

**Adam Smith's Revolution**  
**By Wesley C. Mitchell**  
**Edited by Mark Skousen**

## Foreword by Mark Skousen

‘Wesley Mitchell's lecture is the best assessment ever written on Adam Smith's revolutionary model of laissez faire, which he called the "system of natural liberty." He concludes, "You see how bold and sweeping that argument is from Adam Smith's eyes; everybody quite obviously is pursuing his own interest; it is evident, in his own local situation, [that he] is a better judge of where his economic interest lies than any statesman could be. Therefore, the individual will get on best if he is left alone by the government....This is the great argument for laissez faire."

Mitchell's views are all the more surprising, given that Mitchell was known as "the man with no theory," who strongly advocated an economic science that is objective and non-political. See pp. 245-248 of my book, *The Making of Modern Economics* (Routledge, 4th ed). His popular lectures were given in 1934, in the depths of the Great Depression, at Columbia University, published as volume 1 of "Lecture Notes on Types of Economic Theory." Wesley C. Mitchell (1874-1948) was professor extraordinaire at Columbia University from 1914 to 1944. He was known for his work on business cycles and founded the preeminent research organization, the National Bureau of Economic Research (NBER). His published lectures are in the public domain.’

- Mark Skousen - Presidential Fellow and Doti-Spogli Endowed Chair of Free Enterprise, Chapman University, [www.mskousen.com](http://www.mskousen.com)

## **Professor Wesley C. Mitchell**

*Wesley C. Mitchell (1874-1948) was a professor of economics at Columbia University and founder of the National Bureau of Economic Research (NBER) in New York. He was famous for his study of business cycles, and was known as “the man with no theory,” who firmly believed that economics should be objective and non-political. In 1934, he delivered his famous course of “Lectures on Types of Economic Theory,” which attracted students from all over the world. I consider this lecture, presented on October 2, 1934, the middle of the Great Depression, as the most profound summary of Adam Smith’s philosophy ever given, confirming the revolutionary nature of his work. The publication of these lecture notes is in the public domain. I wish to thank Lanny Ebenstein, professor of economics and philosophy, at University of California at Santa Barbara, for making me aware of this lecture.*

“What Adam Smith did for economics was in many ways like what Charles Darwin did for biology.” – Wesley C. Mitchell

## Introduction

The first type of economic theory that we shall take for discussion is that presented by Adam Smith in *The Wealth of Nations*, which was published in 1776. Now Adam Smith lived at a time when a great deal of national economic planning was gradually disintegrating and when the practice of individual initiative on the part of adventurous business was becoming a mass phenomenon.

This rise of individual initiative was hampered to some extent, though less than the reading of the statutes might lead you to expect, by the multitude of directions which the government sought to impose in practicing its policy of national planning—was hampered to some extent by the multiplicity and minuteness with which the government sought to direct what private individuals should do.

Now Adam Smith was primarily a philosopher. He lived at a time when economics was just beginning to disassociate itself rather clearly from the general body of philosophical interests. And as a philosopher he became convinced that the general principle of trying to control the activities of private individuals was inimical to the growth of the wealth of nations. He set forth with masterly lucidity the proposition that the wealth of the nation would grow most rapidly if the government practiced a minimum of interference with the operations of private people, if it left every man substantially free to choose for himself whatever occupation seemed to him most conducive to his private interest. That centered economic theory upon the problem of the production of wealth and how best the production of wealth might be fostered. The answer was: by letting things substantially alone. You see, Adam Smith was dealing with a practical issue, the overmastering economic issue of his time; and he came to very definite conclusions regarding the policy which it would be wise for an individual to follow.

## **Adam Smith's Treatment of the Problem of Economics as Contrasted with That of Modern Treatises**

*The Wealth of Nations* was published in 1776, and has been republished many times since. The best edition for study is that which appeared in 1894 edited by Professor Edwin Cannan, chair of political economy and published in this country by Dutton's. Professor Cannan was long in the chair of political economy at the University of London, and he is one of the most scholarly and conscientious editors of our time. His edition is an admirable piece of work. You can, however, find plenty of one volume editions which are decidedly less expensive. *The Wealth of Nations* is of course a large and formidable book. It is a book of which you can without much loss skip certain portions; but it is a book which you should not read in brief extracts but which you read as a whole, omitting only chapters that possess at the present time antiquarian detail.

The questions that I am going to take up about *The Wealth of Nations* are questions as to the choice of problems, how Adam Smith focused the type of economic theory which he gave us around the question of the production of wealth, how he came to regard production as the central problem of economics, how his work influenced his contemporaries, how it reacted upon economic practices and how it influenced his successors.

Of course nowadays we think of economics as centering primarily not about the problem of production but about the problem of value and distribution.

Adam Smith did not neglect entirely – indeed, rather far from it – this problem of value and distribution which has become the center of interest to economic theorists. But he treated value and distribution incidentally in the development of his general discussion of the factors which determine the amount of wealth produced in a country. He begins by pointing out that the production of wealth is enormously enhanced by what he calls the division of labor. When division of labor is practiced on a large scale, it is necessary for people who follow

particular trades to exchange their products with that of others. The pin maker who performs one of eight or ten operations in the making of a pin – we find that celebrated case mentioned in his book – of course produces nothing except one part of the pin; and he must get his food, clothing, shelter, entertainment, and whatever also he consumes, by exchanging the service that he renders for good which have been produced by other people.

So, division of labor necessitates exchange, and exchange, to be efficient, just take place in organized markets, and in these markets goods are traded for one another at varying prices. These prices at which goods exchange, Adam Smith tells us, can be analyzed into their component parts, which are rent, and wages, and profits. So, you see, a discussion as oriented upon production as the central feature arrives at an analysis of the factors which determine prices and that analysis of prices leads on to a consideration of the shares in distribution, the three shares which were recognized in Adam Smith's time, for he does not give us a separate treatment of interest as separate from profits.

### **Central Problem: Eliminating Poverty Through Economic Growth**

Adam Smith thus reverses the modern emphasis. With him production is the matter of chief concern; value and distribution are treated as incidents in the great change in orientation which David Ricardo introduced in his *Principles of Political Economy* published in 1817 – the center of interest is value and distribution. What he said about production is ordinarily introduced at which commodities are exchanged for one another; and in the course of the subsequent analysis of the factors which regulate wages, rent, interest, and profit.

That then was Adam Smith's central problem. Now he treated this problem in a way which is relevant to his day; and it seems to us in a fashion rather peculiar. I think that it is fair to say that his treatment of the problem of production was a treatment from the viewpoint of the statesman. He talked about production as a problem of statecraft. He gives in the course of *The Wealth of Nations* two or three definitions of

political economy. One of them is particularly interesting from the present point of view. It occurs at the first sentence of his fourth book “Of Systems of Political Economy”:

Political economy, considered as a branch of the science of a statesman or legislator, purposes two distinct objects: first, to provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves; and secondly, to supply the state or commonwealth with a revenue sufficient for the public services. It proposes to enrich both the people and the sovereign.

That is, from a modern viewpoint, a very quaint conception of what political economy proposes to do. Nowadays we think of it as being or as aspiring to be a science; and we think of sciences as aiming to give us understanding of how phenomena are related one to another. Economic science is conceived to be that branch of human knowledge which gives us an understanding of how economic processes work. And we often are at considerable pains to argue that the economist as such should have nothing to say about what ought be done. Economics we often claim does not propose to enrich anybody. All it does is to give a student such a knowledge of economic processes as will enable him to draw certain conclusions, if he is interested in practically, about how a country may prosper. The art of applying this knowledge to practical affairs is from this point of view best left to man who has mastered principles of political economy, but men who are not themselves investigators. The investigator by temperament may be likely to be a very poor hand at directing operations. On the other hand, the practical man is very commonly a poor scientist. Well, nothing of that sort is characteristic of Adam Smith or of the men of his generation. To him political economy was legitimately considered as a branch of the science of the statesman or legislator; and as such it proposed to enrich both the people of the country and the sovereign.

This problem of political economy considered as a branch of the science of the statesman is one that came to Adam Smith directly from his experience in his time. English policy in economic matters in the closing quarter of the eighteenth century was still substantially directed by national planning, the scheme of national planning that is called in our textbooks on economic history mercantilism. Those of you who have studied the development of European countries in general and England in particular during modern times have must have read expositions of the Mercantilist system. This is not the place in which to go into the details of the elaborate scheme of statecraft for enriching nations. You learn much of the detail indeed from Adam Smith himself because a vary considerably proportion of the whole book is taken up by an exposition of the errors of Mercantilism, in the course of which you will find many of the details followed by Mercantilist statesmen set forth someone fully.

The system of Mercantilism had been going on in England for more than two centuries when Adam Smith wrote. It had gotten into fairly systematic form by the latter years of Queen Elizabeth. It was strengthened under James I and Charles I. Cromwell took it over and added to it emphasis upon the Navigation Laws, laws which were intended to win a larger part of the carrying trade from the Dutch in order that Britain might become more powerful upon the seas. The Civil War, of course, relaxed administration in England, and it was not reestablished after the Restoration in as systematic a form as it had been practiced in the day of Queen Elizabeth and Cromwell. But still these old regulations stood upon the statute books. And a man who discussed public policy would take it for granted that it was as much the duty of the statesman of the day to look after and supervise the economic interests of the country as a whole, to regulate them in detail, as such the duty to do that as it was to look after foreign affairs in the modern sense or to see that the game of politics was played in a proper fashion. Economic legislation was one of the chief tasks which administration had continually to consider.

### **The Relation of *The Wealth of Nations* to Economic Science**



I have already had occasion to remark that the order of *The Wealth of Nations* differs widely from that which is adopted in later treatises. I now want to discuss the relation of *The Wealth of Nations* to economic science at large. We speak commonly of political economy as a science we often speak of Adam Smith as the father of political science. We have some misgivings of imputing the paternity of economics to Adam Smith because there are other claimants for that honor. These are people who would say that the real father of political economy is Quesnay; there are others who would say that a slightly earlier Franco-Irishman, Richard Cantillon, who published an *Essay Upon the Nature of Commerce in General* in 1755, an essay that shows remarkable powers of organization. And there are still others who would say that if you are really looking for a father of modern political economy you should go back a little further still to Pierre Boisguillebert, a French writer of numerous tracts,<sup>1</sup> whose unsystematic exposition does contain not a few of the observations and reflections that made Quesnay's work and Adam Smith's work seem so pregnant to contemporaries.

But waiving that question of who started political economy, it is interesting to observe the pattern in which this particular science grew up. We nowadays I think regard most of our highly developed sciences as growing mainly by a cumulative process of accretion; one man makes a discovery which suggests problems to other people; many set to work to see whether the first discovery is really valid. They work on the problems which the first discovery suggests, and presently additions are made to the one that started this innovation in research. And such innovations are being continually made. We rely with a high degree of confidence upon the more or less steady process of the increase of scientific knowledge through the efforts of a very large number of trained investigators.

Now when some of these investigators make a particularly momentous discovery and we think of that discovery as possibly marking off a new epoch in research, those who know most about the history of science are

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<sup>1</sup> *Detail de la France sous le regne present*, 1695, to which was added dissertations on *Grains* and *Richesses* and published in 1707 as *Factum de la France*.

usually in a position to point out that this discovery which was likely to seem to the layman as a stroke of genius, as a matter of such exceptional significance, after all is really representative of the tamer researches, the solid advances of the preceding years. And once the momentous discovery is made, it takes its place in the vast growing body of knowledge, plays its part in initiating new research. So that, to repeat, it is easy to think of science as a growing rather steadily through the piling up of detailed discovery upon detailed discovery; and the larger the body grows, the relatively less is the addition which any one man can make by his own work to what is known in his own field.

It would appear, at least at first blush, as though economics had not developed in that fashion. It does not matter whether you take the rise of political economy from the time of Adam Smith or the time of Quesnay, from the time of Cantillon or from the time of Boisguillebert, it still remains true that if you take any one of these men, you are impressed by a very considerable compass of the work at the outset. It does not look like a humble beginning. It does not seem to rest upon a large number of small discoveries that have been made by successive generations of workers. But in good part an impression of a difference between the way in which political economy grew up and the way in which more advanced sciences grew is a delusion. I say in good part a delusion, for obviously all these great innovators had at their disposal the results of a vast amount of human observations. Everyone who lives in the world is familiar through his own daily activity with the fundamental economic processes. Each one of them is engaged in valuing objects and trying to determine their relative importance for various uses which we have for goods. Every one of us is familiar, at least in some degree, with markets. We have to pay prices. Each one of us gets his income from some source, and he knows something at least about how that income is obtained, the sources from which it comes, the factors that determine its size.

And then of course anyone who thinks at all seriously about economic matters, who observes with his own eyes not only his own economic behavior but that of the people among whom he lives can see the

processes of production and exchange go on, he can learn not a little about the way in which the values that are produced are distributed among the various people who contribute to the process of production. In a certain sense he does not need to the same extent as a physicist does special equipment for observation. To this day there are economists who tell us that laboratories are not required for our purposes, that the thing that is necessary is not to see how materials behave under artificial conditions such as can be observed in experiments: the really significant thing is to look within ourselves, by our own economic valuations, by our own experiences of the irksomeness of prolonged labor, and then to look abroad and see how actual men deal with one another. And if the economist needs any special methods of observation, the proper materials for him are not the kind of materials that might conceivably come out of laboratory; rather they are those wide records of human behavior that are contained in statistics, for statistics can extend the range of observation far beyond the reach of any man's eyes no matter how far the man is able to travel, no matter how ready his access to people in different social classes.

