit a great people from making all that they can of every part of their own produce, or from employing their stock and industry in the way that they judge most advantageous to themselves, is a manifest violation of the most sacred rights of mankind” (II, 83). He hates, as heartily as Doctor Johnson, “the odious visits and examination of the tax-gatherers” (II, 421); and, himself in his closing years a Commissioner of Customs, he has a sly sympathy for the smuggler, “a person who, though no doubt being highly blameable for violating the laws of his country, is frequently incapable of violating those of natural justice, and would have been in every respect an excellent citizen, had not the laws of his country made that a crime which nature never meant to be so”. (II, 381). Adam Smith denounced “the impertinent badges of slavery” imposed by the mother country on the American colonies, and would perhaps have applied the moral of the smuggler to that new prohibition which the American nation has recently seen fit to impose upon itself.

Secondly, he sees both sides. The balance of his sentences, which lingers so in the reader’s mind, accords with the superb balance of his thought. No man had stronger views than he; yet few men have been fairer. In his strength he could afford it. Thus the declamation against restraint of private note issue concludes, “Such regulations may, no doubt, be considered as in some respect a violation of natural liberty. But those assertions of the natural liberty of a few individuals which might endanger the security of the whole society, are, and ought to be, restrained by the laws of all governments; of the most free as well as of the most despotical” (I, 307).

The *Wealth of Nations* opens with a statement of the advantages obtained from the division of labour; and it is only within

the last decade that economists and psychologists have joined forces to study its human disadvantages. But they might well take as their text the following passage from Book V:

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. . . . . 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. (II, 267).

The passage occurs in the chapter on "Education", because these results would occur unless by education they were prevented. Therefore he would have schools for the young and old supported by the State.

In some countries of the new world the conflict of economic interests between town and country is the leading political issue, and the peasants of Russia have recently shown the passive but deadly revenge which the grower of produce can take on the townsman who does him violence. Adam Smith did justice to both. He saw that while agriculture was always the most essential industry, yet commerce had been, as a matter of history, the stimulus to agricultural improvement. "It is thus that through the greater part of Europe the commerce and manufactures of cities, instead of being the effect, have been the cause and occasion of the improvement and cultivation of the country" (I, 390). Admiring the country gentleman and farmer, "to their great honour, of all people the least subject to the wretched spirit of monopoly" (I, 426), he nevertheless found in the merchant turned farmer "the best of all improvers" (I, 382); and he reminded both that "landlords, like all other men, love to reap where they never sowed" (I, 51).

In Adam Smith's day the struggle between capital and labour was young. To combination he was naturally averse, as abridging the scope for individual initiative, and at a later date he would probably have shared with Francis Place the hope that with education and the removal of persecution the desire of the working classes for combination would disappear. But he was as tolerant as Nassau Senior a century later was savage: "We believe that if the manufacturer is to employ his capital only under the dictation

of his short-sighted and rapacious workmen, we shall not retain the industry, the skill, or the capital on which our manufacturing superiority, and with that superiority our power and almost our existence, depends".<sup>3</sup> So wrote Senior and his colleagues concerning the feeble combinations of starving weavers. Contrast with this the language of the *Wealth of Nations*:

We hear rarely, it has been said, of the combinations of masters; though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and everywhere in a sort of tacit but constant and uniform combination, not to raise the wages of labour above their actual rate" (I, 68).

Both men love liberty, but one is neutral and the other is partisan. Writing twenty-four years before the prohibiting Act of 1800, Adam Smith supplied in advance the most telling argument for its repeal—its inevitable one-sidedness. Writing sixteen years after the enfranchising legislation of 1824-5, Nassau Senior had learnt nothing, and had not even remembered his Adam Smith. "They are desperate, and act with the folly and extravagance of desperate men" (I, 69).

