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THE PARADOX OF PROGRESS: DECLINE AND DECAY IN *THE WEALTH OF NATIONS*

BY ROBERT L. HEILBRONER*

I. Two centuries of examination under a magnifying glass have left few aspects of *The Wealth of Nations* exempt from meticulous study. Yet I believe that a central issue with respect to Smith's philosophic and historic "vision" has failed to receive the attention it merits. This is the profound pessimism concealed within Smith's economic and social scheme of evolution. To be sure, many writers have noted that Smith's grand trajectory of economic development terminates in a stagnant as well as stationary state, and recently attention has been focused on Smith's recognition of "alienation" as an integral part of commercial society.¹ To the best of my knowledge, however, these two strands of Smith's exposition have not been tied together to yield the disconcerting but inescapable judgment that Smith's economic and social philosophies are ultimately indefensible in terms of one another. For the disturbing import of *The Wealth of Nations*, taken in its entirety, is that it espouses a socio-economic system that can find its justification neither in the promise of continuous economic betterment nor in the prospect of general social betterment. Instead we are faced with the deeply pessimistic prognosis of an evolutionary trend in which both decline and decay attend—material decline awaiting at the terminus of the economic journey, moral decay suffered by society in the course of its journeying.

It is this insufficiently examined dark side of Smith's thought that I wish to explore in this essay. The task will lead to a discussion in three stages. First, I shall present as succinctly as possible the basic schemata of historical progress and economic growth, in order to set the stage for an analysis of the central issues to follow. Next, we must look into the causes of moral decay and economic decline, as

*I would like to thank Adolph Lowe, Andrew Skinner, and Frank Roosevelt for helpful comments on an earlier draft of this paper.

¹A complete citation would be impossible. Let me merely note Paul H. Douglas, "Smith's Theory of Value and Distribution," *Adam Smith 1776-1926* (New York, 1966); Jos. Spengler, "Adam Smith's Theory of Economic Growth," *Southern Economic Journal* (1959), for discussions of Smith's "Malthusianism"; E. G. West, "The Political Economy of Alienation," *Oxford Economic Papers* (March 1969), and N. Rosenberg, "Adam Smith on the Division of Labor: Two Views or One?" *Economica* (May 1965), for treatments of Smith's concern with alienation.

these are made explicit in *The Wealth of Nations* and in Smith's other works. Finally we must inquire into the roots of the problem which, I trust, will by then have clearly emerged. What we seek in the end is an explanation for this "paradox" both within the framework of Smith's own assumptions and within the larger setting of the Enlightenment itself.

II. At the risk of telling my readers what they already know, I shall begin by reviewing, in capsule form, the great evolutionary plan of *The Wealth of Nations* itself. As Andrew Skinner has recently emphasized,² Smith was a founder of what we may call "philosophical history"—a type of historical inquiry that sought to divine within the sequence of historical facts an underlying pattern explicable by reference to "human nature," that *primum mobile* of the eighteenth century. We know from the *Lectures on Justice, Police, Revenue and Arms* that Smith had already in his late twenties envisaged society as passing through four stages: "hunting, pasturage, farming, and commerce."³ In the *Lectures*, however, this stages-of-history sequence is introduced merely to lead to a discussion of property, whereas in the *Wealth*, the scheme is reiterated with much greater historical detail and is utilized to suggest a proto-Marxian coincidence of civil institutions with the changing underpinnings of the material mode of production.⁴

Hence in the *Wealth* we meet a sequence of four different organizational modes through which society will tend naturally to pass, provided that it does not meet insuperable obstacles of nature or human misunderstanding. The sequence begins with "the lowest and rudest state of society, such as we find it among the native tribes of North America"; passes into "a more advanced state of society, such as we find it among the Tartars and Arabs"; proceeds to a "yet more advanced state of society [comprised of] nations of husbandmen who have little foreign commerce [or manufactures]⁵; and terminates in a fourth stage, of which *The Wealth of Nations* virtually in its entirety must be the reference, characterized by a commercialization of agri-

² Skinner's "Introduction," *Wealth of Nations* (Pelican ed., 1970), 29–32.

³ *Lectures on Justice, Police, Revenue and Arms* (New York, 1964), 107. (Part I, Div. III., Sec. 1.)

⁴ *The Wealth of Nations*, Cannan ed. (New York, 1937) esp. 653–60; 669–74. This "materialist" conception of history is perhaps most explicitly stated by William Robertson: "In every inquiry concerning the operations of men when united together in society, the first object of attention should be their mode of subsistence. Accordingly as that differs, their laws and policy must be different." Quoted in Skinner, *op. cit.*, 31.

⁵ *Wealth*, *op. cit.*, 653, 655.

culture, an encouragement to manufactures, and above all, by the pervasive presence and influence of the division of labor with its associated benefits of increased productivity.