Further than that, these people who began to systematize economic inquiries had at their disposal a very considerable literature. The Mercantilists whom Adam Smith criticizes so effectively produced a vast pamphlet literature. They were not systematic writers, but Adam Smith could find much in English and French, and those who wanted to in Italian and in Spanish and German treatises that had been appearing for a century or two dealing with particular branches of trade, going into detail regarding what the writers thought were proper government policies to encourage manufacturers or to keep down rates of interest, or to stimulate the industry of the lower classes, to prevent the consumption of goods from rising to what they regarded as an extravagant scale. He could find an abundant literature on the colonies, on technical questions of money, on technical questions of organization, and so on without number. And for that matter he could go further back and see economic questions debated in philosophic fashion by the fathers of the Church. And, of course, if he thought it worthwhile he could consider what the

Greek philosophers, Aristotle in particular, had to say about such matters as money and trade.

It is not this knowledge of economic facts that was new in *The Wealth of Nations*, or in Quesnay's *Tableau Economique*, or in Cantillon's *Essay*, or in Boisguillebert. What was new was the organization of a vast amount of knowledge which was more or less common property and which could be extended in detail just so far as an investigator wanted to observe or which just in so far as he wanted to spend his time reading earlier pamphlets and tracts. The new thing was the organization of knowledge. What Adam Smith did was to show his contemporaries what were the leading problems of economic policy and what they knew about economic policy could be systematically grouped around a few leading ideas. And by this organization of knowledge he gave an enormously increased effectiveness to followers how, starting out from the organization he created, to extend the range of their knowledge, to make it wider, wiser, and more precise; and by the success of his own analysis he stimulated them to argue these questions which he had taken up.

Other sciences were not without examples of a similar sort. I do not know the history of biology in any detail, but I get the impression that what Adam Smith did for economics was in many ways like what Charles Darwin did for biology. If you read *The Origin of Species* you will find that Darwin cites an enormous amount of detailed evidence consisting largely of precise observations that had been made mostly by highly trained investigators, regarding the growth of plants and animal forms, regarding the similarity between parents and offspring or the differences that appear between them. Now that information was of course not common knowledge in the community as a whole to the extent that is only the specialist who is likely to give very close attention to problems of a biological sort, whereas all are forced by circumstances to give at least a little reluctant attention to economic questions. But still Darwin did have at his disposal a great deal of material in the same sense that Adam Smith had those old materials by suggesting a new framework which lent a new significance, a framework which seemed to

offer an answer and which suggested a hope of further investigations that needed to be made, investigations which had a very large part in making biology what it has become.

We do not, however, regard anybody's knowledge as full-fledged science until it gets beyond the stage of setting familiar materials in a new framework, of introducing points of view and of drawing only rather broad and general conclusions. The sciences which we find most useful, which we represent as the fine product of intelligence are sciences that are able to give their conclusions a high degree of precision, that is, sciences that have advanced to the stage of quantitative statement, that can measure the relative importance of the factors which they regard as of most important consequence, that can measure the effects which different causes produce. That was the stage that Darwin did not reach and you will find of course that some of the more radical experimental biologists of later time regard Darwin's achievement rather slightly. I have heard men say that after all Darwin's work stands closer to theology than it does to science; that he suggested ideas which he tried to support by evidence but that he has no real proof to offer, that proof can be had only by precise experiment. So a science remains insecure and of comparatively little worth until you reach the stage where you can determine with a high degree of exactness what are the relations among the processes that concern you.

Adam Smith certainly did not profess to reach this stage of exactness. His discussion runs almost altogether on what has been in later years called the qualitative plane. He makes comparatively little measurements, and that despite the fact that before the close of the seventeenth century a pretty strong beginning is to be found among members of the group that constituted the great Royal Society of which Sir Isaac Newton was the crowning glory. They were men who believed that just as Newton's extraordinary scientific work had derived its significance from the precision of his mathematical formulations, so in carrying science into the study of social affairs we must build upon the determination of quantity, that we must eschew discussion of matters which can be talked about only in vague and general terms. They held

that only knowledge of what happens in any department of society that can be counted, or weighed, or measured is of consequence to the future.

The most memorable figure among these early exponents of political arithmetic was Sir William Petty. Those of you who are interested in this department of economics will find a deal of interest in turning back to Sir William Petty's rather hazardous numerical speculations about the number of the population, the amount of the national wealth, and matters of a similar order. Petty was by no means the only one interested in political arithmetic. Vital statistics was getting its start in the time of Sir Isaac Newton largely through statistics based upon bills of mortality, that is, death certificates. And other later writers had begun to carry on this tradition. But unfortunately for them they ran against the great difficulty of finding proper measurements upon which to base their discussion when they got outside of a very narrow realm. And the controversies that were carried on, even within Adam Smith's own lifetime, among the leading political arithmeticians indicate how uncertain and insecure were the efforts to build up quantitative knowledge.

Among Adam Smith's slightly younger contemporaries was a celebrated pamphleteer, Dr. Richard Price, who dealt rather liberally with figures as well as with political arithmetic. Dr. Richard Price, about the time Adam Smith was writing *The Wealth of Nations*, undertook to prove that the population of England had fallen off thirty per cent since the Restoration. And he arrived at that astonishing numerical result by comparing the receipts from the hearth-money tax in the days of the first Charles and the receipts from the inhabited house data in later years. Well, needless to say, the data were not really comparable and that it is certain that Price was wrong. At the same time William Eden, using different materials, obtained largely from parish registers, was trying to show that the population of England had been growing and growing somewhat steadily during this very period when Dr. Price claimed it was declining.

Well, in view of the fact that there could be differences among two of the leading authorities of the day on a problem so simple as it seems to us

nowadays, and certainly so fundamental, as to whether population was falling rapidly or whether it was increasing rather rapidly, in view of the fact that such differences of opinion coil exist, it is not surprising that Adam Smith remarked in one passage of *The Wealth of Nations*: “I Have little faith in political arithmetic.” To him it seemed that for the time being that lead which had been worked on so confidently by able contemporaries of the great Sir Isaac was a lead that had turned out to yield comparatively slight results. The results it yielded seemed to him very precarious. So, it was natural that he turned back in his organization of knowledge to a simpler scheme, trying to make out what the factors in the problem were, even though he could not have determined with any degree of precision their relative importance, trying to demonstrate how these factors tended to go in the processes of social life, even though he could not measure the effects which should be attributed to the several factors intelligently. It did seem to him that he could prove on the basis of general argumentation, not supported by quantitative evidence, a conclusion of the utmost practical importance and of great intellectual interest, greater effectiveness by the “simple and obvious system of natural liberty” than it would be perfected by national planning of the Mercantilistic sort. And so, he gives us an organization of knowledge relatively elementary in the sense that it made very little pretensions at precision, but very significant in the sense that even without exact formulation it seemed to establish with a high degree of certainty conclusions of vast import.

### **Adam Smith’s Theories Contrasted with Those of the Mercantilists**

At the first meeting of the class, I presented the view that the several types of economic theory which we shall become acquainted with in this course differ from each other primarily in respect to the problems that are put into the forefront by the successive authors. Their difference lies primarily in the perspective in which they see the several leading problems of economics. And secondly, they differ from each other in respect to the common conception of human nature which successive writers upon general economic theory have entertained. We start with Adam Smith not because he represents the beginning of economic

theory—needless to say that is not the fact—but because his formulation was the earliest which has exercised a very potent influence upon the work that is being done in later times. In very large measure Adam Smith summed up and presented in superior form the contributions of his predecessors, and the people who have made constructive contributions to economic theory have in general not felt themselves under the need of going back earlier than *The Wealth of Nations* in their own researches, though again, needless to say, the historians of economic theory have done a great deal of work with his Physiocratic and Mercantilist predecessors.

In accordance with the view of what differentiates the types of economic theory from each other, our first question about Adam Smith is: what problems did he put into the forefront of the discussion, what was the perspective in which he saw the questions which economics treats, what was the general outline of the subject in his eyes? That question is very simply answered: it is answered, as I said at the first meeting, in the very title of his book *The Wealth of Nations*. The problem which Adam Smith conceives to be the master problem for an economist is the problem: how can the growth in the wealth of nations be most facilitated? A little more specifically, what line of policy is most conducive to the increase of the wealth of nations? And the answer to that question concerning the policy most conducive to the increase of wealth is again simply summed up in the term which has become famous, the two words *laissez faire*, in the belief that the wealth of nations will increase most rapidly if every person is allowed the fullest opportunity to decide for his own individual self what is the best way to use his labor and whatever capital he possesses. In other words, the best policy for governments (and, of course, when you talk about economic policies you are, in Adam Smith's day at least, certain to be concerned with the problem of the policies of government) is to interfere as little as possible with the occupations and investments of its citizens.

And the next question we want to ask about Adam Smith's type of theory is what conception of human nature did he entertain? You find that the conception of human nature that he entertained had a very great



deal to do in determining the answer that he gave to his question about the best policy for increasing national wealth. His conception of human nature has been briefly summed up by Walter Bagehot<sup>2</sup> in the statement that he thought there was a Scotchman inside every man, a person who was intent primarily upon pushing his own fortunes and who possessed a high degree of shrewdness in deciding what he could best do.

Now Adam Smith's problem of how the wealth of nations can most effectively be promoted was a problem that he got directly from his predecessors, the Mercantilists, that rather ill-defined group of somewhat unsystematic writers who treated a series of questions of public policy of an economic order. To the Mercantilist the one important thing to anyone interested in what we now call economics was the question: what is the right policy of the government to pursue in order to increase the national wealth, or the national power? They were primarily concerned with the national wealth because they conceived national power as resting on an economic foundation. And this power that they gave to the question as to what was best policy was almost always an answer in terms that could recommend themselves to most politicians of the day. It was that the government ought actively to undertake to guide the activities of its citizens into those lines which were conducive to national well-being. They recommended a series of ingenious regulations concerning the terms on which goods might be imported from abroad or exported. They went far in the development of a very elaborate and detailed tariff policy. They believed that the government should definitely encourage certain lines of manufacture by direct grants of bounties or monopoly privileges in some cases, and should do everything in its power to build up a great mercantile marine.

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<sup>2</sup> "Adam Smith and Our Modern Economy" in *Economic Studies* by Walter Bagehot (1895), p. 125. The paragraph referred to reads as follows: "Adam Smith approximates to our modern political economist, because his conception of human nature is so limited. It has been justly said that he thought 'there was a Scotsman inside every man.' His *Theory of Moral Sentiments*, indeed, somewhat differs in tone, but interest is treated far more universally intense, and his willingness to labor for that interest as far more eager and far more commonly diffused, than experience shows them to be. Modern economists, instructed by a larger experience well know that the force of which their science treats is neither so potent nor as isolated as Adam Smith thought. They consistently advance as an assumption what he more or less assumes as a fact."

The Mercantilists also thought the government should acquire colonies and run the affairs of those colonies in the interests of the home country; that the colonies be required to buy commodities in the home country; and, on the other hand, the colonies be forced to export their raw products to the home country instead of trading with any nation with whom they could make the best bargains. They believed the labor force of the country, that is, most of the working people, should in a broad degree be the wards of the government; that the government should determine the conditions for entrance to every trade; that it should adopt sufficient apprenticeship rules in order to see that in each trade there be adequate workmen and no more than adequate. That the government should lay down the terms of admission to any occupation. That the government should regulate or supervise, at least in the large, the wages that were obtained. And so, for almost the whole realm of economic life; that the government should have a detailed economic policy which required active intervention in the affairs of the community in a thousand and one ways, all with the great purpose of achieving exactly the aim Adam Smith wanted to achieve; the most rapid possible increase in the country's wealth.

So, Adam Smith, while having the same problem as the focus of his attention as the Mercantilists, arrived at a very different solution from the one which they recommended. He arrived at a very different solution despite the fact that he had, in part at least, the same working conception of human nature that the Mercantilists had. The real difference between Adam Smith and the Mercantilists arose from the fact that Adam Smith held that when every man was following his own advantage the net resultant was bound to be that which was most conducive to national welfare for the simple reason that the wealth of the country was, in his eyes, the sum total of the wealth of its inhabitants; therefore, anything which promoted most effectively the wealth of the individuals who belonged in the community was the policy which must of necessity contribute most to the growth of the national wealth. The Mercantilists held that if every man tried to do those things which were for his own advantage very grievous national ills would arise unless some statesman

who was looking out for the fortunes of the individuals in the interests of the welfare of the whole commonwealth, should formulate a general plan and by ordered regulations get it effected.

Now I want to make what I have been saying rather clearer by reading you some extracts, first from *The Wealth of Nations* and second from the best representative of Mercantilist lore. I start with a passage in *The Wealth of Nations* which shows you the basis for Walter Bagehot's remark that Adam Smith thought there was a Scotchman inside every man:

...The uniform, constant, and uninterrupted effort of every man to better his 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.<sup>3</sup>

Adam Smith is there, you see, taking it for granted that every man behaves like the Scotchman of the cartoon and the movie; he is characterized by well-nigh constant and uninterrupted effort to better his condition. And he also takes it here without argument that this is the principle from which public and national as well as private fortune is derived.

Now I will read you a passage a little longer which comes somewhat later in the book:

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 necessarily leads him to prefer that employment which is most advantageous to the society.

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<sup>3</sup> *The Wealth of Nations*, Bk II, ch 3; Cannan ed., vol. 1, p. 325; Everyman ed., vol. 1, p. 306; Modern Library ed., p. 326.

And then a page or two later he explains somewhat the reason why he thinks that the individual's "study of his own advantage naturally, or rather necessarily, leads him to prefer that employment which is most advantageous to the society."<sup>4</sup> The reason that he gives runs as follows:

But the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that exchangeable value (p. 413).

In more modern terms: the national income is the sum of the income of the people who belong to the nation.

As every individual, therefore, endeavors as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labors to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need to be employed in dissuading them from it.

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<sup>4</sup> *The Wealth of Nations*, Bk IV, ch 2; Cannan ed., vol. 1, p. 419; Everyman ed., vol. 1, p. 398; Modern Library ed., p. 421.

Then, going on with the argument—and he is here talking about the inexpediency of national interference with foreign trade by means of tariffs—he said:

What is the species of domestic industry which his capital can employ, and of which the produce is likely to be the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him.

