

Moral Philosophy or Economic Analysis? The Oxford Handbook of Adam Smith

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The Wealth of Nations (WN), like Malthus's *Essay on Population*, Marx's *Capital* and Darwin's *Origin of Species* is one of those few books which have changed the way we think about the world. Edmund Burke believed it was 'probably the most important book ever written' (O'Brien, 1993, p. 144, n. 1). But this could never be said of Smith's other great work, *The Theory of Moral Sentiments* (TMS). It is hardly an exaggeration to say that Smith's reputation today as a seminal thinker of the 18th century would be almost as high had TMS never been written.

Yet as *The Oxford Handbook of Adam Smith* (Berry, Paganelli & Smith, 2013) clearly shows, the attention of Smith scholars at the present time is more engaged by moral philosophy—not to mention astronomy, rhetoric, belles lettres and jurisprudence—than by economics. This is partly a consequence of the definitive Glasgow edition of the works and correspondence of Adam Smith, inaugurated by the bicentenary of WN in 1976 and originally published by Oxford University Press, which was soon made widely available in paperback by the Liberty Fund. In the academic industry at any rate, supply creates its own demand. But there may be other reasons, intellectual and perhaps ideological, that I shall consider later in this article.

In what follows I will first report the content of the *Handbook*, next examine its treatment of economic themes, and then explore some questions of intellectual history that it raises. Finally I shall ask why so much academic (and commercial) attention is now being paid to Adam Smith.

1. Overview of the *Handbook*

The volume begins with an Introduction, by one of the editors, C. J. Berry, which deals with Smith's life, Scotland in the age of Smith, the so-called 'Enlightenment' in Scotland and elsewhere, and Smith's legacy and reputation. In Part I, 'Adam Smith: Heritage and Contemporaries,' chapters by Nicholas Phillipson, Leonides Montes and Dennis Rasmussen amplify these themes. Christopher Berry returns in chapter 4 with accounts of the 'Early Modern' thinkers who formed part of Smith's 'intellectual hinterland': Descartes, Bacon, Hobbes, Locke, Pufendorf, Grotius, Harrington, Shaftesbury, Mandeville and Hutcheson.

Part II, 'Adam Smith on Language, Art and Culture' begins with an illuminating analysis of 'Adam Smith's Aesthetics' by Catherine Labio which claims that 'aesthetics is the key to understanding his philosophy as a whole' (p. 106). Then James Chandler

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writes on ‘Adam Smith as a Critic’ and Michael Amrozowicz shows how ‘Smith’s views on poetics’ are closely connected to ‘his broader social theoretical concern with conjectural history’ (p. 145). Jan Swearingen explains some of the connexions between language, rhetoric and ethics assumed by Smith and his Scottish contemporaries.

Part III, ‘Adam Smith and Moral Philosophy’ is concerned with sympathy, conscience, virtue and self-interest. Christel Fricke gives us a critical review of recent literature on ‘conscientious moral self judgment’ in TMS, about which there seems much disagreement. She argues that a distinction must be made between Smith’s positive account of moral *psychology* on the one hand and his normative moral *theory* on the other. Duncan Kelly seeks to integrate Smith’s account of government with his account of sympathy. R. P. Hanley considers Smith’s ‘Eclectic Virtue Theory’ as an attempt to synthesize elements from several different sources—Epicurus, Aristotle, Augustine, the Stoics and natural theology among others. Eugene Heath examines how Smith addressed the same ‘key question’ in both TMS and WN: how could a self-interested individual ‘take into account the good of others, cooperating with them in mutually productive ways’? (p. 241).

In Part IV we come at last to ‘Adam Smith and Economics’. Tony Aspromourgos correctly identifies Books I and II of WN as ‘the most fundamental, constructive parts’, for they set out a macrodynamic analysis of economic growth and development, of which the microeconomic functions of ‘markets, prices and exchange are only the means’ (p. 267). Nerio Naldi writes on ‘Adam Smith on Value and Prices,’ an unrewarding task that few, if any, have ever got far with. He does not cite the only rigorous account of Smith’s price theory (Samuelson, 1977). Hugh Rockoff provides a very interesting account of ‘Adam Smith on Money, Banking and the Price Level’ in the context of the Ayr Bank failure and the international financial crisis of 1772. One of the co-editors, Maria Pia Paganelli employs the results of some recent laboratory experiments to support the claim that Smith advocated free markets on moral grounds: for it turns out that ‘markets can foster morality just as much as morality can foster markets’ (p. 333).