We shall return to this scheme of historical evolution in our next section, but before we pass to the subject of economic growth proper, it is necessary to underscore the prescriptive as well as the descriptive role played by the historical schema. There is a “natural progress of things toward improvement,” and although Smith makes it plain that deficiencies of nature or the follies of men can inhibit or even prevent progress, he leaves no doubt that in favorable circumstances society both *will* and *should* pass through these stages in sequence. It *will* pass through them because the underlying human impetus toward “improvement” and social rank gives rise to a “uniform, constant, and uninterrupted effort of every man to better his condition.”⁶ This drive for self-betterment, Smith makes plain, 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 incumbers its operations.”⁷ And it *should* pass through them, first, because “[n]o society can surely be flourishing and happy of which the far greater part of the members are poor and miserable”⁸; and second, because it is only through the agency of the system of perfect liberty, brought to its fullest effectiveness in commercial society, that this improvement can take place.⁹

It deserves to be remarked, perhaps, that it is in the progressive state, while society is advancing to the further acquisition, rather than when it has acquired its full complement of riches, that the condition of the labouring poor, of the great body of the people, seems to be the happiest and the most comfortable. It is hard in the stationary, and miserable in the declining state. The progressive state is in reality the cheerful and the hearty state to all the different members of the society. The stationary is dull; the declining melancholy.

Thus the normative implications are plain enough. Commercial society redounds to the happiness and comfort of the “great body of the people.” It remains only to indicate precisely how this comes about.

This question leads us to consider the interaction of drives, institutional forms, and feedback mechanisms—in short, the “growth model”—that correspond with the social stage of commercial society.

⁶*Lectures, op. cit.*, Pt. II, Sec. 1 for the desire for “improvement”; *The Theory of Moral Sentiments* (New Rochelle, 1966), Pt. IV, Ch. 1 for ambition; *Wealth*, 20–21 for blockages of nature, and 326 and especially 508 for “self-betterment.”

⁷*Wealth*, 508.

⁸*Ibid.*, 79.

⁹*Ibid.*, 81.

Here I shall follow the model originally proposed by Lowe.¹⁰ The model describes a continuous growth process into which we break, for purposes of explication, at the moment at which the manufacturer (seeking to better his condition) responds to a growing effectual demand by enlarging his scale of production. To do so, the manufacturer requires two things: (1) he must have accumulated the capital to employ an additional quantity of labor and to purchase the additional machinery needed to employ it, and (2) he must also have available an increased supply of labor itself. In Smith's words:

As the accumulation of stock must, in the nature of things, be previous to the division of labour, so labour can be more and more subdivided in proportion only as stock is previously more and more accumulated. The quantity of materials which the same number of people can work up, increases in great proportion as labour comes to be more and more subdivided. . . . But the number of workmen in every branch of business generally increases with the division of labour in that branch, or rather *it is the increase in their number which enables them to class and subdivide themselves in this manner.*¹¹

Thus, growth of output, stemming from the all-important division of labor, comes about as the natural consequence of the drive to increase profits by catering on an enlarged scale to a growing market. It remains only to be noted that the technological processes of manufacture are explicitly labor-attracting, rather than labor-displacing, an essential element in the smooth unrolling of the growth sequence.

There is, however, a problem with regard to the process. It lies in the fact that an increase in the demand for labor should lead, *cet. par.*, to a rise in the wages of labor; and this rise would then threaten the profits from which subsequent accumulations could be financed: "High wages of labour and high profits of stock . . . are things, perhaps, which scarce ever go together, except in the peculiar circumstances of new colonies," writes Smith.¹² Thus the growth process is in danger of being retarded and eventually halted through the inability of the manufacturer to accumulate that stock which, as we have seen, must "in the nature of things, be previous to the division of labour."

But now enters the crucial feedback mechanism. The rise in wages induces an increase in the supply of labor, for "the demand for men, like that for any other commodity, necessarily regulates the production of men."¹³ Smith does not explicitly spell out this part of the process (indeed, the growth model itself lies disassembled throughout the chapters of the *Wealth*, so that the logic of the mechanism is no

¹⁰A. Lowe, "The Classical Theory of Economic Growth," *Social Research*, 21 (1954); also Spengler, *op. cit.*

¹¹*Wealth*, 260; italics added.

¹²*Ibid.*, 92.

¹³*Ibid.*, 80.

doubt clearer to us than it was to Smith himself), but there is no mistaking the means by which smooth and steady growth is assured. The critical linkage is a decrease in child mortality brought about by rising wages—a very important part of the growth model to which we shall subsequently return. But at this juncture it is enough to note that the rise in the supply of labor now acts as a counter-force against the rise in demand, both demand and supply curves shifting to the right. As a result, wage rates are prevented from rising to such an extent as to choke off further accumulations.¹⁴ The accumulation process, therefore, proceeds, building up the wage-and-capital fund necessary for the next improvement in the division of labor.

It is understandable that Schumpeter should have termed such a beautifully coordinated growth process “hitchless,”¹⁵ for evidently nothing stands in the way of a continuous increase in the productivity of labor. Yet, as we have noted, evidently the process cannot be “hitchless,” since it ends in decline. For at the end of the long rising gradient, we are suddenly confronted with the spectacle of a nation which has attained “that full complement of riches which the nature of its soil and climate, and its situation with respect to other countries, allow[s] it to acquire,” and we discover to our consternation that in such a nation “the wages of labour and the profits of stock would probably be very low.”¹⁶ Thus, “hitchless” growth has somehow terminated in general poverty, a fact that suggests that there are, after all, some very important hitches concealed in the dynamics of *The Wealth of Nations*.