Thirdly, he blends history and theory with delicate skill. In what may be considered the artistic climax of the whole work, namely the famous set-piece attack on the Mercantile System, history is his most powerful weapon. Book IV is an historical bombardment, a history of tariffs and bounties and monopolies, concentrated for the delivery of a smashing blow at the economic policy behind which they were entrenched. Two ways of attack were open to him; he might attack mercantilism either as a doctrine or as a policy, and in the end he did both. The first was the more illuminating from the standpoint of theory, because it allowed him to set forth the function of money in the commerce of nations:

To attempt to increase the wealth of any country, either by introducing or by detaining in it an unnecessary quantity of gold and silver, is as absurd as it would be to attempt to increase the good cheer of private families by obliging them to keep an unnecessary number of kitchen utensils. (I, 406).

But the second line of attack was more fundamental. For when he wrote, few people of any account could have believed that wealth consisted in money and money alone; and in earlier times,

3. *Final Report of the Handloom Weavers Commission, 1841, 117.*

when ready money was scarce, there was a very real justification for the desire to procure the precious metals, as the Jews in many countries of Europe proved to their profit. And Adam Smith seems to have felt this; for in the "Conclusion of the Mercantile System", which first appears in the third edition, he does not revert to the doctrine of the trade balance, but concentrates upon a critical examination of the fiscal devices which with the ostensible object of enriching the country had sacrificed the interests of the consumer to those of the manufacturer and merchant.

Essentially fertile, he always gave to his criticism a constructive turn. He set out the case for free trade with a moderation which strengthened the chances of its adoption. Tariff retaliation might be good policy, as policy was understood by "that insidious and crafty animal vulgarly called a statesman or politician" (I, 432), but "it seems a bad method of compensating the injury done to certain classes of our people to do another injury ourselves, not only to those classes, but to almost all the other classes of them" (I, 433). It might be desirable to introduce freedom of trade "only by slow gradations and with a good deal of reserve and circumspection" (I, 433), but—for reasons which he gives in detail—the disorders occasioned by its sudden introduction would probably be less than was commonly imagined. But Adam Smith's vision reached beyond the coast line of Great Britain. There were things more important than national opulence, and one of these was the settlement of the trouble with America. He pleaded with passion for an imperial union and representation of the colonies in the British parliament: "That this union could be easily effectuated, or that difficulties and grave difficulties might not occur in the execution, I do not pretend. I have yet heard of none, however, which appear insurmountable" (II, 124). In the closing words of the last book, after he has discoursed on religious instruction and the education of youth, and has examined with a technique that is startlingly modern the theoretical incidence of actual taxes, he recurs again to the imperial burden: "either carry it worthily or drop it" is the substance of his charge. And if an England that was accustomed to dream of fortunes beyond imagination in the south seas and to celebrate victories almost every month in the year, could by no other means be stung into doing the right thing, surely she would pause before the bleak alternative, which was "to accommodate her future views and designs to the real mediocrity of her circumstances" (II, 433): "I am a slow, a very slow workman", he wrote to his publisher Cadell—but he knew how to finish the course.

Fourthly, his mind is a storehouse of information gathered from reading, conversation and travel. Quotations from the classics jostle by the side of strange customs reported by travellers and of homely details observed by himself. He quotes, as his editor observes, "by their own name or that of their authors, almost one hundred books. . . . Usually but little, sometimes only a single fact, phrase or opinion is taken from each, so that few authors are less open than Adam Smith to the reproach of having rifled another man's work".<sup>4</sup> He must have possessed a prodigious memory, which enabled him to deposit a thousand curiosities in the appropriate mental pigeon-holes, and to take each one out years afterwards exactly at the point at which the argument demanded it. Indeed, one may always say of the *Wealth of Nations* two things—there is hardly any remark which may not occur in it; and no remark, when it does occur, is irrelevant. When university examinations have sufficiently improved, we shall perhaps be allowed to ask the candidates questions which would convert our dismal science into a literary joy. For example—

Q. 1. What, according to Ulloa, was the price of an ox in Buenos Ayres forty or fifty years ago? (I, 149).

Q. 2. What did the servants of Robert Capet do with their master's victuals? (II, 289).

Q. 3. What was the final destination of the marriage bed of King James the First? (I, 329).

Q. 4. Why are lodgings cheaper in London than in any other capital city? (I, 119).

Q. 5. In what sense is "Free-Trader" used in the only passage of the book in which it occurs? (I, 372).

Those of us who are weak at mathematics feel sorry for ourselves when the mathematical argument is illustrated by X's and Y's, and sorry for the writer when he gives us concrete examples which, if they really supported the argument, would turn it to nonsense. And only those who have tried to lecture in one country from the text-books of another can realize the heaviness of the handicap; for that which is vital to economic education—the conversion of the student's experience into agitating thought—is then absent. But the *Wealth of Nations* is relevant and real; and that is one reason why, despite the lapse of years, it is still a source of inspiration to the English-speaking world.