Part V, which is more thematically heterogeneous than previous parts, is labelled ‘Adam Smith on History and Politics’. It begins with a contribution on Smith as a ‘Theorist of Corruption’ by Spiros Tegos. David Levy & Sandra Peart are economists, and their original and complex account of ‘Language and Reform’ is decidedly economic. Scarcity of *time* strictly limits the range of our friendships. Benevolence fails and we must therefore ‘persuade and exchange’. Thus language is central to Smith’s account of society. ‘The scarcity of one’s life,’ they argue, ‘is foundational for Smith’ (p. 374). Fabrizio Simon, writing on ‘Adam Smith and the Law’, shows that Smith’s jurisprudence is far from the present-day economic analysis of law. Edwin van de Haar examines Smith’s ideas ‘on international phenomena such as empire, war, diplomacy, the balance of power and international law’ (p. 418).

Part VI on ‘Social Relations’ contains chapters on civil society, religion, equality and women. The first of these, by Richard Boyd relates Smith’s understanding of civil society to manners, justice, citizenship and the division of labour. Gavin Kennedy carefully considers both the public and (so far as may be conjectured) the private aspects of Adam Smith’s response to Edinburgh religion of the 18th century. Samuel Fleischacker grapples with the ambiguous concept of ‘equality’ so far as it may be discerned in Smith’s writings, and concludes that by modern standards Smith was (a) somewhat

egalitarian and (b) somewhat the reverse. Maureen Harkin examines Smith's attitude towards women.

The final section of this book, Part VII, contains four chapters on Smith's 'Legacy and Influence.' The first, by Spencer Pack, deals with 'Adam Smith and Marx', focusing on the generally overlooked similarities between their theories of the state. Craig Smith considers Smith as an inspiration of the 'New Right' in Anglo-American politics. Tom Campbell, writing on 'Methods, Morals and Markets', depicts Smith as 'a humanitarian hero in his subordination of markets to morality' (p. 578). The final chapter, by A. K. Sen, deals with 'The Contemporary Relevance of Adam Smith.'

2. Smith and Economics

Adam Smith was not an 'economist,' but willy-nilly he inaugurated the science of what we now call economics.

Political Economy from Montchrétien (1575–1621) to Steuart (1712–90) was a recipe book for managing the nation state as a manorial fief of the sovereign. *Wealth of Nations* was therefore revolutionary in two respects. In the first place, 'what is *properly* called Political Economy,' which Smith defined as 'a branch of the science of a statesman or legislator,' is an '*inquiry* into the nature and causes of the wealth of nations' (WN IV.ix.38; IV.Intro; my italics), which is to say, it is a field that is in principle disinterested, open-ended and scientific. Secondly, as Levy & Peart observe in their contribution to the *Handbook* (p. 372), Smith 'threw over the old idea of an entity called the state or the nation existing outside the individuals who constitute its subjects or members.' Individual motivation drives economic activity. Individual needs and preferences determine social welfare.

The whole content of WN can fit comfortably into Smith's capacious 'inquiry': geography, history, politics, ethics, religion and more. But one component gives it its special character and makes it immortal: the sustained explanatory use of what we now call 'economic analysis.' Analytical concepts had been used to good effect by many of Smith's predecessors and contemporaries: Boisguilbert, Cantillon, Hume, Steuart, Quesnay, Turgot—none of whom save Hume are recognised in this *Handbook* as part of Smith's 'intellectual hinterland.' But for the first time in history, Smith assembled and refined the existing stock of analytical tools to construct a systematic, macrodynamic account of the working of a nationally defined market economy in which capital stock, production and population are normally increasing, and in which the individual motivation that drives the system is harnessed and coordinated by a set of competitive markets in factors and products. It is this subset of Smith's political economy that we think of now as the origin of 'economics': an unbroken tradition of critical inquiry that began with Malthus and the rest of the English School, was transmitted by Marshall and his contemporaries, and continues to the present.