We shall examine the nature of these difficulties in the next section of this essay. But first it is necessary to document a critical fact that we shall need when we consider the problems of decline. This is the incontrovertible evidence that Smith saw the growth process as resulting for a long period in rising real wages. Dealing with the long run trend, Smith makes this conclusion unmistakably clear:

The real recompense of labour, the real quantity of the necessaries and conveniences of life which it [the natural price or wage of labour] can procure to the labourer has, during the course of the present century, increased in a still perhaps greater proportion than its money price. Not only has grain become somewhat cheaper, but many other things, from which the industrious poor derive an agreeable and wholesome variety of food, have become a great deal cheaper. Potatoes, for example . . . cost half the price which they used to do thirty or forty years ago. . . . All sort of garden stuff

¹⁴W. O. Thweatt, “A Diagrammatic Presentation of Adam Smith’s Growth Model,” *Social Research*, 24 (1957).

¹⁵J. Schumpeter, *History of Economic Analysis* (New York, 1954), 572, 640.

¹⁶*Wealth*, 94.

too has become cheaper. . . . The great improvements in the coarser manufactures of both linen and woollen cloth furnish the labourers with cheaper and better cloathing; and those in the manufactures of the coarser metals, with cheaper and better instruments of trade, as well as with many agreeable and convenient pieces of household furniture. . . . The common complaint that luxury extends itself even to the lowest ranks of the people, and that the labouring poor will not now be contented with the same food, cloathing, and lodging which satisfied them in the past, may convince us that it is not the money price of labour only, but its real recompense, which has augmented.¹⁷

We shall shortly return to certain conclusions of this key paragraph when we investigate the problems of long-term decline. But the paragraph itself serves to conclude our initial brief exposition. It is clear that Smith is prescribing as well as describing an historical sequence whose present and immediate future is characterized by a significant improvement in the material well-being of the “labouring poor.” Thus real long-term growth, hitchless or not, is unquestionably the great theme of *The Wealth of Nations*, providing the justification for the system of perfect liberty toward which the evolution of society has been proceeding.

III. We turn now to the “darker side” of *The Wealth of Nations* for which we must again call to the reader’s attention passages with which he is no doubt familiar. Yet I do not hesitate to quote the well-known words, for we must now examine them in the context of the problem to which we have addressed ourselves—namely, how Smith’s normative sequence of historical evolution leads, paradoxically, to both moral and material decline. In this section we must therefore es-

¹⁷ *Ibid.*, 78. Although unequivocal on the rise in real wages, Smith is somewhat ambiguous as to the course of money wages. Reflecting on the century in which he lived, Smith notes that wages in the rural parts of Scotland were largely unchanged, but that they had risen from six pence a day to ten pence, sometimes a shilling in those areas “where there has been a considerable demand for labour” (76). He goes on to comment that the wages of labor “have risen too considerably in England” (77). There follows, however, a statement that the pay of foot soldiers, which “would naturally be regulated by the usual wages of common labourers” (77) is unchanged since 1614; that both “the pecuniary income and expence” of laborers and out-servants have increased considerably; and that accurate generalizations with respect to wages are difficult to make (*ibid.*). On balance, Smith seems to conclude that money wages show an upward tendency, but probably lag behind real wages. It is interesting to note that an index of money wages of laborers in London and Lancashire rises between 1700 and 1774 by 21% in London and by 100% in Lancashire, whereas real wages (money wages deflated by cost-of-living), show sharp annual fluctuations that lag *behind* money wages at least as often as they outpace them. Cf. B. R. Mitchell, *Abstract of British Historical Statistics* (Cambridge, 1962), 346–47.

establish that this grim finale is indeed explicitly present in *The Wealth*, postponing for our last section an inquiry into the causes and significance of this perverse state of affairs.

Let us begin by continuing our examination of the growth process whose smooth, self-sustaining upward path we have been examining. As we have already noted, this path must somewhere turn into a trajectory that descends to a final stage in which both wages and profits of stock must be very low. The reason is that:

In a country fully peopled in proportion to what either its territory could maintain or its stock employ, the competition for employment would necessarily be so great as to reduce the wages of labour to what was barely sufficient to keep up the number of labourers, and, the country being already fully peopled, that number could never be augmented. In a country fully stocked in proportion to all the business it had to transact, as great a quantity of stock would be employed in every branch of trade as the nature and extent of the trade would admit. The competition, therefore, would every-where be great, and consequently, the ordinary profit as low as possible.¹⁸

Finally, in such a country,¹⁹

the usual market rate of interest . . . would be so low as to render it impossible for any but the very wealthiest people to live upon the interest of their money. All people of small or middling fortunes would be obliged to superintend themselves the employment of their stocks. It would be necessary that almost every man should be a man of business, or engage in some sort of trade.

Thus what we see at the terminus is a society in which the long term accumulation of capital has brought very odd results. The condition of the working class has been reduced to a Malthusian precariousness. The employer of moderate means ekes out a modest livelihood; a few men of great wealth live from their interest. The position of the landlords, prefiguring the conclusion of Ricardo, is presumably of all classes the most improved, owing to the pressure of population against the soil and the consequent high price of foods.²⁰

To what can we attribute this Malthusian-Ricardian prospect? Nowhere does Smith actually explain the mechanism that leads him to the conclusions so unequivocally spelled out, but within the clear-cut statement of his premises, there is only one behavioral force that Smith must have reckoned on to produce this result. This is a rate of population growth that continues to be positive throughout the various

¹⁸*Wealth*, 94–95.

¹⁹*Ibid.*, 96.