The emphasis there, you see, is on the fact that every man knows his own circumstances vastly better, in Adam Smith's language, in his local situation he is a better judge as best to employ his capital than anybody in the distant capital of the country can judge. It is evident with Adam Smith that it takes no evidence to substantiate the argument.

The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.<sup>5</sup>

You see how bold and sweeping that argument is from Adam Smith's eyes; everybody quite obviously is pursuing his own interest; everybody, it is evident, in his own local situation is a better judge of where his economic interest lies than any statesman could be. Therefore, the individual will get on best if he is left alone by the government. But the income of the nation as a whole is nothing but the sum of the income of the individuals who compose the nation. Therefore, the policy which is most advantageous to individuals must be the policy which is most advantageous to the nation. There is the great fundamental argument for *laissez faire*.

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<sup>5</sup> *The Wealth of Nations*, Bk IV, ch 2; Cannan ed., vol. 1, p. 421; Everyman ed., vol. 1, pp. 400-401; Modern Library ed., p. 423.

Adam Smith goes through his discussion, but points out that there are certain exceptions to this general rule, but the exceptions are not numerous and they are all defended on the grounds of considerations which must take primacy as contrasted with considerations of the nation's wealth; above all, great questions of national security. He is rather inclined to defend economic regulations the end of which is to make the nation secure. It is worth sacrificing some of the larger wealth that you might otherwise obtain for this fundamentally important aim. But except for matters of that sort the government should pursue the policy of *laissez faire*, that is, the policy of giving every individual citizen an opportunity to pursue his own economic interests unhampered save that no one must pursue his own individual interest in ways that deny his fellow citizens similar opportunities.

I want to read another passage, hardly less celebrated than the one I just read. It occurs almost at the end of the Fourth Book in which he is examining elaborately the economic system recommended by the Physiocrats, a system which we shall see a little later on had something in common with his own and from the study of which he profited a great deal. He winds up his remarks with these ringing words:

It is thus that every system which endeavors, either, by extraordinary encouragements, to draw towards a particular species of industry greater share of the capital of the society than what would naturally go to it; or, by extraordinary restraints, to force from a particular species of industry some share of the capital which would otherwise be employed in it; is in reality subversive of the great purpose which it means to promote. It retards, instead of accelerating, the progress of the society towards real wealth and greatness; and diminishes, instead of increasing, the real value of the annual produce of its land and labor.

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

Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which we must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society. According to the system of natural liberty, the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understanding; first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain public works and certain public institutions which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society.<sup>6</sup>

It was in the eighteenth century that you find the great prophet of the coming day in economics talking about natural liberty in following your material interests, in just that same large and evident way concerning which his admirers in the United States and presently in France began to talk about political principles, and the two ideas really had a great deal in common. He says the government has just three duties: one is public

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<sup>6</sup> *The Wealth of Nations*, Bk IV, ch 9; Cannan ed., vol. II, pp. 181-185; Everyman ed., vol. II, pp. 189-181; Modern Library ed., pp. 650-651.

defense, second the administration of justice, and third the maintenance of public works such as roads and bridges, perhaps the post-office, probably not the schools. Had Adam Smith lived a generation or two later he might have considered public schools as fit item falling under his third head here, public works and institutions.

By way of contrast to this philosophy of Adam Smith, let me read you some passages from his contemporary, another Scotchman, Sir James Steuart. Sir James Steuart had been a Jacobite in his younger days and as such had been banished. That had led him to spend a good part of his life upon the Continent. He was as typically a Scotchman as Adam Smith, very much interested in economic affairs, a very close and detailed observer of economic policies in all the countries with which he had been acquainted in his enforced travels, and a very systematic writer. In his middle age he was allowed to return home and he set himself to work writing a great treatise on economic policy which he called *An Inquiry into the Principles of Political Economy: Being an Essay on the Science of Domestic Policy in Free Nations*. This was published in 1767. You see, that was just nine years before *The Wealth of Nations* came out, and I think it is fair to say that Sir James Steuart's *Inquiry* is, broadly speaking, about the most systematic summary of Mercantilist wisdom which was compiled.

If the Scotchman inside every man is the central figure in Adam Smith's economic philosophy, the statesman occupies a similarly central position in Sir James Steuart's philosophy. It is his task not only to develop schemes of statecraft but also to see that these schemes are obeyed, put into actual practice. The first passages that I will read you concern the question of the means by which the statesman is to get his schemes of national economic policy acted upon. And you will see that in this explanation Sir James is presenting a perception of human nature very similar to the one which Adam Smith presented, though there is a different point, a critical point of difference.

The principle of self-interest will serve as a general key to this inquiry; and it may, in one sense, be considered as the



ruling principle of my subject, and may therefore be traded throughout the whole. This is the main spring, and only motive which a statesman should make use of, to engage a free people to concur in the plans which he lays down for their government.

Indeed, he starts with self-interest like Adam Smith but at once proceeds, without arguing, to hold that this is a principle of which the statesman should make use.

From this principle men are engaged to act in a thousand different ways, and every action draws after it certain necessary consequences. The question therefore constantly under consideration comes to be, what will mankind find it their interest to do, under such and such circumstances? ....

The best way to govern a society, and to engage everyone to conduct himself according to a plan, is for the statesman to form a system of administration, the most consistent possible with the interest of every individual, and never to flatter himself that his people will be brought to act in general, and in matters which purely regard the public, from any other principle than private interest.

Public spirit, in my way of treating this subject is as superfluous in the governed, as it ought to be all-powerful in the statesman...

You see there is close kinship with Adam Smith there, that assumption that public spirit is superfluous in the governed.

at least, if it is not altogether superfluous, it is fully as much so, as miracles are in a religion once fully established. Both are admirable at setting out, but would shake everything loose were they to continue to be common and familiar. Were miracles wrought every day, the laws of nature would no longer be laws; and were everyone to act for the public and neglect himself, the statesman would be bewildered, and the supposition is ridiculous.

I expect therefore, that every man is to act for his own interest in what regards the public; and, politically speaking, every one ought to do so. It is the combination of every private interest which forms the public good, and of this the public, that is, the statesman, only can judge.....

There you see the critical difference comes out. “It is the combination of every private interest which forms the public good,” just as to Adam Smith the wealth of the nation is the sum of the wealth of the individuals that compose it. The difference between the two men is that one takes for granted that the pursuit of private interest will, in his own language, prompt that of society, while the other has the shrewd conviction that the public good must be looked after by people who make this their one great task, that is, by statesmen, for without a definite plane the pursuit of private interest would lead to public injury.

Were the principle of public spirit carried farther; were a people to become quite disinterested, there would be no possibility of governing them. Every one might consider the interest of his country in a different light, and many might join in the ruin of it, by endeavoring to promote its advantages...

Now as I suppose my statesman to do his duty in the most minute particulars, so I allow every one of his subjects to follow the dictates of his private interest. All I require is an exact obedience to the laws. This also is the interest of everyone; for he who transgresses ought most undoubtedly to be punished; and this is all the public spirit which any perfect government has occasion for.<sup>7</sup>

Here is another passage. It is not possible to get from Sir James Steuart anything that puts his central philosophy in concise form as *The Wealth of Nations* for the reason that Sir James was not gifted with Adam Smith’s grasp of ideas and that he did not have Adam Smith’s genius of exposition. I suppose few writers have ever lived who were more skillful

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<sup>7</sup> *An Inquiry into the Principles of Political Economy*, London, 1767; vol. I, pp. 162-165.

in setting their views in broad and persuasive fashion than Adam Smith. So, to repeat, I cannot get anything that is quite as nice an exposition of the central viewpoint here. You have to take passages which bear upon details and see what they imply. Here he is discussing what happens when a country begins to go backward, a trading nation.

...so soon as matters begin to go backward in a trading nation, and that by the increase of their riches, luxury, and extravagance take place of economy and frugality among the industrious; when the inhabitants themselves foolishly enter into competition with strangers for their own commodities:

You see, these are silly things people are inclined to do if left unguided; increase of riches will betray them into extravagance, and they foolishly enter into competition with strangers for their own commodities.

...and when a statesman looks coolly on, which is exactly what Adam Smith says the statesman should do while people are attending to their own affairs

...with his arms across, or takes it into his head, that it is not his business to interpose, the prices of the dexterous workman will rise above the amount of the management, loss, and reasonable profits, of the new beginners; and when this comes to be the case, trade will decay where it flourished most, and take root in a new soil...<sup>8</sup>

That is, you will have wages rising to an unprofitable level, you won't any longer have a thriving industry, and the country will be impoverished.

One other passage. Here he is talking not about the decay of once flourishing things but about how to develop infant industries; he talks about infant trades.

The statesman who resolved to improve this infant trade into foreign commerce must examine the wants of other nations,

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<sup>8</sup> Ibid., vol. I, p. 236.

and consider the productions of his own country. He must then determine, what kinds of manufactures are best adapted for supplying the first, and for consuming the latter. He must introduce the use of such manufactures among his subjects; and endeavor to extend his population, and his agriculture, by encouragements given to these new branches of consumption. He must provide his people with the best masters; he must supply them with every useful machine; and above all, he must relieve them of their work,

That does not mean shorter hours. It means he must make a market for their products.

when home demand is not sufficient for the consumption of it.<sup>9</sup>

The statesman, thus, must do it all.

Now Sir James Steuart was undoubtedly expounding the view which was not only traditional in England, which was not only embodied in the country's existing scheme of legislation, but also the view that was accepted as plain common sense. Adam Smith, on the other hand, inholding that the statesman should sit still with his arms across and look calmly on while people were following their own interest, challenged in the most direct fashion the laws of England relating not merely to all imports and exports of commodities to foreign nations but also substantially to all the laws relating to the management of the country's colonies, the enormous mass of legislation relating to the conduct of the various trades, the time-honored scheme which was supposed to regulate the wages of people throughout the country; laws for preventing prices from being carried to exorbitant heights, laws which were supposed to protect borrowers from the necessity of paying usurious rates of interest. He was challenging a whole scheme of life which had grown up in England and which rested on exactly the sort of thing that Sir James Steuart was systematizing. It was a message that struck intelligent people in his generation like a fresh wind front he mountains. It makes a

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<sup>9</sup> Ibid., vol. I, pp. 302-303.

very different impression upon us nowadays, primarily because Adam Smith succeeded, or rather his successors succeeded in getting Adam Smith's philosophy accepted in very large measure by modern countries, most of all by England itself. It became for a considerable time the dominant economic gospel of his country, a doctrine which became dominant but, on the other hand, a target of criticism. Our minds, of course, have been formed in that era when people are beginning to react against the philosophy which was to the minds of most people so novel in the days when *The Wealth of Nations* was published.

### **The Logic of Adam Smith's Theories**

At the last meeting I pointed out the sharp contrast between the opposing views of Adam Smith and his Scotch contemporary, Sir James Steuart, upon the question how best to facilitate the increase of national wealth. We find Sir James Steuart standing for the traditional policy that a statesman should develop a grand scheme of economic mobilization and frame the necessary laws and regulations to compel the citizens of the country to do those things which he as a statesman saw were conducive to national economic prosperity.

And Adam Smith we found working for a thoroughgoing policy of *laissez faire* what he himself called "the obvious and simple system of natural liberty." Today I want to discuss the question how Adam Smith came by his strong faith in the superiority of the simple and obvious system of natural liberty as a means of promoting national prosperity over the traditional system of guidance by a statesman.

Now the question which of these two lines of policy is in fact more conducive to national welfare is a question which in the realm of fancy might be decided by factual observation. If you could find two countries one of which adopted the *laissez faire* policy and the other of which had a thoroughly worked out system of Mercantilism, countries which in other respects were similarly situated, and if you could then get reliable statistical measurements of the annual produce of the two nations over a half century or a longer period you might be able to say with

considerable confidence that you had demonstrated the superiority of one system or the other.

Well, needless to say, that was not a method of proof open to Adam Smith. There was in his day no country in the world which was actually following the policy of *laissez faire*. And if there had been one such country, it would have certainly differed in a variety of respects from the rest of the nations of the world which were pursuing Mercantilist policies. And anyone who doubted the conclusions that were based on observation of the *laissez faire* country and the Mercantilist countries might have ascribed the difference between their relative prosperity to some one of the other ways in which they differed from each other. You might have said this country has a better climate, or more energetic people, or the people are Protestant instead of Catholic, or there is a different form of government. Heaven knows how many different explanations might be found.

That way of working simply was not at all feasible; and Adam Smith did not arrive at his faith in the superiority of *laissez faire* by any such direct process, at least of observation. He demonstrated his conclusions by argument; what he gives us is a syllogism. And the real question to be faced by anyone interested in finding out whether his opinion is sound or not would concern the legitimacy of the assumptions on which that syllogism rested. For like all syllogisms it was built by combining certain premises and on the basis of the premises drawing what appeared an inevitable conclusion.

So let us look at these premises and see where Adam Smith got them. The first proposition on which his syllogism rests is that there is a Scotchman inside every man, to quote his own phraseology again: "The uniform, constant, and uninterrupted effort of every man to better his condition" is assumed. says every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. That is an assumption concerning the character of human nature. Adam Smith is taking it for granted and he uses very strong language that every individual is characterized by a uniform, constant, and uninterrupted effort to better his condition.

Now is that assumption a valid one? How did Adam Smith convince himself that this is true of people at large? Do you accept the assumption yourself as applying to the community in which you live? If you question it, on what grounds? And do you question it simply by pointing out that there are exceptions to the rule, that there are such people as tramps, for instance, that in more fortunate surroundings there are spendthrifts? Include every individual, does it? Or do you question the word "continually" and say that a good part of our time we are, after all, quite intent on finding the most advantageous employment for our capital or trying to better our condition, but that we also engage in other pursuits other pursuits out of which we get more satisfaction. Or would you be inclined to say this is a rather fundamentally wrong picture of human nature; that men, as a matter of fact, lack that hard rationality which Adam Smith ascribes to them, that they are by no means so energetic, so alert to their own advantages as he assumes? Suppose you do differ from Adam Smith, how could you maintain your position against him? Quite clearly this is an assumption, isn't it, an assumption which you can challenge, which I suppose most modern people would be inclined to challenge, at least in the very rigid form in which Adam Smith put it forward, but an assumption which we find it exceedingly difficult to replace by some different statement which we can approve.