In 1776 Arkwright had only just patented his rollers, and so we hear nothing about Lancashire's cotton industry. But between the diet of the north and that of the south there were then well established differences:

4. Editor's Introduction to *Wealth of Nations*, xvii



In some parts of Lancashire it is pretended, I have been told, that bread of oatmeal is a heartier food for labouring people than wheaten bread, and I have frequently heard the same doctrine held in Scotland. I am, however, somewhat doubtful of the truth of it. The common people in Scotland, who are fed with oatmeal, are in general neither so strong nor so handsome as the same rank of people in England, who are fed with wheaten bread. (I, 161).

Surely a solitary instance of such a confession in the annals of Scottish literature! And who but Adam Smith could add this?

But it seems to be otherwise with potatoes. The porters and and coal heavers in London, and those unfortunate women who live by prostitution, the strongest men and the most beautiful women perhaps in the British dominions, are said to be, the greater part of them, from the lowest rank of people in Ireland, who are generally fed with this root. (I, 162).

On what occasion the writer came by this knowledge we do not know, but we must remind the undergraduate that Adam Smith did not once go up to town, even in the vacation. And similarly a score and more of towns or districts are mentioned, each with its particular incident,—Manchester, Birmingham and Wolverhampton, whose manufactures were outside the Statute of Apprentices, “not having been exercised in England before the 5th of Elizabeth” (I, 122); Newcastle, whose coal trade with the metropolis employed “more shipping than all the carrying trade of England” (I, 351); a certain village of Scotland “where it is not uncommon, I am told, for a workman to carry nails instead of money to the baker’s shop or the ale house” (I, 25); Edinburgh, which,—being situated on the seaboard—found it cheaper to import its timber, so that “in the new town of Edinburgh, built within these few years, there is not, perhaps, a single stick of Scotch timber” (I, 167); Glasgow, whose trade had doubled in about fifteen years after the erection of the first banks (I, 281); the Highlands where “a half-starved Highland woman frequently bears more than twenty children” (I, 81)—and so on. His keen eye to local and professional differences makes the sections on wages and working class conditions (in which many of these allusions occur) one of the strongest parts of his work. Studying the labourer in different conditions and different trades, he saw that while there was a fundamental connection between the price of labour and the price of subsistence, wages were nevertheless in many cases above the level of subsistence. “The liberal reward of labour, as it is the necessary effect, so it is the natural symptom of increasing national wealth. . . . There are many plain symptoms

that the wages of labour are nowhere in this country regulated by the lowest rate which is consistent with common humanity" (I, 75). This practical knowledge saved him from the crudities of an Iron Law of Wages.

Fifthly, he has a perfect style—nervous, racy and finished. In him truly the style is the man. His is the pen of one who has weighed realities and read the balance. He illumines with humour, and when he is minded he can pungently chastise. And over all rides an air of philosophic calm as he contemplates the vanities of men, "their absurd presumption of their own good fortune" (I, 109), their overweening conceit in their own abilities; but that which most of all compels the reader is his power of supplying an arresting phrase which once remarked is never forgotten. With a single metaphor he can laugh a heresy out of court. Criticizing the argument that a nation should accumulate gold and silver because they are durable forms of wealth, he observes, "We do not, however, reckon that trade disadvantageous which consists in the exchange of the hardware of England for the wines of France; and yet hardware is a very durable commodity, and were it not for this continual exportation might too be accumulated for ages together, to the incredible augmentation of the pots and pans of the country". With a simile he can make dry bones live. The drawer, acceptor and endorsers of a bill of exchange are liable; and the owner of it has always some security, for it is unlikely that all will become bankrupt in the short lifetime of the bill: "The house is crazy, says a weary traveller to himself, and will not stand very long; but it is a chance if it falls to-night and I will venture, therefore, to sleep in it to-night" (I, 293).