²⁰Cf. *Wealth*, 160; speaking of the possibility of substituting potatoes for grain, Smith concludes, “Population would increase, and rents rise much above what they are at present.”

stages of real per capita well-being implied in the long trajectory of economic growth and decline. In this regard, it is interesting (and as we shall subsequently see, important) to note that Smith divides the reproductive capabilities of the nation into two sharply differentiated demographic groups, corresponding to two sharply differentiated social classes: the poor whose breeding tendencies are high and the rich whose fecundity is markedly less:

Poverty, though it no doubt discourages, does not always prevent marriage. It seems even to be favorable to generation. A half-starved Highland woman frequently bears more than twenty children, while a pampered fine lady is often incapable of bearing any, and is generally exhausted by two or three. Barrenness, so frequent among women of fashion, is very rare among those of inferior station. Luxury in the fair sex, while it inflames the passion for enjoyment, seems always to weaken, and frequently to destroy altogether, the power of generation.²¹

A thought that no doubt strikes the modern reader is whether this sharp differential in fertility might not narrow, as the real income of the working classes rose. This could then lead to a stationary state *à la* Mill, where birth and death rates reached equality short of the point of physiological minima. (That is, we might speculate that among those articles of “luxury” to be acquired by a rising working class would be the means or arts of birth control practiced by the upper classes.) But no hint of such a thing appears in Smith. Hence we must assume that the increase of population proceeds relentlessly until it reaches a point at which the increase in productivity stemming from the continuing division of labor is finally overwhelmed by the decreasing productivity of the land and resources available to the nation. At this point, real wages decline, working-class mortality rate rises, and eventually we reach a condition of “dull” stationariness described above.

In our concluding section we must examine at greater length the extraordinary psychological and sociological implications of this inevitable decline, but first we must look further into a subsidiary problem raised by the central role of population growth in the Smithian model. For the “hitchless” growth of the buoyant period about which Smith writes may be interrupted by a disturbing influence even before resources are exhausted. This potential hitch lies in the positive income-elasticity of labor supply.

Two passages in *The Wealth* depict the relationship between (working class) income and mortality:

Poverty, though it does not prevent the generation, is extremely unfavorable to the rearing of children. The tender plant is produced, but in so cold a soil

²¹ *Ibid.*, 79.

and severe a climate, soon withers and dies. . . . In some places half the children born die before they are seven; and in almost all places before they are nine or ten. This great mortality, however, will every where be chiefly found among the parents of the common people, who cannot afford to tend them with the same care as those of better station.²²

This high mortality of the poor can, however, be remedied. As Smith continues:²³

The liberal reward of labor, by enabling them to provide better for their children, *and consequently to bring up a greater number*, naturally tends to widen and extend those limits [on the multiplication of the human species]. It deserves to be remarked, too, that it necessarily does this as nearly as possible in the proportion which the demand for labour requires.

These crucial passages enable us to introduce another “hitch” into the growth spiral, quite independent of that of diminishing returns. For it means that the supply of labor must grow more rapidly, per unit of time, during the period in which child mortality is falling.²⁴

Now the critical question must be asked as to the effect on growth of this changing rate of increase in labor supply. No firm answer can be given from the relationships described in *The Wealth*. In the model of “hitchless” growth, we can deduce (from the fact that wage rates are stable or slowly rising) that the demand curve for labor must be shifting to the right, in response to the increasing extent of the market, in what Smith would call “a proper proportion.” That is, the interrelationships between the supply of and the demand for labor are such as to permit the steady accumulation of capital and the continuance of the upward spiral. But the introduction of a *changing* response of labor supply introduces a new complication. For steady growth now requires that the demand for labor increase *pari passu* with the supply, if wage rates are to be maintained. If the demand for labor does not match the increase in supply, we must expect falling money wages, and a likely dampening of the growth of effective demand.²⁵

²²*Ibid.*, 79.

²³*Ibid.*, 80; italics added.

²⁴We can depict this schematically as follows: In Period I, we have a fixed birth rate and a high and unchanging mortality rate, and as a consequence a *steady rate of rise* in the labor force per unit of time. In Period II, the rise in real wages begins to lower the death rate with a resulting increase in the *rate* of population increase and labor supply. In Period III the death rate stabilizes at a new parametric level, and the rate of increase in labor supply also stabilizes, although at a higher absolute level than in Period I. Spengler (*op. cit.*, Part II, p. 7) has also noticed this effect, although he has not related it to possible hitches in the growth process, as we suggest above.

²⁵To further complicate matters, we should note that a failure of the demand for labor to rise along with the supply could result in a decrease (or at least slackened in-

The outcome of this situation is indeterminate, insofar as the empirical linkages of the growth model can be discerned within *The Wealth of Nations*. Hence I do not introduce this quirk in the model to impute answers to problems of which Smith himself was surely unaware, but merely to indicate another possibility for a hitch to develop in the presumably smooth growth process. The essential point is that changes in the labor supply function owing to declining child mortality *may* arrest the growth spiral before the impassable barrier of increasing food and other resource costs is encountered.

So much for the mechanics of the unhappy long-term outcome of the economic process proper. Now let us turn to the sociological side of the argument with evidence that the system of perfect liberty leads to a human condition that is inferior, rather than superior, to that of the preceding stages of the historical process. The passages in which Smith makes this invidious comparison are justly famous:

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 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 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 general, noble, or tender sentiment, and consequently of forming any just judgment concerning many even of the ordinary duties of private life. . . .²⁶

Smith goes on to deplore as well the worker's loss of the attributes of courage and even physical vigor, concluding²⁷ that "his dexterity at his own particular trade seems, in this manner, to be acquired at the expense of his intellectual, social and martial virtues." But what is more telling is his frank contrast of commercial society with the condition of life in previous stages of the historical sequence:

crease) in real wages. This would result in a fall in the rate of growth of labor supply, which in turn would give rise to further lagged adjustments that would also militate against hitchless growth.