It is for this reason, and for no other, that we remember Smith today. Most of his other intellectual achievements celebrated in this *Handbook* are known only to a tiny handful of academics and their graduate students in Humanities departments of mainly Anglophone universities. For the rest of the world they are relevant only insofar as they might help us better to understand Smith's economic ideas.

Do we then need to read TMS in order to understand WN? The central claim of the latter is the social optimality of ‘the natural system of perfect liberty *and justice*’ (WN IV.vii.c.44; my italics). Economic analysis in WN shows how ‘perfect liberty’ works if individuals are motivated by self-love or self-interest and their economic actions coordinated by markets—*provided* that ‘every man . . . does not violate the laws of justice’ (WN IV.ix.51). For unless most individuals scrupulously observe ‘the laws of justice’—that is, obey the rules of the game even when the referee is not looking—the market game will quickly cease to be worth playing, and ‘perfect liberty’ will lead to anarchy. They will only do so if just behaviour is habitual. Now conscience is not innate, and right behaviour must be learned. TMS shows how this happens (Fricke, chap. 9) and why for Smith, ‘justice’ is ‘the central organising framework of society’ (Kelly, p. 211).

TMS is therefore an integral part of Smith’s complete social theory. It explains how conscience, or a sense of (commutative) justice, comes into being and is a necessary condition of a well-functioning market economy. *But we do not need it in order to understand WN.* Given only the assumption of a widespread sense of justice, WN is a free-standing account of economic growth and development driven by the private motivation of individuals, rather than by a putatively all-seeing sovereign. Economists can read it alone with a clear conscience, taking TMS on trust.

In view of the central importance of Smith’s political œconomy, it is therefore disappointing that this *Handbook* should devote only four out of twenty-eight chapters to ‘economics’, or five if the chapter on Marx be counted. Though each contributor in Part IV gives us interesting and important matter, it is inevitable that much should have been ignored, and not surprising that economic themes should have cropped up elsewhere in the volume, as in the chapters by Levy & Peart, Harkin, Craig Smith and Sen. It seems to me that among other themes of economic interest, the *Handbook* would have been enriched by some consideration of the development of Adam Smith’s ideas by the English School; of some important but neglected features of his analysis of growth and development; of the part played by the late Paul Samuelson in explicating these in terms of modern categories; of the attempts by Samuelson and Negishi to vindicate Smith’s price theory; and of a seeming incoherence at the heart of Smith’s overall vision of the economy.

Marx was a faithful disciple of Adam Smith in many ways, and explicitly identified his own analytical approach with that of the English School (Marx, 1887, p. 26). His great influence on 20th-century social thought earns him a separate chapter. But his theoretical development of Smith’s analysis, especially value theory, according to Samuelson (1957), was a blind alley—an assessment with which I concur. Marx’s only important advance on WN was the path-breaking analysis of extended reproduction in Volume II of *Capital*.

Modern economics emerged, rather, in the decade before the founding of the Political Economy Club in 1821, in the debates among Malthus, Ricardo, Torrens, James Mill and others over both the growth theory and the value theory in WN. Was Smith’s optimistic account of growth with high wages doomed to defeat by land scarcity and diminishing returns (Waterman, 2012)? And was Smith’s labour theory of value in the ‘early and rude state of society’ (WN I.vi) a better starting point for price theory than his cost-of-production theory in the next chapter? Ricardo and Marx chose the former, and lost: Malthus the latter, and eventually ‘won out’ (Schumpeter, 1954, p. 482).

Central to the first of these issues was the simultaneous discovery in 1815 by Malthus, West, Ricardo and Torrens of the ‘Ricardian’ theory of rent based on diminishing returns to a variable factor. Capital accumulation and population growth with scarce land leads to the stationary state in which rent is determinate (and maximal). Samuelson’s (1978) famous ‘canonical classical model’ formalises the process. But is it really to be found in WN—as Samuelson claimed and as Samuel Hollander (1980) has questioned? There is no attention to this important exegetical question in the *Handbook*.