The shorter phrases that nearly every one knows are legion—the trade of the butcher "a brutal and an odious business" (I, 102); the herring boats fitted out "for the sole purpose of catching, not the fish, but the bounty" (II, 21); the judicious operations of banking "if I may be allowed so violent a metaphor, a sort of waggon way through the air" (I, 304); "the nation of shopkeepers"; "the project of empire". Each lover of this immortal work will add to the list for himself.

#### IV.

That I may not be accused of indulging in the language of indiscriminate praise, let me note two respects in which Adam Smith is open to criticism.

First of all, on the historical side. He is not always impartial.

His denunciations of the East India Company are more frequent than proofs of their wickedness. He says in his First Book, "The difference between the genius of the British constitution which protects and governs North America, and that of the mercantile company which oppresses and domineers in the East Indies, cannot perhaps be better illustrated than by the different state of those countries" (I, 75). Later on, indeed, he makes amends for his commendation by exposing the evil nature of that genius, as it was manifested in the old colonial policy; but his silence upon the honourable service rendered by the directors and officials of "John Company" to the cause of empire is, to say the least, unhandsome. The joint stock company was associated so closely in his mind with a repressive monopoly that he under-rated the part that joint stock enterprise had played in the development of British industry and commerce. He condemned the slackness of joint stock management, but as the learned author of the *History of Joint Stock Companies*<sup>5</sup> is able to prove by chapter and verse, the directors' policy was often marked by enterprise, public spirit and devotion to their company's service. Adam Smith pronounced them fit only for routine; but as again the same critic shows, the ability to handle risks was often their strongest feature, and they succeeded in foreign trade in an age when foreign trade was literally a venture, in banking when banking was full of surprises, and in insurance before its operations were reduced to a science. It is a lame excuse to say that he knew much more than he said, for in that case he must have drawn very unequally on his stock of knowledge. Rather we must plead that if he had been confronted with the fruits of modern research he might have seen and corrected his bias.

Secondly, on the philosophical side. At times he came perilously close to an anti-social exaltation of self-interest:

The natural effort of every individual to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle that it is alone and without any assistance not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often encumbers its operations (II, 43). . . . . By directing that industry in such a manner as its produce may be of the greater 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. (I, 421).

5. W. R. Scott: *History of Joint Stock Companies*

Adam Smith had certainly a powerful principle to enunciate—the automatic regulation of industry by reference to market price. Fiscal regulation cramped enterprise and brought evil consequences which were no part of the national intention, as patently in his day as war-time price control has done in ours; and if we confine these passages to their context, their limitation makes them socially innocuous. In the one he is exposing the ineptitudes of the corn bounty; in the other he is exalting individual enterprise above paternalism and trading companies privileged by law. Similarly when the entry in the index (his own index) “self-love, the governing principle in the intercourse of human society” is referred to the text, all we find is the following: “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves not to their humanity but to their self-love, and never talk to them of our own necessities, but of their advantages. Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow-countrymen” (I, 16). This is hardly more than saying “Business is business, and must not be confounded with charity”.

But “the powerful principle of self-love”, when used to define social responsibilities, had results which were wholly evil. Adam Smith’s phrase about “the invisible hand” was remembered and repeated. In Bishop Whately, writing in the middle of the 19th century, it took the form that “through the wise and beneficent arrangement of Providence men thus do the greatest service to the public when they are thinking of nothing but their own gain”. But these were days of social stress, when the industrial machine had run amuck and was doing havoc among the weaker members of society. In the name of the father of political economy, employers and would-be economists were then denouncing extensions of the Factory Acts, the planning of towns, and the enforcement of a minimum of sanitation and safety.