²⁶*Wealth*, 734–35. Cf. Ferguson, *An Essay on the History of Civil Society* (1767), Part IV, Sec. 1: "Manufactures . . . prosper most, where the mind is least consulted, and where the workshop may, without any great effort of the imagination, be considered as an engine, the parts of which are men."

²⁷*Wealth*, 735.

It is otherwise in the barbarous societies, as they are commonly called, of hunters, of shepherds, and even of husbandmen in that rude state of husbandry that precedes the improvement of manufactures, and the extension of foreign commerce. In such societies, the varied occupations of every man oblige every man to exert his capacity, and to invent expedients for removing difficulties that are continually recurring. Invention is kept alive and the mind is not suffered to fall into that drowsy stupidity, which, in a civilized society seems to benumb the understanding of almost all the inferior ranks of people. In those barbarous societies, as they are called, every man, it has already been observed, is a warrior. Every man too is in some measure a statesman and can form a tolerable judgment concerning the interest of the society, and the conduct of those who govern it.²⁸

To be sure, as Smith explains, there is a price to be paid for this generally shared competence. It is that “no man can acquire that improved and refined understanding, which a few men sometimes possess in a more civilized state.”²⁹ On the other hand, Smith frankly concedes that the few who possess this refinement of understanding contribute little to the general good of society unless they “happen to be placed in some very particular situations.”³⁰ Hence the final judgment passed on the quality of life in commercial society is devastating: “Notwithstanding the great abilities of those few, all the nobler parts of the human character may be, in great measure, obliterated and extinguished in the great body of the people.”³¹

These sentiments are by no means only a reflection of Smith’s later views, for we find them spelled out in very nearly identical terms in the *Lectures* in which the scheme of philosophical history is first mentioned. There he reports on three “inconveniences . . . arising from a commercial spirit”:

The first we shall mention is that it confines the views of men. Where the division of labour is brought to perfection, every man has only a simple operation to perform; to this his whole attention is confined, and few ideas pass in his mind but what have an immediate connection with it. . . . It is remarkable that in every commercial nation the low people are exceedingly stupid.³²

Another inconvenience attending commerce [he continues] is that education is greatly neglected. In rich and commercial nations the division of labour, having reduced all trades to very simple operations, affords an opportunity of employing children very young. In this country [Scotland], indeed, where the division of labour is not very far advanced, even the meanest porter can

²⁸ *Ibid.*

³⁰ *Ibid.*, 736.

³² *Lectures (op. cit.)*, Part II, Sec. 17.

²⁹ *Ibid.*

³¹ *Ibid.*, 736.

read and write, because the price of education is cheap, and a parent can employ his child no other way at six or seven years of age. This, however, is not the case in the commercial parts of England. A boy of six or seven years of age in Birmingham can gain his threepence or sixpence a day, and parents find it in their interest to set them to work; thus their education is neglected.³³

The want of education, Smith goes on to say, is “certainly one of their greatest misfortunes,” but in addition “another great loss . . . attends the putting boys too soon to work.” It is that “when he grows up he has no ideas with which to amuse himself. When he is away from work he must therefore betake himself to drunkenness and riot. . . . So it may be very justly said that the people who clothe the whole world are in rags themselves.”³⁴

Finally, Smith laments in the *Lectures* that “[a]nother bad effect of commerce is that it sinks the courage of mankind and tends to extinguish the martial spirit.”³⁵ He concludes:³⁶

These are the disadvantages of a commercial spirit. The minds of men are contracted, and rendered incapable of elevation. Education is despised, or at least neglected, and heroic spirit is almost utterly extinguished.

I have quoted extensively to focus our attention on passages that establish without doubt the fact that Smith relegated the moral quality of a system of perfect liberty to a position inferior to that of a “ruder” but more wholesome epoch. This strain of Smith’s thought has been analyzed both with regard to its relation to the Marxian concept of alienation³⁷ and in terms of the problems it presents with regard to Smith’s general advocacy of capitalism.³⁸ Yet, to my knowledge, no one has sufficiently stressed the fact that the deterioration of the human condition cannot be rationalized in terms of the very purpose for which the system of perfect liberty is espoused—namely, the material betterment of mankind that is supposed to flow from its workings.

IV. Heretofore we have been concerned with presenting the textual foundation on which is based the dilemma to which we have addressed ourselves—a dilemma of economic progress accompanied by moral decay, and of moral decay coupled, in the end, with economic stagnation. Now we must turn to the larger questions that this “contradiction” poses—not seeking to resolve them, for there is no resolu-

³³*Ibid.*, 255-56.

³⁴*Ibid.*, 256-57.

³⁵*Ibid.*, 257.

³⁶*Ibid.*, 259.

³⁷West, *op. cit.* ³⁸Cf. Jos. Cropsey, *Polity and Economy* (The Hague, 1957). We shall return to Cropsey’s argument in Part IV of this article.

tion possible within the terms of Smith's premises, but attempting better to understand their causes and implications.