Adam Smith had to get that from his own rather casual observation of the community of which he was a part, supplemented by the prevailing ideas of The students of human behavior of his time, just in the same way we get whatever ideas we hold of human nature: observations, first, of our disposition which we are rather prone to think common; second, by observation of the people about us; and third, whatever contact we have with definite inquiries into the field of human motive, how people act.

The second proposition in Adam Smith's syllogism is that every individual is the best judge of how to spend his own time and labor, notably a better judge than a statesman can be. Once more to quote his own language:

What is the species of domestic industry which his capital can employ, and of which the produce is likely to be the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him.

-better judge of the most advantageous course of economic activity to follow. Well, here you see Adam Smith treats his view as a matter that admits of no discussion. It is clear that a statesman, though he may be a vastly abler individual than Tom Jones, still would not know Tom Jones's circumstances in his knowledge of the local circumstances which puts him in a better position to judge what he had better undertake than somebody living in London might judge.

Let me ask again, is that proposition evident to you? And if it is not evident, why do you doubt it, what is your ground? Is it evident to you that something quite different from what Adam Smith said on this head is the truth? And if so, how can you defend your position if somebody questions it as we are now questioning what Adam Smith said?

Presumably if whatever view you entertain is questioned, you will find very considerable difficulty in adducing evidence which will convince the skeptic of your opinion. What can you resort to, after all, in the way of convincing evidence of the broad issue as to whether a statesman is a better judge as to what to do than a given individual? And what if you again perhaps after all find that your difference from Adam Smith came down to the quantitative matter that some individuals can judge better than the statesman can do but some individuals cannot? And what if you come to think the question would be: what proportion of the individuals would be better judges and what proportion of the individuals in the community require guidance of the sort that can be provided by a statesman?

That is one of the matters of course on which we do not have any definite information to this day. We do not have observations that we can rely upon to decide such issues, presumably even if we should spend an hour in discussing the question. We would find that we are debating with each other and debating on a basis where it would be exceedingly



difficult for us to find. any definite criterion to which we could submit our diverging views, and the verdict of which we would accept unhesitatingly. There are plenty of questions on which men's opinions differed in Adam Smith's day and about which people did carry on rather lively controversies and which nowadays we can answer in a very effective fashion. For example, two of Adam Smith's rather distinguished contemporaries interested in economic matters were interested in whether the population of England had increased or decreased since the revolution of '69. Dr. Richard Price thought there had been a decrease and he brought forward what seemed to him adequate statistical evidence. Various people, among them William Eden, held there had been a decided increase in the population, and they again had statistical evidence upon which to base their view. Nowadays if anyone wants to know whether the population of Great Britain had decreased or increased since 1850, there would be a very simple way of settling the question, for there is definite systematic information gathered to which any interested person would turn at once if the question were raised, and evidence of such a convincing sort that any man at all competent to engage in such discussion would be quite willing to accept as decisive, whatever his own personal preliminary views on the subject may have been.

Well, that is true about simple matters like the movement of population. We are in a position nowadays to discuss such matters with more security than most learned people in the last quarter of the eighteenth century. But there are plenty of issues, live and fundamental matters like the one concerning the superiority of individual judgment over statesmanlike guidance which we still cannot meet in the same certain, definite and decisive fashion.

Adam Smith's third proposition is that the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather, is precisely the same thing as that exchangeable value. Now the context of this quotation shows that when he was speaking about the annual revenue of every society being precisely equal to the exchangeable value of the whole industrial output

of the country, he was thinking of the industry of the individual citizens composing the country; that is, the national income is the sum total of all incomes. And he takes that as a matter of actual identity.

Well, that is another assumption. The real question of course is whether the government as such is not one of the great producing agencies. I say the government as such, and nowadays of course we are inclined to think that governments are producing agencies. As a matter of fact, this is one of the earliest of Adam Smith's propositions to be challenged. Still another Scotchman, Lord Lauderdale, slightly younger than Adam Smith, in reflecting upon *The Wealth of Nations* thought that Adam Smith had made a fundamental error in identifying the national wealth as the sum total of individual wealth. He pointed out that there are important parts of the wealth of the country that are not owned by individuals.

When you stop to think about it, Lauderdale is obviously right. Nowadays you find people who are interested in such matters as ascertaining the national income of the country estimating on no very secure statistical basis the income that is produced by various branches of government, from the local school districts up through the municipal, county, and state governments, to the Federal government. And you will find that the people interested in studying real incomes of wage-earners point out that quite apart from what wage-earners buy, they get a very substantial income in the shape of what are, so far as their individual occupations are concerned, free goods. Education of children is provided for them by the states; they have in most cities various forms of recreation; there are the roads and parkways that they enjoy; - a great diversity of things, quite apart from what is definitely given to the poorer members of society in the way of charity from public agencies.

Every one of Adam Smith's assumptions, then, if you take them up in detail and begin to examine them critically may seem to you to be open to question. If you do question them you may convince yourself—I think you will find it very hard indeed to show just how far your view is correct and just how far Adam Smith's view is wrong. The notable thing is that Adam Smith was able as a singularly realistic observer of life in a

broad sense, as a singularly keen philosophic mind, to assume that human nature is of a very alert, rational type, intent upon pushing private interests; that he can assume without hesitation that everybody is the best judge, or is a better judge of how to promote his own fortunes than any statesman could be. And when he can assume that the wealth of the nation is simply the sum total of the income of the individuals that compose it if you grant Adam Smith these assumptions, then his conclusion follows inevitably, for there is nothing wrong with the syllogism, that is, the logical part of it is sound. Whatever questions you have are questions that relate to the legitimacy of the assumptions which are used in the syllogism.

Now let me go back to the fact that with even less argument one of Adam Smith's abler contemporaries came to precisely opposite opinions, and that this other man, Sir James Steuart was speaking for the common sense of his time, the current beliefs of the intelligent public. Certainly, the beliefs of the ruling classes were the beliefs that Sir James Steuart was expressing. And Adam Smith's claims for the simple and obvious system of natural liberty were the claims of a radical, so far as philosophic speculation was concerned, challenging in a most vigorous fashion views that were then current. Adam Smith's views, if accepted, would imply all sorts of sweeping practical changes in the government of the country. As a matter of fact, they involved a good deal more than economic changes. If Adam Smith's view of human nature is right, then you have a good case for a system of democratic government such as England at that time was far from possessing. If you really could attribute to every individual this keen desire to promote his own welfare, then quite clearly every individual ought to have a chance in deciding what the public policies of the country should be, and that means, at the very least, manhood suffrage.

What I now want to discuss is how Adam Smith came to entertain this daring faith, a faith that he seemed to hold implicitly, although the assumptions which it involves may seem to us very questionable. In order to make that clear I have got to remind you, and in some detail, of how the economic life of Great Britain was developing. I said that Sir

James Steuart was speaking for British traditions, one might say European traditions. And yet it is, I think, perfectly true that Adam Smith's faith in the superiority of individual initiative and enterprise was only a philosopher's rationalization of a practice which was becoming very common in the England of his day, a practice which people found themselves engaged in, though it often ran counter to the laws, and from which they derived individual benefit, often times with compunctions in the belief that what was good for themselves was injurious to the body politic, but which men were continually doing on a broad scale. And then comes a philosopher who says what the people are doing is not wrong but exactly what ought to happen. By rationalization of what most energetic members of the population were doing in practice, Adam Smith did a great deal to stimulate the increase of individual initiative, its rapid spread. It was because Adam Smith's book was in a genuine sense an endorsement of a practice becoming most familiar it turned out to be one of the most influential books published. It was followed in a far shorter time than Adam Smith dreamed possible by a drastic change in the tenor of England's economic policies, ushering in a new day within two generations or thereabouts after *The Wealth of Nations* had been published.

The new theory was an intellectual reflex of a new practice of individual initiative in economic affairs – new at least in its scope and in its disregard of repressive conventions, a new practice that was growing up in England during Adam Smith's time. The faith that Adam Smith had in individual initiative as opposed to reliance on the sagacity of the statesman was the result of his reflections on what he saw about him. A review of developments in the eighteenth century will illustrate this, and serve as an example of the way in which our thought on economic matters changed.

The eighteenth century in England was a period of peace as things went. There were within the hundred some fifty-six years in which the country was not engaged in any considerable foreign war; a relatively peaceful period, in which men's minds turned in larger measure than in preceding generations to thoughts of their economic interest. It was not only a

period in which there was relatively little foreign war, but a period in which the domestic turmoils of the seventeenth century had been settled, so that the country internally, as well as for more than half the time externally, was not distracted by those matters which war, domestic and foreign, always brings to the forefront. What use the English people made of this relatively quiet and peaceful time to develop their economic interests is the matter which I shall take up when we meet again.

## **English Developments in The Eighteenth Century**

### **The Phenomenon of Individual Initiative**

The development of economic theory is part of the development of men's minds, men's intelligence. That is the result of a social process; and if we want to see this in its real significance for us, we must endeavor to understand the circumstances out of which the development came. Men began to think very seriously about economic problems and to conceive the idea that their thoughts concerning these problems could be arranged on the model of the already established sciences; that they could be systematized and made into a more or less coherent discipline.

With the aim of giving some degree of concreteness to that general statement, I shall endeavor today and possibly at the next meeting or two to show the circumstances which I conceive to be of particular importance in leading to the rise of classical political economy in England. I already started that undertaking at the last meeting by beginning to recite a few of the very important facts of British history which appear to be relevant to our purpose – facts, most of which are already known to you, but facts which I think were very likely never assembled and reflected upon as bearing upon the way in which men were endeavoring to treat their economic problems.

The first of these very important facts is the one that I mentioned at the last meeting: that the eighteenth century in England was, as things went in European history at that time, a period of peace – a period in which there were no very serious civil disturbances in the country, and in which, so far as international relations were concerned, England was at peace for rather more than half the time.

Under these circumstances, arts of life developed at a more rapid pace than had been the case in the preceding centuries. Of course, all students of economics are particularly familiar with the changes which were taking place in the economic organization and industrial methods of the time. In the sixteenth, still more in the seventeenth century, British commerce had been growing on a large scale, and the like was true of the domestic trade. This expanded market contributed to and was itself enhanced by certain changes which were taking place in the methods of commercial organization. The eighteenth century was a period in which the older, rather small-scale methods of organizing an industry for production and distribution of wares were giving place to something corresponding more closely to the modern capitalistic models. That movement which is frequently referred to as the Commercial Revolution, and concerning which we shall have more to say at a slightly later stage, is one of the matters commented upon in all modern books upon English commercial history covering this period.

Still more familiar as a subject of discussion in economic histories are what are usually called the Agricultural Revolution and the Industrial Revolution. The Agricultural Revolution meant, on one side, some important improvements, in the arts of growing crops and breeding animals, improvements such as more thorough cultivation of the soil, the introduction of certain new crops which were of particular advantage, I believe, in producing nitrogen, and more systematic crop rotations, as well as very material improvement in the breeds of sheep and cattle and hogs, and for that matter of horses. On the other side, this Agricultural Revolution was closely connected with a new form of organization, and just as the Commercial Revolution was largely a matter of reorganization on a large scale, so the Agricultural Revolution was changing the relationship of people interested in farming. The most notable feature of the whole process was its connection with the inclosing of the old commons or open field – the diminution of the proportion of the land which was cultivated on the manorial system and the diminution of the land which was held on small estates; the increase of large estates run more or less for profit.

With regard to the Industrial Revolution the great inventions are among the topics that all of us have had called to our attention on many occasions. And we know that by the close of the eighteenth century the attempts to apply these new inventions, these new machines, in industrial processes were leading to new forms of organization in industry. The basis was being laid for the rise of the factory, for its rapid development as a great factor in the country's production.

Now all that is of first-rate importance to us and so familiar that I need no more than call your attention to these economic developments as a very important part of the general picture. I want also to remind you that the eighteenth century was also a period of initiative as a mass phenomenon in almost all the arts of life. The eighteenth century was the golden age of English pottery, the age of her great furniture makers. It was the time when Handel was writing his great oratorios Portraiture perhaps reached its height with Gainsborough, Reynolds, and others. It was a time, too, of the appearance of new types in literature. The novel is, I think fairly said to be an eighteenth-century invention – the novel in its modern form took shape in England, at least. Robinson Crusoe was published in 1719, Pamela in 1740, Clarissa Harlowe in 1747, and Tom Jones in 1749. It was also at this time that a new type of biography made its appearance at the hands of James Boswell whose life of Dr. Johnson is not only a classic because of its merits but because it was the first time that any man had conceived of setting forth a life of someone else in such intimate and effective a fashion. It was also a time of popular history, there appeared Hume's History of England, Roberts's History of Scotland, and Gibbon's Decline and Fall of the Roman Empire. These books were for the world models of exposition concerning the past of the race, which made quite a different appeal, suggested quite a different outlook on life from the kinds of histories that had been provided theretofore.

Perhaps even more important for our purpose was the fact that the eighteenth century was the time when journalism was gradually assuming its modern form. The first daily paper in England that lasted more than a week: was first published in 1703. That was presently

followed by a series of periodicals which exercised a very great influence upon politics, as well as upon literature, such as *The Tatler*, *The Spectator*, *The Guardian*, and their followers. *The Gentlemen's Magazine* was set up in 1731, and was the forerunner of the whole host of monthly periodicals which have followed it. Also, the newspapers were gradually becoming a very important organ of political discussion. The famous *Letters of Junius* appeared in a newspaper beginning in 1767, and before the century was out, newspapers of the modern type were making their appearance. That is to say, newspapers which made their appeal and their money by uniting two functions, that of news on the one hand and advertising on the other. The attempt to combine these two things in a single sheet was, it appears, a London development which came in the decade between 1770-1780. In that decade, indeed, two of the famous newspapers were set up: *The Morning Post* in 1772, and the *London Times* in 1788; and they were followed in 1794 by the *Morning Advertiser*.