## V.

The influence of the *Wealth of Nations* on fiscal policy is difficult to handle only because we are tempted herein to anticipate the whole story of free trade from 1776 to the close of the 19th century. But let us observe, first, that the influence of Adam Smith was continental. Through the medium of Mollien he became the financial guide of Napoleon. He had put his finger on the weak spots of French finance before the Revolution, remarking that the

system of taxation yielded "not the half of what might have been expected had the people contributed in the same proportion to their numbers as the people of Great Britain" (II, 390), and his his recommendations—the substitution of a heavier land tax for the old *taille* and capitation, uniform duties throughout the kingdom and the abolition of the wasteful plan of farming out the revenue—were adopted in substance by Napoleon and his successors. In Germany the doctrines of Adam Smith were accepted and preached by Stein and Hardenburg; and the German Zollverein of 1834 secured to those within its boundaries a greater measure of free trade than they had enjoyed before.

In England, William Pitt was Adam Smith's first and greatest disciple, and after the master's death Pitt in his budget speech of 1792 paid tribute to "the writings of an author of our times; now unfortunately no more (I mean the author of a celebrated treatise on the Wealth of Nations), whose extensive knowledge of detail and philosophical research will, I believe, furnish the best solution to every question connected with the history of commerce or with the systems of political economy". Adam Smith died in 1790, on the morrow of the Revolution which ushered in the age of European war. But after 1783 there was peace in North America, and therefore between 1783 and 1789 there were years of peace in Europe and America, during which the precepts of the book might be tried in foreign relations.

In 1779 he was consulted by Dundas on the Irish question. Ireland was then in a sorry plight—her goods boycotted, her industries throttled, her cattle under embargo and her natural market in the colonies closed to her. Adam Smith's reply was as we might expect—"As the wealth and industry of Lancashire does not obstruct but promote that of Yorkshire, so the wealth and industry of Ireland would not obstruct but promote that of England."<sup>6</sup> In this spirit Pitt's Irish proposals of 1785 were framed, but they foundered on the opposition of British manufacturers and the suspicion of Irish nationalism. The statesman was therefore forced to the unhappy Act of Union in 1800—a solution which the economist, arguing superficially from his own country, had commended in advance: "Without a union with Great Britain the inhabitants of Ireland are not likely for many ages to consider themselves as one people" (II, 430). Here we might employ the writer's vein of sarcasm against himself. They became one people in the 19th century because they learnt to hate with unanimity the shackles of a detested partnership.

6. Rae: *op. cit.*, 352.

Similarly in 1783, when the recognition of American independence necessitated a revision of the navigation laws, Pitt's most generous proposals were defeated by the commercial and shipping interests. It is generally supposed that Adam Smith approved of the navigation laws because of the famous saving sentence "As defence, however, is of much more importance than opulence, the Act of Navigation is, perhaps, the wisest of all the commercial regulations of England" (I, 429). But once again the context is disturbing. "Perhaps the wisest" was not very comforting from one who was engaged in pouring scorn and satire on all such manifestations of fiscal wisdom. If Pitt's generosity had been extended until they were whittled down to nothing, Adam Smith would have followed him enthusiastically, convinced of their futility for the important purpose which they were intended to promote.

The French Treaty of 1787 followed. Pitt's interest in the negotiations seems to have been lukewarm (perhaps he was disheartened by his failures with America and Ireland), and the result to France was certainly injurious, but it paved the way for success in the less bellicose age of Cobden. Adam Smith in his first edition had stated the case for a free trade with France, and in the edition of 1784 he added a strengthening paragraph in support of the treaty which was then being advocated from the side of France. Remarking on the obstruction which national animosity was putting in its way, he said, "The traders of both countries have announced, with all the passionate confidence of interested falsehood, the certain ruin of each in consequence of that unfavorable balance of trade which, they pretend, would be the infallible effect of an unrestrained commerce with the other" (I, 460)

When a nation is at serious war, the statesman asks of the economist only that he shall show him how to borrow money and find new taxes. Lord North, faced with the financing of the American war, pounced on the suggestions in the *Wealth of Nations*, and adopted the taxes on men-servants and property sold by auction (1777) and the inhabited house duty and malt tax (1778). But these were trifles, and for a big war Adam Smith had nothing to offer. Pitt had to feel his way to the income tax alone. Adam Smith disliked the inquisitorial nature of such a tax, and remembering that the merchants by the clamour which they had raised—"so violent, though so unjust" (II, 370)—had defeated Walpole's much milder scheme of excise, he had good ground for believing that private self-assessment to an income tax would fail, and that public assessment would not be tolerated. "Merchants engaged

in the hazardous projects of trade all tremble at the thoughts of being obliged at all times to expose the real state of their circumstances" (II, 335). The war drove Pitt to it at long last, eight years after Adam Smith's death. Adam Smith had urged the desirability of paying for the costs of war by taxation during the war, but he did not foresee the only weapon by which this could be done.