Smith’s account of the ‘natural price’ of commodities in WN I.vii has been dismissed as vague and confused by some critics—Ricardo, Marx and Schumpeter, among others. But Samuelson’s (1977) ‘Vindication’ showed by non-linear programming how the ‘natural’ factor prices can be combined, as Smith surmised, into a ‘natural’ commodity price. Negishi (1989) provided a simpler, linear-programming version of the argument. So was Smith right after all? His conception of the natural price of labour (and of capital) postulated steady-state equilibrium of a macrodynamic model of accumulation, production and population. To any steady-state growth rate there corresponds a determinate wage rate (Waterman, 2009). Samuelson, assuming as against Hollander that land scarcity and diminishing returns are indeed to be found in WN, was able to identify a unique steady-state—that of stationarity—and thus to agree with Ricardo that the natural wage is the ‘subsistence’ (or zero-population-growth) wage.

Samuelson’s analysis suggests another, more serious, problem with the economic analysis in WN, also passed over in silence in this *Handbook*. Even with free land, could there be a unique correspondence between the growth rate and the wage? The answer is: only if there is no technical progress, no continuous change in capital intensity and no division of labour leading to increasing productivity. As Walter Eltis (1975) has shown, incorporation of the division of labour into Smith’s growth model implies that wages will rise continually. There is thus a fundamental incoherence in Smith’s economic analysis. Either his account of the division of labour is a valuable part of his theory of growth and development, in which case his price theory is useless; or his price theory is sound and we must draw a veil over the division of labour (Waterman, 2014).

3. Intellectual History

3.1. *The Religious Context: 18th-Century Scotland*

In his Introduction C. J. Berry notes the central importance of the Church of Scotland, its internal politics and to a lesser extent the theological tensions lying behind these, in determining the intellectual culture of Smith’s time and place. There was an ‘interweaving . . . of the Scottish institutions of the law, the church and the academy . . . [in which] the intellectual elite were involved across the board’ (p. 9). Gavin Kennedy, in chapter 22, gives us a valuable account of Smith’s childhood and upbringing in a Presbyterian world, and notes the influence of his deeply religious mother. Neither goes very far, however, in probing beneath the surface of Scottish Presbyterian religion to uncover its intellectual connexion with Smith’s justification of a ‘commercial society.’

Kennedy tells us (p. 465) that the young Adam could repeat the whole of the *Shorter Catechism* of the Westminster Assembly by heart. What he does not tell us is the extraordinary and unique character of its answers to questions 74 and 75:

- Q. 73 Which is the eighth commandment?
- A. The eighth commandment is, *Thou shalt not steal.*
- Q. 74 What is required in the eighth commandment?
- A. The eighth commandment requireth the lawful procuring and furthering the wealth and outward estates of ourselves and others.
- Q. 75 What is forbidden in the eighth commandment?
- A. The eighth commandment forbiddeth whatsoever doth or may unjustly hinder our own or our neighbour's wealth or outward estate.

No other catechism, Protestant or Catholic, of the period from the Reformation to the 18th century interprets the commandment against the theft in anything like this way. Economic prosperity and material enrichment are positively enjoined, and the increase of one's own wealth is made a Christian duty. As Michael Lessnoff (1994, p. 63) has shown in detail, we have here 'a profit-seeking ethic totally congruent with Weber's "spirit of capitalism."'

Kennedy believes that Smith's religious sentiments decayed gradually over his life, and he may well be right. But early impressions are important, and it seems unlikely that Smith ever questioned the religious and moral duty of the 'lawful procuring and furthering the wealth and outward estates of ourselves and others.' This is what a commercial society is all about.

3.2. Theology

Present-day commentators, disagreeing strongly among themselves over Smith's theology and the religious beliefs that might lie behind it, range from the contributors to Paul Oslington's *Adam Smith as a Theologian* (2011) at one extreme, to hardliners at the other such as Minowitz (1993) and Phillipson (2010) who assert that Smith was an atheist *tout court*. (No one seems to realise that one can be both.) Authors in this volume who consider the matter choose various positions on the middle ground. Hanley notes Smith's eclectic willingness to engage with 'a wide range of sources and schools' including St Augustine and natural theology (p. 221). Kennedy shows convincingly that old Smith 'was no longer the religious believer of his youth' (p. 481); but though he seeks to minimise both the evidence of Smith's natural theology and its significance for his thought, he does not deny it. Campbell argues against Phillipson (and also perhaps against Kennedy) that Smith's reticence about orthodox Christian belief is 'perfectly compatible with Smith's believing in the existence of a divine and benevolent creator' (p. 570). What is at issue in all this is 'natural theology,' and why it was so important during Smith's lifetime.