It was also a period when there was very lively interest in realms of thought rather closely related to economics. The eighteenth century is one of the most brilliant periods in British philosophy; and the British philosophers of that time were men who were discussing many questions which had much more than a meta-physical merit. Locke died in 1704 - his activity belongs in the preceding century; but, of course, there were Hume, Bishop Berkeley, and William Paley; these are men who belong to the eighteenth century; and if you know their works at all, you realize how genuinely these men, like their predecessor Locke, united a very keen interest in the discussions of the day with an interest in such problems as the canon of causation.

It was also a period when political theory was being discussed in a more definite and systematic fashion than had been common before in England - discussion not so much of current problems of the day but just as a matter of how modern communities can manage best to conduct their own government. Burke, of course, is the great outstanding figure of the latter half of the eighteenth century in this respect.



It was also a period when the law was undergoing notable transformations. It was in the eighteenth century that Mansfield was Lord Chief Justice of England, and he organized the commercial law of Great Britain, adopting a practice which apparently seemed like a rather important innovation in English legal practice. When he had cases of the commercial order coming before him, he called upon men in the various lines of business to come in to explain for the benefit of the Court their various ways of handling matters which were strange to English law, matters relating to negotiable paper contracts of one sort or another which had not been familiar in earlier British practice, and thus endeavoring to give us decisions largely upon the basis of prevailing practice as explained by these people; with an eye, of course, to his own views concerning what was the most desirable form for this practice to assume in order to increase the efficiency of business and public interest in the long run. The eighteenth century was also the time of Sir William Blackstone whose Commentaries until perhaps to our own generation have 'constituted the most important text-book of the law, not only for Englishmen, but also for men of those countries which have inherited the British legal system.

Philanthropy was another field in which you see notable developments. Rather early in the century James Oglethorpe organized a grand scheme for colonizing Georgia with people who consisted largely of condemned criminals, and arranged the colony in such a fashion that their life under the new conditions would reform the character of the colonists.

Somewhat later you have the beginnings of prison reform on a grand scale through the labors of John Howard. Jonas Hanway started the movement for taking more effective care of children and guarding them against exploitation. And the close of the century saw the beginning of the great campaign for the abolition of slavery in the British colonies, Sharp, Clarkson, and Wilberforce starting the movement in the 1780's--a movement which achieved success around the 1820's.

It was also through philanthropic effort that a movement got started which has developed gradually into compulsory education for children of all classes. In the early part of the eighteenth century a very small

proportion of children in Great Britain were able to read and write. The beginning of this education seems to have been due primarily to the enterprise of the Sunday School Society; its aim being primarily to enable students to read their Bibles, but of course one who could read the Bible was also able to read a newspaper.

And the like is true in general. The even tenor and somewhat worldly life of the Church of England was invaded by the work of John Wesley and George Whitefield, the two preachers who did so much to arouse their admirers to spiritual interest; one of whom, John Wesley, was a most extraordinarily able organizer, a man who succeeded in creating an organization which gathered momentum for several generations after his death,

And what is true of the arts, of literature, philanthropy, and religion is true, perhaps in less striking fashion, in science, Newton died in 1724, and he had, of course, no successor of his standing in England. It is fair to say that the primacy in mathematics crossed the Channel; the great mathematicians of the age were the men connected with the French Academy. But in many branches of work many Englishmen were working in a most effective fashion. Bradley discovered the aberration of light and Sir William Herschel undertook the revision of the calendar. The eighteenth century was the time of Joseph Black, of Joseph Priestley who discovered oxygen, and of Henry Cavendish, that curious aristocratic scientist whose name has become immortalized. It was also the time of James Hutton in the field of geology, and of John Hunter in surgery. Some of the scientific ideas began to be used in the treatment of human ills. To see what changes had come about, I might mention the curious fact that one of the leading physicians of his day, Richard Mead, who published a Latin treatise on disease that was translated into English in 1748, discussed among others the diseases caused by the sun and the moon; and while those were views that could be held by some of the eminent members of the profession in the middle of the century, the end of the century saw the announcement of the efficacy of vaccination, the study of pathology, and the use of dissection. John Pringle made a study

of scurvy and other diseases in the army. These were studies that laid the foundations of modern medicine.

In the field of adventure, the eighteenth century was full of unusual activity. In 1766 Cook roved the Pacific to New Zealand and Australia; in 1791- 95, Vancouver commanded an expedition to the northwest coast of America; Matthew Flinders surveyed the Australian coast, and James Bruce explored Africa.

These explorations and the extension of British commerce were accompanied by a very rapid growth of the Empire. Gibraltar was taken by the British, and in the course of the century the conquest of Canada was completed; Ceylon and Malta were added to the British dominions; and British rule in India was rapidly and dramatically extended by Clive and Hastings. In the course of the century, one group of colonies showed their enterprise by setting up an independent government.

While England was successfully fighting Spain and France, she was also winning naval supremacy from the Dutch British commerce same to surpass that of the Dutch, and London gradually displaced Amsterdam, both as the commercial and as the financial center of Europe.

Now the moral of all of this for our purpose is that in the course of the eighteenth century you find evidence of the fact that individual initiative was becoming a mass phenomenon. Every one of the rather notable events I mentioned is, of course, associated with the name of some remarkable person or several remarkable persons. But the fact is, of course, that these remarkable people who get mentioned in the later histories stand for a very much larger number of people, who perhaps met with less fortunate circumstances, or had less vigor, or slighter enterprise, or were less lucky, it may be; but who nevertheless were doing the same sort of things. We know, for instance, definitely that while the great outstanding agricultural reformers were Jethro Tull, Lord Townshend, and Coke of Holkham, there were thousands of other farmers who were trying experiments in cultivation, who were working with new methods of rotation and were endeavoring to improve the breed of their farm stock. So, too, while the list of the great inventions is a short one, you find in the British records that the number of patents for

mechanical discoveries in one year was 1457. It was a time when a great many people were turning their thought: to the devising of new mechanical contrivances.

And certainly, it was a period when the common man had an excellent chance to rise. If you look over the list of the remarkable characters of the eighteenth century, you find that a very large number of them outside the field of politics particularly were men of rather humble origin. All the inventors were such, and the literary and artistic men as well. In fact, scientific men in good part came from rather humble origins. It is mainly in politics that you find that the opportunities for achieving the highest ranges of distinction appear to have been largely allotted to people of aristocratic birth, and even in the realm of politics the rule is far from absolute. Warren Hastings, for instance, learned his letters in a charity school, and Edmund Burke was the son of an Irish attorney.

Not only were the English in the eighteenth century characterized by a rather extraordinary development in initiative in many difficult lines of endeavor, but also by their extraordinary voluntary cooperation. They were not nearly so much characterized by self-seeking in the sense of men who are playing a low-handed game, but by the fact that they could invent when they had a common purpose to pursue, in which they could play a big game and play it most effectively. You find great examples of this capacity for organization without the aid of a statesman to help them, without the kind of aid that Sir James Steuart believed necessary. You find splendid examples of this ability to organize in many different fields. For example, Oglethorpe's colony in America. It was a remarkable piece of work to bring a great many different sorts of people to cooperate in achieving an end, the importance of which could not have made a very extraordinary appeal to a large proportion of them. But even more extraordinary was the organization of the Methodist Church which John Wesley set going.

And so, too, even in politics you find that the celebrated struggle of John Wilkes in his contest with parliament and the Court was started by a series of voluntary organizations which sprang into being spontaneously

from the outside and kept their members together in the face of authoritative opposition of the most disconcerting sort.

And then there was the East India Company which faced its complicated task of governing India on one hand and carrying on a profitable trade with the country on the other hand. The English East India Company was supervised in comparatively minor measure by the government, and through its agents always seemed able to effect schemes for meeting any of the emergencies that presented themselves, upon the spot schemes, the character of which would vary according to the needs of the case.

And, of course, we see examples of this organizing ability appear en masse in the new business enterprises which were arising, not only in London but in the provincial centers. Perhaps the most extraordinary example of British capacity of this sort, however, was shown by the relative success of the British, the French, the Spanish, and the Dutch attempts to colonize America. Now Great Britain was for effective purposes, of course, the late comer in the American field. First the Spaniards and later the French had come to control a very large part of the new continent, had established what looked like firmly set and powerful organizations; and presently the Dutch, though they did not have very large colonies, did secure possession of the best harbor on the coast and the best route into the interior. The British came later than these people, but events show that in the long-continued series of contests the British in America were decidedly stronger than their earlier rivals; and that was not, it would appear, because the British colonists were backed more effectively by their government than were the Spanish or the French. It was primarily because the British colonists themselves took a deeper root in the country. They came not to hunt gold like the Spaniards, nor furs like the French, nor to make dividends for a joint stock company like the Dutch. They increased their number very rapidly, and by their capacity to meet the conditions that were presented by a strange environment, cooperating with each other, they were in the end made the stronger than those in whose countries the direction was kept more largely in the hands of people who correspond to the statesmen whom Sir James Steuart and most English contemporaries, theorizing

about the subject would have told you were indispensable to the country's increase.

In short, individual initiative was becoming a mass phenomenon. It was united with an extraordinary power for a more or less spontaneous cooperation. The advantages and the sheer superiority of a system which gave scope to individual initiative, and had led people to associate themselves together freely, must have been matters which were impressing the minds of thousands of men in Great Britain, before the time when Adam Smith began to formulate a new economic philosophy, expounding the simple and obvious system of natural liberty. Adam Smith's theoretical exposition of the new basis of economic organization was a set of philosophical reflections upon the advantages of practices which he had seen carried on by his contemporaries, practices the advantages of which his contemporaries who were engaged in business, at least had learned by trying them out, and advantages which they saw threatened from time to time by the conflict between what they discovered it was advantageous to do and certain laws and regulations that had come down from the past and that embodied exactly the kind of old-fashioned wisdom which Sir James Steuart stood for.

But before coming to Adam Smith's own share in the life of his time, I want to call your attention to another feature of the British situation as a whole which I believe of significance in regard to the rise of the social sciences, and that is the gradual development of government in England – of government by public discussion. There were many political experiments of the English people in the eighteenth century; and the instability of English institutions contrasted strongly with the stability of French institutions, for instance.

George I was a person who knew very little about English politics, and he could not therefore intervene effectively in the government of the country. The first George, and even the second George, were people whose knowledge of the English language was deficient, and they knew so little about English conditions and were so much more interested in Hanover that English political life was allowed to take a course determined primarily by the interests of the leading British politicians.

The king became a figurehead in large measure, and cabinet government became the rule.

Now, of course, the Parliament had long become the determining power in England. With this series of changes it had clearly become the king-maker. The House of Commons had established its primacy over the House of Lords, and now that the character of the first two Georges kept them relatively out of active participation in the task of ruling England, the administrative work was taken over by a committee of the House of Commons, for that is what the Cabinet meant. Of course, this exalted the power and the prestige of the House of Commons to a far higher point than it had assumed before. It meant that the British were developing a system in which they were basing their most fundamental laws and were making the most fundamental changes on the basis of votes that were cast by people who were elected.

And with that came party government – party government which in the eighteenth century was nominally along the Whig and Tory line. The Whigs had been responsible for the introduction of the Hanoverian line. The Tory party developed later and found its numerical strength among the country squires and the lower clergy. Now these two parties controlled the government alternatively, according as one or the other could command more votes in the House of Commons. And so the whole political life of the country became centered in a body which discussed the issues before it, in a body which had members who represented, at least nominally, all the different parts of the country, a body of people who had to appeal to the suffrage of their fellow-citizens. Now, of course, the British system as it existed in the eighteenth century was a system which because of the peculiarities of the suffrage admitted only a small part of the people directly to participation in choosing members of Parliament, but for all that it was a system which gave the populace a certain organized interest in public affairs, and also left to the populace a very much greater influence on political decisions regarding policy than you would think if you looked only at the character of the suffrage.

### **The Development of Government by Public Discussion**

England in the seventeenth and eighteenth centuries was developing a government by public discussion, a fact which seems to me to have contributed largely to the rise of a widespread interest in the social sciences in general and in economics in particular.

Concerning that movement, I want to remind you of the facts with most of which you must be familiar. As I said, this government by public discussion had come to center in Parliament, more particularly in the House of Commons. Parliament had gone to the length of reestablishing the crown on the basis of a contract with the nation. And by virtue of the fact that the holders of the office of king for generations were precluded by their slight knowledge of English and still slighter knowledge of England from taking an active participation in affairs, the administrative power as well as the legislative, had come to center in Parliament. That administrative power was exercised by the Cabinet which grew up in the reign of George I and which was itself a committee of Parliament. It was a committee whose continuance in power depended upon its ability to command a majority vote in the House of Commons which by long established tradition held the power of the purse.

Now that meant nominally, of course, that the representatives of the English people sent to the House of Commons were the people who decided upon the administrative as well as the legislative policy of the nation. They met to debate the various matters which were before the nation – the various problems of policy presented from session to session; to decide by their collective wisdom upon the best course to adopt. Now that is, you need scarcely be told, a very idealistic picture of the situation. In the first place, the decisions in the House of Commons were by no means made on the basis of a rational discussion of the issues, any more than they are made in any assembly of human beings, particularly in this case because in the eighteenth-century votes in the House of Commons were controlled in very large measure by practices which we would now describe as corruption. There was actual bribery in money for the less distinguished members whose votes were wanted. There were other and more attractive inducements to persons of higher rank, such as appointments under the crown which, of course, were



controlled by members of the Cabinet, and which were used as bribes. And for their sons and relatives there were sinecures in the government; well-paid government posts in which the duties amounted practically to nothing. There were positions in the colonies; there were positions in the Church, for church patronage was used as freely as lay patronage. There were also lucrative positions in Ireland; there were places in the government of England itself in which a fortune could rapidly be acquired; particularly the paymastership which in times of military operations was a position that returned to its incumbent a really princely income. And then there were, of course, the coveted positions of social distinction in the Court. For peers there were higher ranks in the peerage itself. There was the garter and all sorts of methods of rewarding faithful devotees who were faithful to the ministry in power; and the free use of these various means of securing support was developed in the course of the eighteenth century, particularly the early part of it, on a grand first of scale. The righteous King William himself at times bought votes. The prime ministers, Sir Robert Walpole, reduced bribery to a science. Practically all of his successors for two generations carried on the same practice. Even the elder William Pitt, despite his extraordinary personality, found his position in the House menaced and allied himself with the Duke of Newcastle who was a master in the arts of corruption. And when King George III made his historic attempt to try to replace into the hands of the monarch the right to choose his ministers, he carried on that vigorous campaign of his by a most systematic scheme of giving rewards to men to vote for his favorites and seeing that people who opposed his measures had no hand in the spoils.