No doubt the initial clarification we must seek is an answer to why the problem occurs in the first place—that is, why the marvelously integrated scheme of philosophy, history, psychology, and economics ends, upon examination, in such a dismaying failure, in its own terms. There are, I believe, two answers to this question. The first is simple. It is Smith's inability to imagine a conscious intervention into one all-important element of the process of historic change: population growth. When we reflect on the difference between Smith's terminus and that of J. S. Mill, it is this single element that makes all the difference, reinforced of course by the redistributive philosophy that Mill boldly introduced. But quite without redistributive measures, a stationary state, brought into being before sharply decreasing returns to land had enforced a return to bare subsistence for the laboring class, would have afforded a prospect entirely different from that which Smith presents.

The second answer is perhaps of greater interest in terms of "philosophical history." It is the inadequacy of Smith's motive of "self-betterment" as the basic explanatory principle of historical evolution. The simple drive for improvement or for rank does not decree, for example, that nomadism (pasturage) should be an indispensable stage, for there is no reason why a society of huntsmen could not leap directly into farming. Much more to the point, *it offers no hint of what organization of society might lie beyond the stage of commercial society.*³⁹

What lacks, in other words, is an element—a logic—in the historical scheme capable of transcending or transforming the fate to which Smith's system eventually falls victim. Two such logics suggest themselves. One would be a greater reliance on an evolutionary idea of technological development, capable of overcoming, or of indefinitely postponing the Malthusian finale.⁴⁰ The second might be an historical formulation in terms of a dialectic of class struggle along the lines

³⁹It is interesting to note that the Marxian schema, like the Smithian, is weakest in describing the "inexorable" sequence of pre-commercial and post-capitalist institutions; and that the Smithian scheme, like the Marxian, is best as describing how the commercial system evolved from the feudal: "[W]hat all the violence of the feudal institutions could never have effected, the silent and insensible operation of foreign commerce and manufactures gradually brought about" (*Wealth*, 388).

⁴⁰Nathan Rosenberg has pointed out (*op. cit.*, 129f.) that in *The Wealth* there is indeed an explicit sequence in the *capacity* to invent that parallels the stages of socioeconomic organization. But this changing capacity follows from, rather than initiates, the evolutionary movement itself.

that Marx was to introduce with *The Communist Manifesto*. The weaknesses of such a dialectical design are well known, and as we shall note, the very conception of a class struggle was absent from the historical paradigm within which Smith and his fellow *philosophes* labored. But from our later vantage point in history, when we now seek to account for the inconsistency of Smith's partisanship for a system that led to both moral and economic decline, the absence of such a saving technological or dialectical driving force in place of the frail instrument of "self-betterment" must certainly be placed in the forefront of our considerations.

This leads to a second major question: Would Smith himself have been disconcerted, had we pointed out to him the "contradiction" of a model of progress that led to both social and economic failure? Two defenses would surely have occurred to him. In the first place, the conception of history as a cyclical process, or as a vast drama ending in tragedy, would by no means have struck him, as an eighteenth-century thinker, with the same unpleasant force as it does ourselves, who still tend to conceive of history in the linear terms of the late nineteenth century. The theme of "rise and fall," of civilizations whose life histories resembled that of individuals, was very much a part of the intellectual currency of his times.⁴¹

Second, Smith would have protested that the dismal economic end he foresaw lay in the far distant future when a nation's full complement of capital had been amassed. Indeed, he was careful to state that "[p]erhaps no country has ever yet arrived at that degree of opulence."⁴² In this defense he would have been perfectly justified, in that the Malthusian contribution to economic thought was not the discovery of the "principle of population," but rather its placement in the immediate rather than the distant future.⁴³

Nonetheless, the defense has a certain element of evasiveness. For evidence of an inner uncertainty on Smith's part speaks to us from within *The Wealth*, despite the assurance that dominates the work as a whole. It lies in the constant ambivalence, not to say positive aversion, that Smith displays toward the attribute of human nature on which the entire historic and economic sequence depends—the acquisitive impulse through which "self-betterment" expresses itself, at

⁴¹Cf. e.g., Adam Ferguson, *An Essay on the History of Civil Society*, Part V, "On the Decline of Nations." (It should be noted, however, that Ferguson saw the possibility of decline stemming from corruption and loss of virtue, not as an inevitable consequence of economic processes.)

⁴²*Wealth*, 95.

⁴³Jacob Hollander, "The Founder of a School," in *Adam Smith, 1776–1926* (New York, 1966), 43.

least in the commercial stage of society. Smith's disdain for the manners, the conspiratorial proclivities, the selfishness and vanity of merchants is too well known to require documentation here.⁴⁴ Equally familiar is his contempt for the activity of wealth-seeking as an end in itself: "Power and riches," he writes in *The Theory of Moral Sentiments*, "... are enormous and operose machines contrived to produce a few trifling conveniences to the body; ... immense fabrics which it requires the labour of a life to raise, which threaten every moment to overwhelm the person who dwells in them. . . ."⁴⁵ It is just because of this express disdain both for riches and for the quest for them that so much comment has been visited upon the Invisible Hand as the mechanism by which less-than-admirable actors, impelled by less-than-admirable motives, are brought in the end to serve as the agents of social improvement.