Natural theology is the attempt to draw inferences about the existence and attributes of a deity from scientific study of the natural universe. Though the enterprise goes back at least to Plato and was transmitted through Varro by the Stoics, by far the most important and influential example in Smith's day was the *Philosophiæ Naturalis Principia Mathematica* of Sir Isaac Newton (1687). Newton wrote that treatise, he told Richard Bentley in 1692, with 'an eye upon such Principles as might work with considering men for the believe of a Deity & nothing can rejoyce me more then to find it

usefull for that purpose' (Newton, 1692). For most of the 18th century the *Principia* was required reading at Cambridge for undergraduates preparing for Holy Orders. The Scottish universities (but not Oxford) followed suite. When Smith lectured on natural theology at Glasgow in the 1750s he would almost certainly have expounded Newton with the aid of Colin Maclaurin's (1748) famous textbook, according to which 'natural philosophy is subservient to purposes of a higher kind, and is chiefly to be valued as it lays a sure foundation for natural religion and moral philosophy' (Ibid., p. 3). Science demonstrates the unity, omnipotence, omniscience and goodness of God, and 'it disposes us to receive what may otherwise be revealed to us concerning him' (Ibid., p. 401).

Berry tells us, correctly, that 'Newton was the *hero* of the Enlightenment' (p. 11). If we can speak without nonsense of an 'Enlightenment project' this putative enterprise was perhaps identified by Hume (1752) as the attempt to purge religion of 'superstition' and 'enthusiasm'. There can be no room for either in Newton's natural theology, which was welcomed at the time for yet another reason: as an eirenic and ecumenical religion bringing relief from the bitter sectarian strife of the 17th-century wars of religion.

It is impossible to understand Smith's attitude towards religion and theology without awareness of these facts. One of the more disappointing features of this *Handbook* is that none of the contributors exhibits any such awareness. Kennedy (p. 470) even recycles Minowitz's astonishing opinion that because 'God and Jesus are absent from WN' there can be no theology in that work. But God and Jesus are equally absent from Newton's *Principia*—for the very good reason that its purpose is to demonstrate the divine attributes solely from 'nature', with no resort whatsoever to 'revelation.' If one fails to grasp this, one misses the point of natural theology. Montes completely ignores all this in his chapter on 'Newtonianism and Adam Smith'.

3.3. Jansenist Theodicy, Self-Love and Laissez-Faire

Smith's political economy is founded upon the assumption that under a regime of 'perfect liberty and justice' socially benign outcomes will emerge as unintended consequences of the private, self-regarding acts of individuals. Phillipson (p. 33) quotes Smith's earliest recorded articulation of the doctrine (c. 1750) from Dugald Stewart's *Life*. Where did this potent idea come from?

Gilbert Faccarello (1999) has shown that it was first formulated by Pierre de Boisguilbert in *Détail de la France* (1695, Vol. 2, pp. 591–661). In his youth, Boisguilbert had studied at the Jansenist *Petits Ecoles* of Port-Royal where the influential moralist, Pierre Nicole (1625–95) and the eminent jurist, Jean Domat (1625–96) were teaching. Acutely conscious of the pervasiveness of human sin, they were forced to construct a theodicy of civil life. Why does God allow humans, created in His own image defaced by original sin, to be as selfish, power-hungry, predatory and cruel as we continually observe our species to be? Their solution was Augustinian: God allows the institutions of civil life to become both a *punishment* for sin and also a *remedy*. Thus the market economy harnesses the selfish greed of individuals and turns it to good:

when travelling . . . we find men ready to serve those who pass by and who have lodgings to receive them almost everywhere. We dispose of their services as we wish. We command them; they obey. . . . What could be more admirable than these people if they were acting from charity? It is cupidity which induces them to act. . . . Think what charity would be required to build an entire house for

another man, furnish it, carpet it and hand him the key. Cupidity does this quite joyfully. (Nicole, 1670, pp. 204–205; cited in Faccarello, 1999, p. 28)