Of course, that system of corruption did much to prevent the government from being run on the basis of a rational discussion of questions of the day. But nevertheless, as we shall see, this is simply a modification to be noted as important, to be sure, but not to be taken as so serious as really to invalidate the statement that the British nation as a whole had developed its political institutions to a point where a legislature supposed to be chosen to represent the different parts of the country – England, Wales, and Scotland, and part of the time Ireland – was

deciding the issues that came along by discussing them, supposedly on their merits.

It was not only in Parliament, however, that this discussion was carried on. Public affairs were debated in country houses, at quarter sessions, and at vestry meetings where members of the ruling class were assembling socially to carry on the work of local government. It was discussed in London drawing rooms, in London clubs, in coffee houses. And not only was it discussed in public houses and taverns all over the country, but a flood of pamphlets appeared on every interesting question of the day, testifying to the wide dispersion of interest in questions before the country -- testifying to the belief that a great number of the population would be sufficiently interested to read debates which were carried on by persons belonging to different parties. And the newspapers had, as I have said, got under way in the early part of the century and assumed their modern form toward its close. These newspapers, with the large attention which they gave to the treatment of current political issues are a further testimony of the rapidly increasing interest which the population was taking in questions of the sort which nowadays are becoming the subject of discussion by people interested in the social sciences.

This increase in the public interest and in the power of public opinion is perhaps most extensively exemplified by the struggle for public debates in Parliament. The time had been when parliamentary proceedings were regarded as confidential; when it was improper even for a member of Parliament to disclose to any outsider what went on behind the doors. Still less was it proper for any outsider to take a record of the proceedings and make them public. Thus, we find laid down in a handbook of parliamentary procedure written by J. Hooker in Queen Elizabeth's times that a member of Parliament ought to keep secret and not discuss the things done in the Parliament with any person not a member. This rule of secrecy had been slowly relaxed. Members began to print their important speeches for the benefit of their constituents; and in 1641 the House agreed to publish its votes and orders though not its debates. Also, the various members -- for example, Andrew Marvell who

represented Hull from 1660 to 1678 – made a practice of sending regular reports of the proceedings to their constituents, a service which seems to have been very much followed by many people in the provinces. And this activity carried on by certain members of the House was presently developed by a class of more or less professional reporters. They were called newsletter writers – men who frequented the lobbies, made summary reports of the proceedings and then sent copies of these reports to subscribers, charging two or three guineas per annum for the service, subscribers being largely country gentlemen and merchants who for business reasons wished to follow what was going on in Parliament.

This practice of newspaper reporting was tacitly acquiesced, in for one generation, but after one had given offense, the House in 1694 ordered that henceforth no outsider should presume to meddle with the debates or proceedings of this House. Still, the practice was too profitable to be stopped, and though the House enforced this order from time to time and occasionally punished some offender, the practice increased. And this increase naturally became more and more common in the eighteenth century with the rise of newspapers and periodicals. The magazines in particular published fairly full reports of the debates, but to protect themselves they made a practice of giving only the first and last letters of the speakers' names. And when in 1733 the House declared it was a high offense to publish debates, the *Gentleman's Magazine*

merely began reporting proceedings in the "Parliament of the Empire of Lilliput" and other journals followed suit. And by that patent subterfuge they escaped official notice.

A new phase of the struggle began with the rise of modern newspapers in the 1700's. They took sides with the people against George III on the question whether the House of Commons or the king should control the choice of ministers. That, of course gave grievous offense to the king, and since his ministry at the time had secured a majority of votes in the House of Commons, the House was induced to take up the matter, particularly when in 1771 several of the London newspapers dropped all disguise and began publishing the speeches, and most particularly those which gave offense to public feeling because they represented the royal

side in this great constitutional issue. The House of Commons arrested the fighting journalists. The city officials, representing the populace of London that was almost unanimously supporting the newspapers, endeavored to protect the journalists who had been arrested, whereupon the House of Commons ordered the city officials themselves to be sent to the Tower of London. Then the London mob demonstrated in the most vigorous fashion in favor of the imprisoned officials, and public agitation was so serious that the House of Commons saw that it was beaten. The reporting of debates remained nominally illegal, but offenders after this time were not punished.

That story is interesting as showing the increasing interest that the country was taking in the proceedings of its chosen delegates. Interest that by a little before the time *The Wealth of Nations* was published won the great victory of allowing a full undisguised account to be published daily in the papers. And, of course, we may assume that the public which had won this jealously guarded right from the House of Commons even when the majority was on the King's side – was a public which was quite able to make the control over the House of Commons felt.

Of course, we take it for granted that control over a legislative body on the part of the public rests primarily upon rights of election, and the members of the House of Commons, of course, were elected. But that was not the chief means of control which the English populace had in the eighteenth century, because of the fact that the suffrage on the basis of which members of Parliament were elected was so curious. When Parliament got under way in the Middle Ages, there is reason to believe that some effort was made to apportion the representation allowed to different parts of the country on the basis of the population. Just how far that was the case is, I believe, not quite clear; but whatever had been the original intent, it is quite certain that by the time of Adam Smith the apportionment of seats in the House was most uneven as compared with the people who were represented in the different constituencies. This apportionment on a geographical basis had not been revised for a century or more. And in that time the population of England had shifted very greatly, so that some of the constituencies now represented places

where the remaining inhabitants were very few; and on the other hand, throughout the country there had grown up great centers of population which were not represented at all.

The whole scheme of representation was very complicated. There were ninety-two knights of the shires who sat as representing English and Welsh counties, and 421 burgesses who sat as representing English and Welsh towns and universities, and finally 45 members for Scotland. The 92 were chosen under a franchise which required a property qualification for voting of a forty-shilling freehold. It was primarily the better-to-do people in the towns and the landowning class that had a right to cast votes for county members. Despite this restriction of the suffrage, the counties were regarded as offering, on the whole, the best opportunity for public opinion to make itself felt, and many of the suffrage reformers of the eighteenth century would have felt quite satisfied if they could have established the burgesses on as representative a basis as the counties. In these towns the system was extremely varied. Suffice it to say that it was estimated that toward the close of the century there were 51 constituencies that had less than fifty voters, and 130 that had less than 300 voters apiece. On the other hand, there were a few places where by old tradition any person present on election day was allowed to cast a vote.

It was a very complicated situation, one which made it quite possible for a large proportion of the members returned to the House of Commons to be chosen, not by the people who lived in their constituencies, but by a patron. A patron was a person who in some manner had come to control the election in a parliamentary constituency. Where the number of voters was fifty or less, it was comparatively easy for some local magnate, usually a landlord, through the exercise of influence, or by discreet use of bribery in some, to get control of the elections. And in several cases the constituencies were controlled by money. Even the boroughs controlled by influence could be secured by someone who came down with a bagful of guineas and knew the proper person to see.

This situation toward the end of the century was declared to result in the fact that 162 peers and commoners, together with the Treasury – the

patronage branch of the ministry through their opportunities for distributing local patronage in the towns, were able to control elections. It was said that these 162 peers and commoners, with the Treasury, could name absolutely 172 members, and could control 132 more under most circumstances. 306 represented a majority of the House of Commons. Out of this situation there arose a lively traffic in boroughs and cities in the House of Commons. The “pocket boroughs” were recognized as private property at law – that is, boroughs that were controlled through ownership of property in some way or other. These “pocket boroughs” were bought and sold, bequeathed in wills, and recognized as assets in the estates of bankrupts. But the borough managers, as a rule, bought and sold not their boroughs, but seats in Parliament. Sometimes they would sell a man a seat for a single session, sometimes for the lifetime of a Parliament; and in the eighteenth-century Parliament, unless for some reason prorogued earlier, ran for seven years. This traffic was carried on by the borough brokers in London who were well-known to the initiated; and there were times when the London brokers, not finding purchasers for the property that had been entrusted to them, sent traveling salesmen out among the country houses trying to find some person with money to invest, or who wanted to get a seat for a promising son; or perhaps some business man had done well and would like to gain the social esteem which would come with a seat in the House and would be willing to pay a higher price. In fact, seats were advertised for sale in the newspapers before the close of the eighteenth century rather freely. And people who knew the situation could tell pretty well what a seat was worth. Prices kept rising in the eighteenth century. Edward Perritt says<sup>10</sup>

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<sup>10</sup> *The Unreformed House of Commons*, Cambridge, 1903; I, 357. “But the earliest eighteenth century quotation which I have found for a nomination for a borough made in a businesslike way, is of the year 1747. James Tilson, of Hampton Court, was in that year offered a nomination at Cricklade, for fourteen hundred pounds: and it was a condition in a regularly drawn up contract of sale that the fourteen hundred pounds was not to be paid over until Mr. Tilson had sat fourteen days in the House of Commons without a petition being presented against him, or been confirmed in his seat in the case of a hostile petition. It was a further condition that Mr. Tilson ‘must come to the borough, or some proper person with the money,’ and that the out-of-pocket expenses of the election, not exceeding fifty pounds, must be advanced by the candidate.” Cf. Hist. MSS. Comm. 13<sup>th</sup> Rep., App.; pt. III, 118.

that the earliest quotation came in 1747 when the price seemed to be about fourteen hundred pounds for a seat. In the early days of George III, a seat was worth two thousand pounds, In 1799, Lord Castlereagh said that a seat was worth four thousand pounds.<sup>11</sup> From 1807 to 1832 the price kept rising so that people might be expected to lay out five thousand or six thousand pounds for the lifetime of a Parliament, or eighteen hundred pounds a year if they bought seats by the year, which was generally regarded as a rather safer practice inasmuch as in the earlier part of the nineteenth century several of the Parliaments failed to sit out their full terms.

Now borough management was a business and was carried on for profit. The profits were made, not in the local constituencies, but were made in Westminster. A man who controlled a considerable number of seats was a man whose wishes the ministry had to consider, and the result was that the successful borough managers acquired fortunes as well as nobility. For example, Dodington (1691-1762), who owned half a dozen votes, namely from the Cornwall district, ended his life as Baron Melcombe. Sir James Lowther who controlled nine votes, commonly known as "Lowther's ninepins" became Earl of Lonsdale. So, also Henry Dundas became Lord Melville. In fact, nearly half of the members of the house were people who owed their seats to patrons, and two-thirds of the peerages which had been created from the accession of William and Mary in 1688 to just before the accession of Victoria, were granted to borough managers for political support. The government even had to have a patronage secretary. Men complained that party lines did not count in a Parliament where so many votes were for sale.

That business in boroughs, of course, again appears to mean that after all the English scheme of governing by public discussion was perhaps a somewhat empty pretense. Unquestionably the corruption practiced in Parliament was closely connected with this borough mongering. It is a qualification of the statement that the English people were debating the proposals before them. And yet, after all, it is only a qualification, for in some ways this scheme of borough mongering made it easier for public

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<sup>11</sup> Porritt, op. cit., I, 358. Cf. *Castlereagh Correspondence*, II, 150.

opinion of the sort which was not provided for by traditional British institutions to make itself felt. Certainly, the sale of seats made it far easier and simpler than it presumably would have been otherwise for the business interests of the country to get representation in Parliament. According to the old English ideas, the proper man to seat in Parliament was, of course, a landlord. The landed interest held an unquestioned control; and according to the theory, the man of landed property was the type of person who should represent the nation and decide upon its policies. Well, comparatively early the landed interests had found it advisable to admit a certain number of lawyers into Parliament. Their special skill had, of course, its inestimable value in a law-making body. In the course of the seventeenth century, successful business men had begun to work their way in through the purchase of seats – goldsmiths, and the bankers who developed out of the goldsmiths. Brewers bought seats. Then after 1688 the nabobs from India began to get representation. (Nabob was the name given to persons who had gone to India and acquired a fortune there.) A little later the Caribs acquired fortunes in the West Indies, as the nabobs had in British India. Later still, manufacturers began to get in. Foleys were the first family to succeed in getting a member elected. They were iron masters who bought land. Then in 1790 Sir Robert Peel, a great cotton manufacturer who also bought land, elected himself, or had himself elected. He was the first of the manufacturers of the modern type to get into Parliament, and his son, the great Sir Robert Peel, was the first representative of the manufacturing class to get into Cabinet rank.

So, Parliament was by the sale of seats itself enabled to represent the shifting economic power of the country, presumably rather more effectively than it would have if all elections had been carried on according to the traditional scheme. Of these men who bought their way, some were very excellent members. We shall have occasion to see, for instance, that it was in this way that Ricardo entered Parliament; and he was not by any means the only man who bought his way in because he had a very keen interest in public affairs as well as desire for the social distinction that membership carried with it.