The public debt was the legacy of England's victories over Louis XIV of France, and the national conscience was sound enough to admit that public debts, like private debts, ought to be discharged. Incidental surpluses, as Adam Smith pointed out, will not do it, because having occurred once they will be anticipated next time by the needy minister of finance, and a new war may break out. "It would be altogether chimerical, therefore, . . . . . to expect the public debt should ever be completely discharged by any savings which are likely to be made from ordinary revenue as it stands at present" (II, 409). But debt is a cancer which, if not excised, will rot the body politic, for it spreads continuously and at an increasing rate. It must therefore be combated by a plan which itself possesses increasing momentum. This was the psychological basis of Pitt's solemn sinking fund, and this too was what Adam Smith expected from a sinking fund supported by increased taxation extending to the whole empire. "This great sinking fund too might be augmented every year by the interest of the debt which had been discharged the year before, and might in this manner increase so very rapidly as to be sufficient in a few years to discharge the whole debt, and thus to restore completely the at present debilitated and languishing vigour of the empire" (II, 423). If Pitt ever believed that a sinking fund had any efficacy apart from increased taxation, he assuredly found no countenance for the delusion in Adam Smith. Pitt, however, proved to the hilt the national habit which Adam Smith had observed with misgiving, "the ability in the subjects of a commercial state to lend" (II, 395). For from the proceeds of the industrial revolution and an expanding foreign trade he financed the Napoleonic war. To his honour he also proved that in the crisis of war a commercial nation will submit to heavy taxation.

The return of peace permitted the resumption of the liberal policy begun by Pitt. By three mighty wieldings of the fiscal hammer, Huskisson, Peel and Gladstone gave to Great Britain that freedom of trade which to Adam Smith seemed "as absurd to expect as to expect that an Oceana or Utopia should ever be established in it" (I, 435). Between him and Huskisson there

was a peculiar affinity of mind. For as a statesman Huskisson was compelled to proceed by degrees; and at a time when the majority of the commercial community had little familiarity with the arguments for free trade and no faith in its application to themselves, it was a relief to fall back on the trump card of the smuggler, who would have as many citations in an index to Huskisson's Speeches, as in that of the *Wealth of Nations*. Moreover, Huskisson had the same large vision of empire; and when fiscal reform threatened imperial trade or the supremacy of our ocean shipping, that "nursery of British seamen", he stayed the fiscal hammer. Peel was the economic child of Ricardo rather than of Adam Smith; and for Peel's greatest stroke, the repeal of the corn laws, the *Wealth of Nations* was a blunted weapon. At bottom the struggle for repeal was a bourgeois assault on the citadel of the landed aristocracy, and Adam Smith's sympathies were the other way. True, the anti-corn law league answered Ricardo out of Adam Smith, "wages do not fluctuate with the price of provisions" (I, 76). True, they shared in his hatred of monopoly, "the gains of monopolists, whenever they can be come at, being certainly of all subjects the most proper" (II, 377); but their monopoly was landlord's monopoly, and his monopolists were the merchants and manufacturers, for whose supposedly declining profits the Ricardian school had a very tender regard.

