

omists of the first rank were endowed with moral vision, a feeling for institutional complexity, and a sense of history. To recall when the going was good for economics is more than a sentimental journey to the tombs of giants. As we shall shortly see, Smith, Marx, Veblen, and Keynes are, dare one say, more relevant to the comprehension of our baffling world than any economist now living whom one would care to nominate.

More than the piety which legitimately attends the bicentennial celebration of *The Wealth of Nations* justifies that attention be paid to the historical Adam Smith, who, of course, was a radical not a reactionary. His leisurely eighteenth-century prose emitted a perfume of compassion for the poor and the oppressed, at a time when the conventional wisdom of mercantilism actually favored poverty as an aid to national greatness. Although since 1776, the ignorant and the tendentious have enlisted Smith as an apologist for a rising capitalist class, his own heart went out to laborers on farms and in workshops. Smith, as earlier noted, deplored the unfairness of criticizing incipient trade unions and ignoring the far more serious malfeasances of employers. Smith's suspicion of business morality very nearly approximated the medieval, Catholic distaste for the pursuit of gain as a threat to individual virtue and ultimate hope of salvation. "People of the same trade," he complained, "seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices."² He praised "country gentlemen and farmers" because they "are to their great honor, of all people, the least subject to the wretched

spirit of monopoly.”³ In favor of consumers Smith uttered probably the first good words in the record of economic commentary: “Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer. The maxim is so perfectly self-evident, that it would be absurd to attempt to prove it.”⁴ Words which have long been less than “perfectly self-evident” to the commissioners of regulatory agencies now operated in producer interests.

A child of the Scottish enlightenment, Smith believed in the probability of human progress. It was a hard-headed confidence, no woolly utopian fantasy, for Smith premised his optimism not on altruism but upon the innate selfishness of the human species and the natural harmony of interests among competing egotisms which laissez-faire societies at peace with their neighbors were certain to enjoy. Human beings were certainly no angels: “Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage naturally . . . leads him to prefer that employment which is most advantageous to the society.”⁵ Or in an even sturdier version of the same doctrine, “The uniform, constant, and uninterrupted effort of every man to better his own condition, the principle from which public and national, as well as private opulence is originally derived, is frequently powerful enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of government, and of the greatest errors of administration.”⁶

The final elements of the vision with which Smith started

his exploration of the economic universe were a principle of technical efficiency and a view of human ability. The division of labor was at the center of Smith's theory of economic development. Like so many other aspects of social behavior, "this division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion." No, "it is the necessary, though very slow and gradual, consequence of a certain propensity in human nature which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another." As Walter Bagehot aptly put it, Smith was convinced that each infant was born with a tiny Scotsman implanted in his bosom.

Smith's conception of human talent and achievement was egalitarian. Heredity counted for little and environment for nearly everything. True to John Locke, Smith asserted that "the difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education." For, "when they come into the world, and for the first six or eight years of their existence, they were, perhaps, very much alike, and neither their parents nor playfellows could perceive any remarkable difference."⁸

There was, according to Smith, no dodging the feckless tendencies of humankind. We are none of us born anything really special. It is our good luck that God or nature implants in each baby certain instincts, among them that powerful drive to "truck" and "barter." This instinct, allied to each person's "uniform" and "uninterrupted" effort to get rich and rise in the world, drives each of us to work

harder, save money, produce the things the customers are willing to buy, and, as a providential side effect, enrich the community as well. No use complaining. Men and women were naturally selfish.

Two centuries ago such a vision of human affairs was quite enough to make its owner a radical critic of the way his government acted and the economy operated. This natural order of free competition which a benign but indolent deity had arranged, required good human behavior and intelligent political institutions. Among much else, natural liberty depended upon an absence of monopoly, unhampered movement of workers from lesser- to better-paid jobs, unimpeded flow of capital from low- to high-profit business opportunities, and, above all, freedom from government intervention.