It is also important to observe that because this Parliament was largely controlled by political bosses, so far as any other than the landed interest was concerned, it was largely made up of people who could afford to purchase seats, and it was in very large measure sensitive to opinion merely the opinion of the comparatively small number of the populace who had votes but to public opinion at large. We have unquestionable evidence of that. The fact is that every now and then, in response to public pressure, Parliament would change its decision upon matters even of highest importance. For example, Sir Robert Walpole gave up an excise act in 1733 because of extraordinary agitation which it stirred up out of doors. An attempt to reform the coinage was blocked by another demonstration of public wrath. A bill for the naturalization of the Jews was withdrawn in 1754 because again the public took it amiss. The great contest which Wilkes won against the King in Parliament was due to the fact that he had the support of the mob. It was, as I have already had occasion to say today, the demonstration of the London mob in favor of the journalists that intimidated the House and King in 1771 and established the right of the public to know what was going on in the legislature. Once more, the end of the Revolutionary War – the war with the American colonies – seems to have been brought about because the public rebelled against the continuation of a struggle regarded as useless, in spite of the fact that the king and his ministry were determined to go on. Once more, in 1788, an act intended to improve the elections by providing for registration of county freeholders had to be repealed.

These are simply outstanding evidence of the fact that the Parliament itself, despite the lack of anything like a popular suffrage, despite the presence of so much corruption in the election of members and in the relations between the members of Parliament and the ministry, Parliament was still responsive to public pressure. And if you want further evidence you have to notice how amenable to public opinion every Parliament grew toward the end of its seven-year term – how careful ministers were to get able pamphleteers to present their cases before the public, employing such men as Swift, Addison, Defoe, and Samuel Johnson to write defenses of measures which they thought might

invoke public censure. You will find further evidence in the fact that governments were quite ready to buy newspapers and particularly after the newspapers had attained very considerable influence with a wide public toward the end of the century.

Well, why was it that this Parliament was so much afraid of public opinion? It seems to have been primarily the general turbulency of Englishmen in the eighteenth century. I had occasion to notice last time that in the seventeenth century matters had gone to extremes; government had been upset and set up again in a new form two or three times. In the eighteenth-century matters might never went to such extremes, but there were occasions when it seemed that they might. The English people were very much given to rioting. For example, in 1736 the Edinburgh crowd lynched a captain of the city guard, a man who was charged with having fired on the mob some time before in the performance of official duty. In 1753 there was a series of anti-Jewish riots produced by the act for naturalizing the Jews, and leading to the repeal of that act. In 1762 Lord Bute, the prime minister, had his coat torn and he was burned in effigy in a good many towns. In 1770 Lord North, the prime minister, and Charles James Fox, his supporter in the quarrel between the City of London and the king, were rolled in the mud at the gates of the Parliament House by the mob. In 1784 the Gordon riots broke out in London. They were anti-Catholic demonstrations in which a good many buildings were burned and a considerable number of people were killed. In 1791 there were the “church and king” riots in Birmingham. In 1780 the populace was inflamed against the Catholics, so now they were against the Unitarians. Among other atrocities, they wrecked Priestley's laboratory – the laboratory of the man who discovered oxygen. In 1795 the king himself was pelted in his carriage on his way to Parliament. In 1800 there were scarcity riots in many of the towns.

These are only a few of the conspicuous riots in a century filled with many other minor disturbances. It seems to have been the fear of these activities on the part of the populace at large which was an effective

factor in making government by public discussion a reality instead of a more or less empty name.

The aristocratic theory in regard to yielding to public pressure is very interesting. What people liked to believe on the subject was very neatly put by the Bishop of Rochester in 1795 who said he did not know what the most of the people had to do with the laws but to obey them. He found it expedient under pressure to explain his views more or less away.

The Lord Chancellor in 1755, in introducing the bill to repeal the naturalization act for the Jews, although he had previously supported the act, justified his stand in these words: "However much the people may be misled, yet in a free country I do not think an unpopular measure ought to be obstinately persisted in. We should treat the people as a humane and skillful physician would treat his patient. If they nauseate, we should think of some other remedy or withhold the prescription until time, which changes circumstances, has removed the nausea."

Now all this means that in the eighteenth century the English nation was moving away from the superior sagacity of the statesman, whether king or minister, and toward reliance on the wisdom of the people – away from the social philosophy of Sir James Steuart and toward the philosophy of Adam Smith.

### **Individual Initiative in Local Government: Changes in Economic Conditions and Their Effect on Economic Theory**

I dwelt at the last meeting' on the gradual process by which the English people were developing a government of discussion, a process which implies, of course, that the people were taking a larger initiative as individuals in the general process of determining the policy which the country should follow, and they were doing that as the result of a long series of struggles which were very costly to the folks who participated in them. It meant that the country was drifting away from faith in the superior wisdom of the people who under the older political regime happened to be in position to govern them as statesmen, and toward a position where they were trusting far more in their own insight,

believing far more that the ordinary citizen had a right to make his own interest felt, had the capacity to judge what was good for himself and his enterprise – gradual advance toward the theoretical position which is found in the economic theory of Adam Smith.

Now what had been happening in the development of the central government of England had been happening also in a more confused fashion with reference to local government. Our conventional history of England, of course, centers around the Crown, and Parliament, and it is only in comparatively recent times that any attention has been paid to the development of local institutions. What we know about them in these later times is very largely due to the investigation of Sidney and Beatrice Webb whose five volumes<sup>12</sup> on local government constitute not only a vast repertory of information, but is also a pioneer work. There is no time, of course, to go into any detail here in treating these problems, but I think what England was doing in the way of recasting her local institutions is for our purpose not less significant than what she was doing in changing parliamentary institutions; and for that reason I do think it necessary to call your attention to the general trend of development.

The local government of England was carried on by the counties, of which there were fifty-two, and by the parishes into which the counties were divided. In the eighteenth century nobody knew how many there were in the country, though it was generally believed in 1688 they numbered 9,000. They were first counted in the census of 1821 when they were found to number almost 10,700. Local government was carried on also on the manors which were not merely agricultural units but also administrative government units for certain purposes; and it was carried on in the towns, most of which in medieval times had governments the nature of which was determined by special charters granted them by the Crown, renewed and amended from time to time. And finally, as we shall see, there were growing up in the course of the

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<sup>12</sup> *English Local Government from the Revolution to the Municipal Corporation Act*, London, 1906-08, 2 vols. In 3. *English Local Government, the Story of the King's Highway*, London, 1913. *English Local Government: Statutory Authorities for Special Purposes*, London, 1922.

eighteenth century a new set of authorities created by special act of Parliament, instead of authorities which the Webbs call "statutory authorities."

Now these various units of the local government were supposed to be local representatives of the central government. The general theory of the scheme in the Middle Ages had been that the king should appoint his officers in all the counties and that these officers should be responsible for maintaining the king's peace, for maintaining the king's highways, for sustaining the established church, for caring for the poor, and the like; also, of course, for collecting the king's revenue. And in order to see that the local authorities did their duty, the king had a set of itinerant courts which moved around through the provinces and reviewed the work of the local officials. That, I say, had been the medieval scheme.

In the time of Elizabeth and James I, the crown had endeavored to perfect the organization by issuing books of orders directing the work of the justices of the peace who were the chief local authorities inside the counties – the men to whom the parish authorities reported. Those books of orders issued from year to year were supposed to outline in more or less detail the duties of the justices. The itinerant courts inquired in the performance of their duties by the local officials. For the towns a scheme of regulation under charters which were granted by the crown was maintained. But during the Civil War, of course, the control of the central government over the local officials had broken down, The Crown passed into abeyance for the time, and neither the Commonwealth nor the Restoration succeeded in restoring the old scheme, so that there was a large opportunity for the local authorities to go their own way, an opportunity of which they proceeded to take advantage, of course, the local government had to be carried on, and when the grip of the Crown over the local officials relaxed,, the officers in the various parts of the kingdom had to use their own judgment in very large measure. It was a great tribute to their efficiency as a whole that the general character of local government under these circumstances did not suffer a very serious backsliding.

What happened under these circumstances was, to begin with the lowest unit, that the manorial courts, the administrative organization for handling affairs in the village communities, were dwindling away. Their decline was primarily a result of the fact that the medieval scheme of agriculture was gradually giving way to more modern methods of carrying on cultivation, particularly where manors were enclosed and then redistributed in larger allotments and let out to farmers who cultivated it largely by the use of hired labor; and especially where the interest of the owner became primarily concerned with getting revenue out of the land by renting it. In these places there was no longer necessity for the medieval scheme of seeing that the villains performed the work allotted them or paid fines for their negligence. There was much less reason for maintaining these manorial courts even as courts of petty justice. Work of that sort passed naturally into the hands of the justices of the peace because the lords of the manors had far less pecuniary interest than formerly in keeping the courts up. This meant that the county officials, and especially the justices of the peace, gained in power and prestige. There was continued rise in the standard of honor and local esteem of the justices. They had a somewhat narrow class standard of their duties and applications; they served without salary, but the position was one of sufficient social eminence to make almost any country gentleman glad to receive a commission and willing to perform the duties which that involved – the duties of acting as local magistrate and punishing offenders. Throughout the researches into the local government of nearly every county of England, from the period of the Revolution to the passage of the Municipal Corporations Acts in the nineteenth century, Mr. & Mrs. Webb say they failed to discover a single example of anything approaching the rule of the boss. It was an aristocratic scheme of governing by the local magnates in a class spirit, but after all, seemingly with considerable attention to the job and with a rather high standard of interest.

Parish governments in the rural districts of the country continued to run on with very little change in their old routine. The parish authorities were the vestry. The typical vestry was made up of the incumbent, the

local clergyman, three or four farmers, maybe a small freeholder, or perhaps the innkeeper or the miller. These people filled vacancies in their own number; they appointed from their number the authorities, overseers of the highways, etc. They reported upon their collections of local rates and their expenditures to the neighboring justices of the peace who passed their accounts. That system in the rural districts went on with comparatively little change because the character of the life the people were living in the rural districts was not greatly disturbed.

But in other places, particularly in the towns that were springing up, the changes in the problems that were presented for solution were great and required very great corresponding changes in administrative machinery. Now those towns which had received royal charters had a set of local officials which were determined in each case by the special terms of their charter, and these charters were by no means highly standardized; so that the situation, if we may apply an American term, of the English municipalities was very diverse. In some cases, it was of a character which enabled a small group of insiders to exercise a comparatively close control. And the Webbs found in not a few cases that municipalities operating under old charters developed boss rule of the American type in a somewhat extreme degree; that they presented the various kinds of corruption in politics with which we are too painfully familiar. In other cases, there were large centers of population gradually growing up in places which, therefore, had no royal charters, so that the government had to be carried on in some other fashion. It was carried on in some cases by the parish officials, the vestry, which in some rather notable instances constituted people who took a very definite and public-spirited lead and managed to give their towns an excellent and progressive government – one full of initiative, with sufficient power of inventiveness to meet the new problems as they came up. In other cases, quite naturally, the opposite was true and the vestries proved themselves quite incapable of meeting the new problems, and in some cases, they developed boss rule of quite as malignant a sort as was found in any of the towns that had old charters. So that in the municipalities in the

course of the eighteenth century there was a most extraordinary range of form of organization and of efficiency.

This situation led to one of the eighteenth-century developments which I think is of particular interest from our viewpoint. Where the local governments were ineffective or notoriously corrupt, so that the public interest was being sacrificed in a fashion that even the most patient populace could scarcely stand, the remedy that was most often taken was not to attempt to reorganize the existing authorities, but rather to organize one new set of authorities after another to deal with special problems. In some places the question of burning interest in a locality would be the paving of the streets, at least in the center of the town; and, of course, pavements became indispensable as towns grew. When the local population distrusted its local government so much that it did not believe that it would honestly get the streets paved, the people would join together and petition Parliament to set up a new set of authorities by a special act – a new set of authorities whose business it was to see that certain streets were paved. In other cases, it was not perhaps pavement but the need of embanking a river that flowed through the town, or the need of getting a fresh water supply. A great variety of local needs were provided for in this way: special appeal to Parliament to create by a law passed referring to that particular town and giving authority to perform the particular service which was required.

It is very characteristic of the attitude of Parliament all through the eighteenth and the early part of the nineteenth century toward local problems that it almost never intervened to regulate local government except on petition, so far as it undertook to exercise any authority for county affairs. It usually acted at the suggestion of justices of the peace on petition from them. So far as it intervened in municipal affairs, it almost always intervened in response to a definite request. Now, of course, this means that the local government of England was in the course of the eighteenth century carried on much more definitely by local initiative than it was by parliamentary control. The changes came about through a gradual cessation of the old policy of central government control a cessation that began with the Civil War and the



abolition of the Crown, but continued afterward with Parliament simply acquiescing in a scheme by which the local units of the country ran themselves, and attempting to effect alterations almost only when the local authorities said that something must be done and told Parliament what that something was. To such local requests Parliament was usually responsive.

Now I think this means just as definitely as what was happening in Parliament that the English people were growing into the habit of depending upon their individual judgment, of locking to their own initiative to solve their problems. There was very little explicit philosophy of all this movement; very little attempt to rationalize what was going on. And naturally the social philosopher who could explain and justify to Englishmen what they were doing on their own initiative would be likely to be held as a great discoverer, as Adam Smith was.

So far, I have been discussing primarily the machinery that the country had in its central government and its local governments for treating the problems of the day. Now I want to say something specific about the character of the problems which had to be faced by Parliament or by the local governments. And here, of course, I shall not endeavor to treat social problems at large, but primarily economic problems of the day. I do this largely because English political economy from the time of Adam Smith up to the present has had its course of development shaped in very large measure by the current issues of the day. We are likely to think of a science as coming down as a birthright and growing by logical development. We might very well have our minds fixed on a subject like mathematics. If some discoverer starts a new idea, that certain idea has certain implications which might be accepted by following writers, and each will get his chief inspiration from the account of the writer before him. It is a process of intellectual development.

Now that is not a really true picture of mathematics, and it is probably even less true of a science like physics or chemistry. In economics I think it is quite a mistake to believe that this birthright intellectual development has occurred. The passing on of ideas from one to another and the development of these ideas by successive generations as an

intellectual stunt has been in economics a secondary rather than a primary factor. The thing which has most of all stimulated the minds of successive generations of economists has been to endeavor to contribute to the understanding of the problems with which their generation as a whole was concerned. It is quite probable, especially since economics has become an academic subject, that we have had our academic writers whose attitude seemed to be primarily that of improving the theories which their predecessors have put forward, endeavoring to free those theories from inconsistencies and carry them to a somewhat higher stage of development. This viewpoint you find given most emphasis in the histories of economic doctrines; that Ricardo improved on Adam Smith, and was followed by John Stuart Mill, who in turn produced the violent intellectual action in Jevons; and that Marshall is an attempt to reconcile the two lines of analysis represented by Ricardo, on one side, and Jevons on the other; and so on.