The general, Augustinian (‘providentialist’) position was summarized by Domat:

from so evil a passion as our self-love, and from a poison so contrary to the mutual love which ought to be the foundation of society, God created one of the remedies which enable it to survive; for from the principle of division He constructed a link which unites all men in a thousand ways and which maintains most agreements. (Domat, 1689, p. 25, cited in Faccarello, 1999, p. 27)

As did Smith in WN (Waterman, 2002), Boisguilbert (1704, p. 29) explicitly identified ‘Providence’ with ‘Nature.’ But he went beyond Nicole and Domat in understanding that the way Providence \equiv Nature operates in a market society is through the unintended consequence of the competition of agents, each motivated by self-love: a state of ‘harmony’ or ‘equilibrium’.

Boisguilbert’s ideas passed into French economic thought by way of Cantillon and the Physiocrats. In England, Mandeville caricatured the doctrine as ‘Private Vices: Publick Benefits,’ which presented a problem for those such as Smith who wished to make use of Boisguilbert’s insights. Bishop Joseph Butler, who gets an honourable mention in Heath’s chapter on ‘Self-Interest’ (p. 249), came to the rescue in his *Rolls Sermons* (Butler, 1726) which explained that self-love is not an ‘evil passion’ but a duty commanded by Christ himself. Josiah Tucker, who had been Butler’s chaplain in Bristol and was a correspondent and friend of Hume, fully assimilated both Butler’s argument and Boisguilbert’s advocacy of *laissez-faire* which it rationalized: ‘the Self-Love and Self-Interest of each Individual will prompt him to seek such Ways of Gain, Trade and Occupations of Life, as by serving himself, will promote the public Welfare at the same Time’ (Tucker, 1753–65, Vol. 3, p. 48). Adam Smith had Tucker’s economic writings in his own library (Mizuta, 1996) and evidently digested them.

3.4. ‘Nature’

A number of contributors to the *Handbook* cite interesting examples of Smith’s use of the concept of ‘nature’ and its adjectival and adverbial cognates, ‘natural’ and ‘naturally’. Hanley (p. 234) notes that in one context at any rate ‘natural’ = ‘necessary’. Levy & Peart (pp. 376–77) point out the linkage, but not the identity, of these two terms in the Aristotelean logical tradition. Kennedy (pp. 478, 479) contrasts ‘Nature’ with ‘God or the Deity’ to imply that there is nothing theological about ‘Nature.’ But none attempts any analytical study of the use of these concepts in Smith’s work, and none reports the analytical work of others.

Yet ‘nature’ and its cognates occur 765 times in WN, and ‘necessity’ and its cognates 873 times. Among key concepts, only ‘price’ (1,388), ‘labour’ (1,199) and ‘value’ (907) are more frequent. Now it appears upon textual analysis that Smith employs two quite distinct conceptions of ‘nature’ in WN, sometimes in the same passage (e.g. WN III.i.8–9). Lauren Brubaker (2006) addressed this seeming incoherence in Smith’s use of ‘Nature’ in his contribution to an earlier collection on Smith, but none of the authors in this *Handbook* engage his argument on this matter.

What we may label *nature(1)*, *natural(1)* and *naturally(1)* are normative terms that refer to the way we ought to govern ourselves as informed by ‘the order of nature and reason’ (WN I.x.c.26). What we may label *nature(2)*, *natural(2)* and *naturally(2)* are positive terms: everything that occurs in *nature(2)* must be rule-governed in some way and hence must occur ‘necessarily’. Therefore what we must do by the ineluctable laws of *nature(2)*, though always ‘necessary’, is not always *natural(1)*. Something keeps getting in the way of our doing the right thing. Yet somehow things seldom turn out as badly as we deserve.