Indeed, it is just because of the curious implications of this argument that another interpretation has been suggested as the ultimate "defense" of Smith's intention. It is that the motives and institutions of the *Wealth* form a system whose ultimate justification is to be sought not in terms of its economic or social, but its political and spiritual results. This is the conclusion of Joseph Cropsey, who writes:

... Smith's position may be interpreted to mean that commerce generates freedom and civilization, and at the same time free institutions are indispensable to the preservation of commerce. If the advantages of commerce can be sufficiently impressed upon the general mind, freedom and civilization will automatically follow in its train, and mankind will perhaps even be disposed to defend civilization, not necessarily out of love for freedom but out of love for commerce and gain.⁴⁶

"I wish to suggest," Cropsey concludes, "that Smith may be understood as a writer who advocated capitalism for the sake of freedom, civil and ecclesiastical."⁴⁷ Thus Cropsey suggests that the Invisible Hand ultimately serves not merely to guide men on their proper economic stations, but conducts them to the battlements from which freedom is defended—in the name of property.

The suggestion is surely an ingenious one, but I fear it reads more of an "intention" into Smith than the evidence permits. Freedom is an elusive concept at best, but if we use the word here, as I believe that Cropsey intends it to be used, as a synonym for political (and religious) liberty, it is difficult to square Cropsey's defense of Smith's system with the incapacity for self-government that Smith so clearly imputes to the lower orders. This incapacity, Smith makes clear, is

⁴⁴See, *inter alia*, *Wealth*, 98, 128, 249–50, 460.

⁴⁵Cf. *Theory*, Part IV, ch. 1; *op. cit.*, 262.

⁴⁶Cropsey, *op. cit.*, 95.

⁴⁷*Ibid.*

the inherent defect not of the laboring man, but of the social condition into which he is forced by the system of “perfect liberty” itself.

Although the interest of the labourer is strictly connected with that of society [Smith writes], he is incapable either of comprehending that interest, or of understanding its connexion with his own. His condition leaves him no time to receive the necessary information, and his education and habits are commonly such as to render him unfit to judge even though he was fully informed.⁴⁸

These are surely weak soldiers to whom to entrust the defense of liberty. Yet, unless liberty is to be protected by the laboring man himself, it will be nothing more than a cloak for exploitation. To be sure, there is the possibility that the spirit and understanding of the laborer might be fortified if he was systematically educated to an appreciation of higher things. But as Cropsey himself pointedly emphasizes, Smith can bring himself to say no more as to the herculean efforts that such an educational program would require than that it would “deserve the most serious attention of government.”⁴⁹ This “serious attention,” however, upon closer examination consists exclusively in recommendations for the establishment of trade schools in which the acquisition of an elementary education in “geometry and mechanics” is to be encouraged by “giving little premiums, and little badges of distinction, to the children of the common people who excel in them.”⁵⁰

Thus the defense of Smith’s system in terms of political freedom seems to me to fall to the ground of its own weight. And my objection is not merely a matter of textual exegesis. It follows, rather, from what I believe is both implicit and explicit in *The Wealth*—that the advocacy of a genuine *political* education into the meaning of freedom or liberty would have been not only uncongenial to, but even incompatible with, Smith’s conception of the social order itself. But this leads us to a final consideration of the significance of the paradox of decline and decay in Smith’s thought.

I think it may be useful to begin this last stage of our inquiry by asking a question that has doubtless occurred to the reader. It is whether the paradox itself is ultimately of major importance, or whether the coincidence of moral decay and economic decline is not merely one more example of the endless anomalies and perplexities with which *Wealth* abounds.⁵¹ The question is of all the greater im-

⁴⁸*Wealth*, 249.

⁴⁹Cropsey, 90; *Wealth*, 739.

⁵⁰*Wealth*, 737–38.

⁵¹A. H. Cole, “Puzzles of the Wealth of Nations,” *Canadian Journal of Economics and Political Science* (Feb. 1958); and Jacob Viner, “Adam Smith and Laissez Faire,” reprinted in *Adam Smith 1776–1926* (*op. cit.*).

portance in view of the evident fact that on the surface *The Wealth of Nations* radiates a sense of confidence and promise that far outweighs those lurking difficulties on which this paper has been built. Even the omnipresent qualifiers so much employed by Smith—the “perhapses,” “frequentlys,” “oftens,” and “usuallys,” rather than weakening, tend somehow to strengthen the underlying solidity and forcefulness of the argument. Thus it seems merely pedantic or simply wrong to elevate the “dark” side of Smith over the bright, particularly insofar as the final paradox of his argument was never recognized by Smith himself.

Nevertheless the paradox is there; and buried though it be, is in my view a problem of central importance. Indeed, I believe it is the buried paradox which, more than any other aspect of the *Wealth*, enables us to place Smith’s masterpiece in its proper historical context, not merely as a pioneering effort in the social sciences, but as a paradigmatic exposition of the economic and sociological thought of its time.

Let me defend this position first by pointing out how remarkable it is that Smith, whose eye for sociological reality is so sharp, does not comment on the consequences of reducing the condition of the laboring man from the modest affluence to which the *Wealth* initially raises him, to the miserable subsistence to which he is finally condemned. Having taken note of the fact that life in the progressive state is “cheerful” and “happy” and that in a stationary one it is “dull” and “hard,”⁵² Smith passes over without comment the enormous social strains that might be expected to ensue from a descent from one state to the other. This is all the more curious in that he has himself remarked that “*the labouring poor will not now be satisfied with the same food, cloathing [sic], and lodging that satisfied them in former times.*”⁵³ Yet, as to the wrenching dislocation implicit in the full decline to the final Malthusian terminus, he is silent.⁵⁴

⁵²See note 9, *supra*.

⁵³See note 17, *supra*; italics added.