In the eighteenth century, this was heresy. The rulers of England, like those of other respectable European states, were mercantilists. They knew that the first task of the king's ministers was central direction of the economy for the monarch's greater glory, and not at all incidentally, the more rapid accumulation of gold and silver in the royal exchequer. Gold and glory were in the mercantilist universe inseparable allies. This doctrine had less pernicious effects in England than in France only because English public administration was weak, the English Channel allowed Britain to dispense with standing armies, and, in consequence, little armed force was available to enforce bad policies. Nevertheless, English officials from time to time did make sporadic and partially successful attempts to interfere with the normal operations of natural liberty, particularly in the area of foreign trade. Navigation acts preferred English vessels and excluded foreign carriers. An

intricate collection of tariffs, quotas, and rebates to exporters checked the normal flow of trade and turned smuggling into a major growth industry.

The landscape was cluttered with obstacles to the pursuit of self-interest. Anachronistic guilds imposed long apprenticeships and limited entry into the mysteries of their crafts. Laws of settlement demanded financial guarantees from men and women who had moved from one parish to another because they had no money and hoped to make some. Henry Fielding's Squire Western spent much of his time as a justice of the peace ordering indigent migrants shipped back to the sources of their poverty. England gained because these cruel and inefficient regulations were more frequently evaded than obeyed. Better still to repeal these foolish laws.

Smith inveighed against such practices in literally hundreds of pages of eloquent and angry polemic. Insofar as they were effective, they were barriers to the free play of self-interest, which, if given its way, would infallibly redound to public advantage, as though an "invisible hand" were at work. Smith demolished one mercantilist argument after another. Were gold and silver necessary to defend the realm? Not at all: "Fleets and armies are maintained not with gold and silver, but with consumable goods." Does England need French brandy, Spanish sherry, Indian cotton, Portuguese madeira and port, maize from the American colonies? Then free trade is the way to purchase these and anything else made in foreign parts: "We trust with perfect security," averred Smith, "that the freedom of trade, without any attention of government, will always supply us with the wine which we have occasion for: and we may trust with equal security that it will always supply us with

all the gold and silver which we can afford to employ, either in circulating our commodities, or in other uses."¹⁰ In international commerce, countries bartered merchandise with each other, using money as a convenient intermediary. All the trading partners gained from these transactions.

Hence bounties, drawbacks, exclusive trade treaties, and sumptuary laws which attempted to restrict English importation and consumption of sugar, tea, cotton fabrics, and so on, restricted attainable gain from international trade. Although "defence . . . is of much more importance than opulence"¹¹ and, on that premise, Smith advised continued protection of the English merchant marine as a nursery of seamen for the Royal Navy, he also argued that universal acceptance of the principles of natural liberty would in time to come eliminate the causes of armed conflict among nations and leave them all the advantages of uninterrupted commerce. The world would be richer when free trade was general because men and women everywhere would direct their energy and their capital into channels which would enrich both them and a trading community as extensive as the globe itself.

The pretensions of government in Smith's day were overweening. The appropriate role for government was minimal. Smith assigned just three tasks to intelligent rulers guided by his advice. There was a case for public construction of roads and harbor installations on the ground that, although they were essential aids to wider markets, they were too unprofitable to attract private investment. Government's second duty was the maintenance of justice. Justice is a natural human aspiration, but it is also a necessity of business activity. Some accepted authority has to settle disputes among merchants, punish fraud, and enforce legitimate contracts. Finally, only government can defend the

nation against foreign adversaries. If universal peace replaced war, as Smith hoped, then this function would atrophy, and so much the better.

For Smith economic liberty promised, in our terms, steady growth of gross national product, and rising per capita real income. More than that, only the natural system of liberty could more nearly fulfill each individual's aspirations. Smith did not anticipate anything like equality of results if each contestant in the economic races started on equal terms. He plainly did expect that the enormous gap between rich and poor which disgraced his own society would distinctly narrow. For better or worse, Smith combined a vision of progress which substituted hosts of small entrepreneurs and independent artisans for a meddling government.

In 1976, the natural heirs of Adam Smith are not the presidents of giant corporations who speak on public occasions in favor of the competition which they have done their best to suppress. Nor conservative politicians who do their best to weaken antitrust enforcement and increase corporate tax advantages. Nor yet free-market economists who attack big government daily and big unions weekly but somehow slide hastily past big business.

The English Established Church . . . will more readily pardon an attack on 38 of its 39 articles than on $\frac{1}{100}$ of its income.

—KARL MARX

The conditions under which men produce and exchange vary from country to country, and within each country from generation to generation. Political economy, therefore, cannot be the same for all countries and for all historical epochs.

—FRIEDRICH ENGELS