If we put on our rhetoric-of-economics spectacles it is a straightforward matter to perceive that Smith exploits his terminological ambiguity throughout the whole of WN to present a quasi-Augustinian theodicy of social evil, according to which ‘the wisdom of nature has fortunately made ample provision for remedying many of the bad effects of the folly and injustice of man’ (WN IV.ix.28). We have sufficient reason, if we choose, to read WN as a work of natural theology in much the same way as the *Principia* and the *Optics* of Smith’s great exemplar Newton were read in his own day (Waterman, 2002). Whether or not WN was ever so read, there is no doubt that the ‘Christian political economists’ of the next generation or two—Malthus, Chalmers, J. B. Sumner, Copleston and Whately—regarded WN and its author as fully compatible with the orthodox Christianity of their day. The evangelical Sumner, eventually Archbishop of Canterbury, went out of his way to show approval of Adam Smith in his profoundly influential *Records of the Creation* (1816); and in his *Apostolical Preaching* (1815) he brought both WN and TMS in evidence against the Calvinists (Waterman, 1991, pp. 158–159).

4. Why All the Fuss about Adam Smith?

The past eight years have seen four edited collections of essays on Adam Smith: *The Cambridge Companion* (Haakonssen, 2006), *New Voices* (Montes & Schliesser, 2006), *The Elgar Companion* (Young, 2009), and this *Oxford Handbook* (2013). A provisionally titled *Princeton Guide* is expected in 2015, edited by one of the contributors to the *Handbook*, Ryan Hanley. Smith is good for business in the academic publishing industry. Why?

‘The Contemporary Relevance of Adam Smith,’ Amartya Sen believes, is that ‘his ideas remain intensely pertinent to the modern world’ (p. 580). But they have been misrepresented in a ‘concocted image’ of Smith, created by right-wing propagandists, as ‘a mouthpiece of the unalloyed virtues of the market’ (p. 582.) Sen does not name these villains and he ignores Craig Smith’s careful exoneration, in chapter 26, of the usual suspects—Friedman, Hayek and Buchanan. The important thing for Sen is to clean up that ‘concocted image’ and reveal the true Smith beneath it: an economist who favoured public goods, economic support for the poor and regulation of markets (p. 582). Whether or not this sanitized, Social-Democratic Smith is a faithful portrait of one who lived more than two centuries ago in a very different world, it does seem to be the case that some of the other contributors to this volume and its predecessors share Sen’s desire to distance Smith from too optimistic a view of the beneficence of markets. But why should that matter now?

After the collapse of the Soviet empire in 1989, capitalism became the only game in town. A pro-capitalist euphoria possessed much of the developed world, and markets could do no wrong. Chicago economists had lately constructed an intellectually powerful rationale of *laissez-faire*. But since the world recession that began in 2008, capitalism has been sick and disillusionment has set in. Deregulation in financial markets, validated by Chicago theory, was an important reason for the collapse. And the perverse refusal of many governments to return to Keynesian demand management has prolonged the resulting depression. It would seem that Smith matters, therefore, because—both rightly and wrongly—he has been supposed in recent years to have provided the original, classic justification of modern capitalism, the virtues of which are now in question.

If Smith's 18th-century ideas really are 'pertinent to the modern world' therefore, it is his economic ideas that count. His epoch-making, pioneering work has been digested and fully incorporated into present-day economics. Capital accumulation and population growth, the division of labour, the pricing of factors and products, the function of market prices in coordinating production and employment, the evils of monopoly and other forms of rent-seeking, the need for government regulation of some markets, the necessary provision of public goods—all can now be found in any good textbook. As for Smith's moral philosophy, astronomy, natural theology, aesthetics, rhetoric and jurisprudence, richly rewarding as these are to students of Enlightenment intellectual history, they are of no more relevance to our present concerns than the opinions on these matters of any other 18th-century savant. Recent scholarly work rides on the coat-tails, so to speak, of a revived interest in Smith's political economy among the unscholarly provoked by an adventitious public calamity.

Perhaps we may conjecture, therefore, that the current publishing boom in Smith studies, though fuelled by the *Works and Correspondence*, may have a more recent and a more interesting cause. For in a manner congruent with Smith's own account of the self-regulating economy—and even more with his providentialist natural theology—we might look upon the excellent and valuable scholarship made available to us in this *Handbook* and its three predecessors as a benign, unintended consequence of the collapse of the American sub-prime mortgage market in 2008.

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