On the ground thus cleared by Huskisson and Peel was erected the scheme of Gladstonian finance. With Gladstone the affinity is again clear. Both loved economy, both stumbled at the income tax (Gladstone, in theory at any rate). Adam Smith's conclusion, "It seems not improbable that a revenue, at least equal to the present neat revenue of the Customs, might be drawn from duty upon the importation of only a few goods of the most general use and consumption" (II, 369), stands as a fitting introduction to the principles observed by Gladstone in the selection of articles for indirect taxation. But the age of Gladstone is gone. Between Victorian Liberalism and that which at the outbreak of the war was supposed to be the voice of the Liberal party, a great gulf is fixed, and across it are written among other warnings "progressive taxation" and "capital levy". On one bank stand the disciples of Gladstone and John Stuart Mill—"You disapprove, with Mr. Mill, of taxation upon any principle of graduation"? "Entirely and emphatically... because it is confiscation".<sup>7</sup> On the other bank stand the new Liberals—the Liberals who court Labour, and Labour men who dislike the courtship.

7. Evidence of William Newmarch before Commons Committee on "Income and Property Tax" 1801, Q's 328 and 748.



Can Labour find support in Adam Smith? Assuredly, for it was to Adam Smith that their predecessors—the early English socialists—also turned. “In this state of things (namely, “that early and rude state of society which precedes both the accumulation of stock and the appropriation of land”) the whole produce of Labour belongs to the labourer”. (I, 49). Furthermore, “It is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion” (II, 327). The *Wealth of Nations* is cold to “Taxes on Capital Value,” but the section thereon contains the encouraging remark, “There is no art which one Government sooner learns of another, than that of draining money from the pockets of the people” (II, 346).

The problem of Adam Smith's influence on social policy is elusive. For the scope of the term is indefinite. There are obviously departments of domestic policy which fall outside the range of finance; but on the other hand it was chiefly through the avenue of fiscal reform that social improvement was expected by Adam Smith and his successors. His direct influence on social policy is therefore only incidental. Adam Smith denounced the forcible removal of the poor, and the restrictions of the Elizabethan Statute of Apprenticeship. The Settlement Act of 1795 forbade removal until a man became actually chargeable, and the Elizabethan Statute was repealed, the Wages clause in 1813 and the Apprenticeship clause the year following. It is said that Adam Smith's strictures deterred Pitt from supporting Samuel Whitbread's proposal for the regulation of wages in husbandry in 1795; but when Pitt withdrew his Poor Law proposal of 1796 it was in deference, not to the *Wealth of Nations*, but to the strictures of Jeremy Bentham, which Malthus reinforced two years later in the essay on “The Principle of Population.” The Combination Act of 1800 was passed amid the stress of war and the terror of sedition; and the blame for it must be divided between the abnormal psychology of war and the general distrust of association, which was as evident in revolutionary France as in reactionary England. During the half century after 1815 the attitude of the country was dominated by individualism, but it derived its inspiration less from the natural rights of Adam Smith than from the utilitarian principles of Bentham. Indeed, during the aftermath of war, Adam Smith was reckoned by the elect to be something of a back-number. “It was one of my father's main objects” says the much-enduring John Stuart Mill, “to make me apply to Smith's more superficial view of political economy the superior lights of Ricardo.”<sup>8</sup> But with the turn of the century the mood of pessimism

8. J. S. Mill, *Autobiography*, 28.

disappeared, and in the seventies the national complacency was at its height. Statisticians gloated over the growth of imports and exports, and worshipped once more at the shrine of the man who had held up "the electrical illuminations of free trade as applied to the food of the people and to commerce in general."<sup>9</sup>

History sometimes strangely repeats itself. Once again Britain has passed through an age of war, and Jeremiahs are lifting up their voices, as they lifted them up after 1815. Britain is over-populated. The magnificent episode of the 19th century is finished. The Old Country has had its day. Never was there a sillier lamentation, nor a more radical misconception of the forces which made Britain what it was in the 19th century—the spirit of liberty and the enterprise of a seafaring nation, linked now with willing partners overseas.

Go then, all you who live in Nova Scotia and in that broad Dominion which is New Scotland in all but name, take ship in one of the Leviathans built and engined in Adam Smith's university town, and worship awhile at the little town of Kirkcaldy. Visit the Adam Smith Hall and Adam Smith's Close. Bring back with you copies of two fine portraits, mother and son; and as you look into their faces, you will surely know one cause of one Nation's Wealth at any rate.

9. C. Walford: *Famines of the World* 123, read before the Statistical Society 1878-1879.