⁵⁴I might add that there has been a general failure of economists to explore the implications of “subsistence” as a rising and irreversible parameter. Although the idea has been introduced into macroeconomics in Dusenberry’s “ratchet effect,” the only effort of which I am aware to incorporate it into a larger model is to be found in Paolo Leon, *Structural Change and Growth in Capitalism* (Baltimore, 1967). Leon writes, “I postulate the existence, at each moment of time of a consumption level higher than the biological minimum, which is the minimum in a psychological sense” (23). This insight is confirmed by M. Hershkovitz, who writes, “There is nothing more difficult to accept than a lowered standard of living.” (Quoted in Niels Roling, “Adaptations in Development,” *Economic Development and Cultural Change* (Oct. 1970), 73.

The omission particularly strikes us in view of Smith's open sympathies with the lot of the "great body of the people." With all the more force, then, does this failure of Smith's social imagination bring home to us the essentially "class-bound" nature of his social vision. *The Wealth of Nations* is, by comparison with anything that had preceded it, by far the most "dynamic" systematic treatise on social change that had yet been written, but what must now be brought to the fore is the narrow range within which those dynamics were contained. For when all is said and done, it is a social dynamics from which any possibility of fundamental social change has been removed.

Nowhere is this constriction of social vision more clearly revealed than in Smith's disregard of the implications of his own argument with regard to the source of value itself. In the original rude state of nature, as we all know, Smith maintained that "the whole produce of labour belonged to the labourer," but under the commercial system, the labourer "must in most cases share it with the owner of the stock who employs him."⁵⁵ Smith is also clear that the share going to the owner is not his "wages of management," but a return stemming from the power relations inherent in private property itself. Landlords "demand" their rents only after land has become "property"; and in all labor disputes, power runs to the property-holder because "the masters can hold out much longer. . . . In the long run the workman may be as necessary to his master as his master is to him, but the necessity is not so immediate."⁵⁶

Yet there is no suggestion in *The Wealth* that this unequal distribution of power might be open to social correction. Rather, as Paul Douglas has put it:⁵⁷

[T]his interpretation seems never to have entered Smith's mind. Landlords and men of industrial and commercial property were dominant in the society in which he wrote and he accepted them as part of the order of nature. With his hard-headed Scotch way of accepting the *status quo* he never thought of inquiring whether it would be possible to create an economic society in which profits and interest would disappear so that thus, as in his suppositious primitive society, the workers should enjoy the full produce of their labor. The doors of Eden had been irrevocably closed to man, and there was no possibility of his ever reentering them.

Thus in the end, the terrible dilemma of *The Wealth of Nations*—moral deterioration suffered on account of economic growth, and economic growth terminating finally in economic misery—reflects the inadequacies of an historical imagination bounded by an enlightened but

⁵⁵ *Wealth*, 49.

⁵⁶ *Ibid.*, 65–66.

⁵⁷ Douglas, *op. cit.*; *Adam Smith, 1776–1926*, 98.

only partially “liberated” age. As Peter Gay has written: “The question of the lower orders is the great unexamined political question of the Enlightenment.” As Gay makes clear, the motives behind this disregard are mixed; there is missing “a serious attempt at working out the logic implicit in the philosophes’ view of the Enlightenment,” and there is also something else: “a sense of despair at the general wretchedness, illiteracy, and brutishness of the poor, which appeared by and large incurable.”⁵⁸ Norman Hampson emphasizes the same theme in his overview of the age:

Most of the men of letters of the period drew a sharp distinction between their own educated public and the illiterate rabble. Even radicals such as Helvetius and d’Holbach, who viewed much of the social order with anger and contempt, were pessimistic about the possibility of improving it. . . . “Progress,” if it was possible at all, could only take the form of a movement toward a superior form of static society based on known and immutable values.⁵⁹

In a word, the Enlightenment could conceive of radical notions of equality, justice, liberty, but it could not quite bring itself to apply these notions not only against the pretensions of aristocrats and churchmen, but of bourgeois society itself. In this ultimately fatal restriction of the imagination, Smith himself is finally caught.⁶⁰ Seeing the system of perfect liberty as a terminus rather than a wayfaring station for mankind, he is led unwittingly to describe an historical process whose destination becomes a betrayal of its purposes, and whose possible remedy—the political education of the laboring poor—would have been regarded as utter folly.

Here the work of the economist comes to an end and that of the social historian takes over. What I have sought to bring to the fore is, after all, no more than that Smith, albeit a major shaping intellectual force, was inevitably also a product of his time, sharing with it the limitations that seem to our age so patent and so crippling. But perhaps we can conclude with a reflection that redeems a great deal. It is true that Smith was hobbled by a class-bound social vision. Nonetheless, he has something of great value to teach our age, where imagination no longer knows any bounds. This is the example of his unflinching honesty in appraising the very social institutions for which he was so eloquent a partisan; his saving skepticism in the face of heady ideas; and not least, the omnipresent sense of humanity that

⁵⁸Peter Gay, *The Enlightenment* (New York, 1966), II, 517.

⁵⁹Norman Hampson, *The Enlightenment* (Baltimore, 1969), 110.

⁶⁰See J. M. A. Gee, “Adam Smith’s Social Welfare Function,” *Scottish Journal of*

makes *The Wealth of Nations*, for all its partially blocked vision, a charter document of compassion and concern in the development of the social sciences.

New School for Social Research.

Political Economy, 15 (1968), for a discussion of the class orientation of Smith's concept of welfare.