That I think is a rather false picture. The most important factor has been that the generation of Ricardo faced problems of a different sort from that of Adam Smith; and it was because he reflected a different set of circumstances that Ricardo changed the perspective of economic theory. Thus, it is because successive generations have faced different problems than Ricardo did that they have worked out new ideas, new sides of the subject and given opinions which differ from those of the classical group, That is one of the themes that is going to run all through my lectures, and I am just beginning the discussion of it when I present to you the general picture of the kind of economic problems which faced Adam Smith's generation – the kind of problems which he had been thinking about all his life before he began writing *The Wealth of Nations*.

These economic problems were caused primarily by changes in the economic life of the people, changes that were coming about through a cumulative process. They were changes in the way people worked, the way in which they organized for their work, the way in which they got the things they needed to consume, as well as changes in the way they produced what they had to sell, that made a great difference. These changes were going on at a decidedly rapid rate in the eighteenth

century. In order to see what the changes were, we have to go back a bit and see what the situation was before the series of changes began.

Of course, you have all studied English economic history, and you have in mind a general picture of the economic life of the people in the Middle Ages. At that time the English population was predominantly agricultural. The great mass of the folk were villains or serfs who were living in manorial communities, holding certain lands from the lord of the manor, raising crops although paying rent which consisted oftentimes in some slight measure of money but consisted far more in working the land which the lord kept as his own demesne, and also rendering a variety of other services for the rental. Over these village communities the landlord exercised administrative rights; he held the courts; he was the immediate local authority as well as the person to whom the land immediately belonged, so far at least as the peasant was concerned, although in theory the land belonged to the king. In the towns, which were small and not very numerous, there was a population made up largely of handicraftsmen, whom it would seem in the earlier part of the Middle Ages cultivated more or less land outside the walls of the towns but who, as the Middle Ages progressed, came more and more to divorce themselves from agriculture and spend their time in the performance of simple manufacturing processes. The guildsman sold what he made in much larger measure than at the present time, making goods only as he got orders for them. And, of course, there were a few people definitely engaged in commercial transactions in the larger towns – the merchants. As time went on, the number of these merchants became greater and they became more and more separated from the manufacturing class of craftsmen. The craftsmen worked, as a rule, in rather small shops, the typical master employing perhaps a journeyman or two, perhaps three or four apprentices, according to the scale of his operations, training them in the exercise of the mystery which he followed, in return for their labor.

In all this scheme there was comparatively little trade, save in a few articles that were indispensable, like iron for ploughshares, and also in

the articles of luxury which the small number of large landowning families could afford to consume. And what trade there was, was carried on largely by barter. Now starting with a picture of this sort, we have a gradual process of transformation toward a more modern scheme of economic organization; a process in which I am inclined to think the most important factor was the increasing use of money. This we see exemplified in many different ways in the relations between the Crown and the people, and among the people themselves. So far as the Crown is concerned, we find the king, as he discovers the advantages of having a money revenue, tries more and more to pass over from the old scheme of taking only commodities for his own use and that of his Court and accepting services to maintain the defense of the realm, to a scheme by which he gets money from the people and then uses the money to buy commodities and services. For example, in the days before the Norman Conquest the dues had been levied largely in kind. Comparatively early the royal officers found it was more advantageous to replace the value in kind by money and commutation, to use the technical term, of dues in kind into dues in money started comparatively early. Another and far more momentous step was taken when the king reestablished the military system on a monetary basis. Instead of relying on the feudal levy, the Crown found that it was advantageous to levy upon the lords and allow them to levy upon their retainers in turn certain monetary dues, so that the institution of "soutage" came into use, each knight paying a fee to be exempted from the performance of the military duty he owed. This revenue was used by the Crown to sustain a mercenary army, an army paid with money, and which the king found in practice more efficient. These men whom he paid he could discharge at will, and on the whole this plan resulted in a more satisfactory arrangement.

And so, too, the king in the early days had gotten a very large part of his revenue directly from the proceeds of his manors, the land which was held by the Crown; but he found that it was most advantageous to give up the old system by which the villains to whom the land was let in comparatively small allotments raised crops for him on the royal demesne, and go over to the system of having the villains pay money

rent. Under the old system the king and his court were compelled to live a good part of the year an itinerant life in order to consume the food and forage which the royal manors produced. Obviously, it was enormously inconvenient and caused serious difficulties, for when the king had important business in a particular place it was necessary to consider whether he could obtain food and forage there before going. It was far better to get a revenue which he could expend wherever he needed for reasons of state or wanted for personal reasons to be, expend for things that he and his immediate company required.

Now that process of commutation of labor into money payments spread from the royal manors to the other manors, and it was the most important single step in the transformation of the organization of medieval England to the organization of England as we have it now, for it meant that the masses of the people themselves came to get the one great thing they needed: their land for a money payment; and it meant also that in order to get that money they were selling their produce. It meant that the masses of the people very gradually and very slowly, over a period of some hundreds of years, acquired the habit of living by making a money income and expending it. It meant that the masses of the people were gradually led into a life where they had to learn a sort of calculation, to practice the economic virtues of planning, of thrift, management, and foresight; in other words, the scheme of life where they were exposed to a discipline that was making them more and more like Adam Smith's ideal citizen, the shrewd, enterprising Scotchman.

Needless to say, this process of transformation, particularly this process of the gradual education of the mass of the people, was an extremely slow one, a process that succeeded far better with some individuals than with others, and the individuals who proved to have the knack of living this calculating kind of life were the people who gradually came to the fore in England. They were the people who rose out of the peasantry to become farmers; the sort of people who, when the old manors were gradually enclosed, got the right to use, in return for a money payment, the larger allotments into which the estates were now divided. And the people who could not make a go of this general scheme of living were

the people who sank in status to become the hewers of wood and the drawers of water, the proletariat. And even they, as time went on, had to live on money wages, though in the farming districts they supplemented their wages in large part with food and the right to occupy quarters which the farmer provided. Even these people were in some measure compelled to learn the art of living on money incomes.

In the towns, similarly, the people who proved to have the greatest aptitude for the new method of life which the money economy afforded became the great merchants. At a later time, they became the manufacturers, the sort of people out of whom our present business classes arose. Now, of course, this aptitude, like all other aptitudes, runs in families. In every generation there is a considerable turnover in people who have this particular set of gifts which give them success in a society that is organized in increasing degree on a money-making basis. But all the time the scheme was one which offered pretty good opportunities for a man who was not well-born to come to the fore, provided he happened to be a person of affairs as well as of business shrewdness. The old quasi-caste system was very gradually and not altogether but in large part broken down and superseded by a system in which it was private initiative and individual capacity that counted.

Now the point I am coming to is this: that by the time of Queen Elizabeth the characteristic medieval orders of society had disintegrated in very considerable measure and were being succeeded by the attempt to work out the very comprehensive set of new economic policies for the country as a whole. These economic policies quite naturally sought to take just as full advantage as possible of the money economy. This scheme of arranging economic relationships which seemed to possess such great advantages from the point of view of practically all the classes caused the idea to prevail in the minds of statesmen that just as men get rich by making money, so a country gets rich by making money, and just as a merchant's affairs would prosper if they were assiduously supervised in all details, so a country's affairs would prosper if assiduously supervised by the country's managers, namely the statesmen. There developed gradually a most thoroughgoing attempt to see what the

country's resources were and to guide them in such a fashion as to produce, the greatest advantage for the community as a whole, the community being conceived in rather a businesslike fashion.

### **The Theory of Mercantilism**

I have represented the general philosophy of Sir James Steuart as a systematic presentation of the traditional policy of Great Britain, a policy which based the country's economic organization upon statesmanlike plans, the policy which held that it was as much the duty of the government to effect the sort of economic mobilization of the people in times of peace for the benefit of the national welfare as it was the duty of the government to effect the mobilization of its military resources in times of war. On the other hand, I held that Adam Smith's new philosophy, representing the simple and natural order of liberty as the best way or promoting the wealth of nations was a rationalization of practices which were becoming very common in England in his day.

By way of making that clearer I started to remind you at the last meeting of certain broad features of the economic history of England, features that all of you who have studied English economic history are acquainted with but which perhaps you have not connected very closely with the development of economic theory. I had begun to sketch in the most schematic fashion the economic organization of England in the Middle Ages. That economic organization gradually broke down and as it broke down it was superseded by a new scheme of economic organization which took a very definite form as early as the reign of Queen Elizabeth. That is where I pick up the story today.

The new scheme of organization differed from the old one primarily in that it was so much more highly centralized. If you were an Englishman in any walk of life in the Middle Ages, your occupation, the general character of your activities, the general character of the living that you could make, was determined for you primarily by the customs of the manor on which you were born, if you were one of the nine out of ten people who lived in the country; primarily by guild regulations and

municipal ordinances if you were one of the tenth of the population who lived in an incorporated town. Now the new scheme which, as I say, had become fairly definite in its outlines by Queen Elizabeth's time, was just as much a regulation of the life of the people, but it was a regulation conceived and supposedly supervised by the central government. If you had lived in the time of Queen Elizabeth or James I, your career would have been marked out for you, but a little less definitely. And this time it would have been marked out for you by the general statutes of the land, and by the hierarchy running from the local justices of the peace or municipal officers up to the Privy Council of the sovereign.

I want to outline certain leading features of this general scheme of economic organization on a national scale. One of its foundation stones was a definite scheme of labor policy, a scheme which was intended to see to it that every boy who was born into England should get proper training for an occupation that would contribute toward the public welfare, and follow it. One of the great points of this labor policy was to make sure of an adequate supply of labor, and it was necessary in the eyes of the people responsible for this scheme of policy that the central government itself should take care to see that there was an adequate food supply. That is a question which does not worry modern governments in peaceful times. In those days it was the business of government itself, the central government, to see to it that the population be adequately fed. And to provide for that the Statute of Artificers, passed in 1563 provided that all able-bodied men might be called upon to serve as agricultural laborers unless they could prove exemption on some specified ground, specified grounds being membership in crafts or in classes of society which were supposedly engaged in more important, more skilled work than farming. Indeed, at times of harvest even the artificers who belonged to the guilds could be called upon to get in the crops.

In order to make sure that the supply was not only adequate but that it did not fluctuate too much, the law required that agricultural labor should be hired by the year. If you took a job on a given estate, you were under contract to stay until your full term had expired. And there were penalties imposed for leaving service before the expiration of your



contract. Nor was your employer at liberty to discharge you; he might punish you in other ways, but was not supposed to set you free. And if you did leave his service at the end of the year, you had to get from your past employer a testimonial which any new employer to whom you applied was supposed to call for and examine before taking you into his service.

To provide for an adequate supply of skilled craftsmen, in trades that required longer training, the performance of apprenticeship was required. The general rule was that every boy who did not belong to the gentry should be apprenticed to a trade and serve for seven years. But the boy did not have free choice of the trade that he followed. Any boy might be apprenticed to husbandry no matter how humble his parentage, but if he wanted to get into one of the guilds of a better standing like the goldsmiths or the clothiers, or the mercers, he had to show that his father was a sixty shilling freeholder; or rather the father who wanted to apprentice his son to one of these trades had to show that he was a sixty shilling freeholder, that is, that he had a title to some piece of real property the rental value of which was sixty shillings a year. That seems small on the basis of modern monetary value, but it meant a very modest competence in Elizabethan days.

Also, the central authorities thought it necessary to provide what wages should be paid in different occupations. They put that matter in the hands of the local authorities and these local authorities were supposed to act under the supervision of traveling judges. The traveling judges, in turn, reported to the Privy Council; so that theoretically the wages were fixed locally, fixed by people responsible to a set of traveling officers who in turn reported to the chief officers of the Crown.

According to the statute, each year in each locality and, in each incorporate town the justices of the peace were to assemble before the Tenth of June, and calling to them such discrete and grave persons as they wished, they were to meet and confer together respecting the plenty or scarcity of the times and other circumstances necessary to be considered, they could limit the wages of any kind of manufacturing labor, skilled or unskilled, by the year, week, or day, with or without

food. And then after having fixed this scale of wages for different occupations in their locality, they might, if they saw fit within six weeks, provide the scales of hours.

Now you observe that these judges were to take advice respecting the plenty or scarcity of the time, and other circumstances necessary to be considered. That is, supposedly they would fix wages more or less in accordance with changes in the cost of living. If prices went up it was theoretically their duty to assure the working classes money wages high enough to give them their accustomed standard. And, on the other hand, if the cost of living went down, then money wages might be reduced. It was, in theory at least, not all an attempt at oppression but supposedly an attempt to guarantee that wages should not be raised in such a way as to jeopardize the national welfare and that, on the other hand, they should not be reduced so as to plunge the working people and their families into distress.

A very elaborate scheme of poor relief was also provided. In the old days in England the dispensing or charity had been mainly in the hands of the Church, but the monasteries in England had been dissolved under Henry VIII and it became necessary to provide some scheme for taking care of the poverty-stricken after whom the monasteries had looked theretofore – at least it was regarded as their obligation. Well, the new scheme provided that this important function should be performed by the local officers, the justices of the peace, the overseers of the poor in each parish. To provide the necessary funds, the justices of the peace and the mayors in the towns were authorized to levy what were called the parish poor rates, that is, taxes upon property in the parish. They were authorized to appoint overseers whose duty it was to manage the expenditure of these funds. In expending them the scheme was that the overseers were to provide necessary stocks of raw material on which the able-bodied poor could be kept busy so that they might in good part defray the cost of their keep. They were to buy materials like wool and flax and the necessary working equipment, and the people under their charge were to spend their time working up these raw materials, the sale of which it was supposed would lighten the poor rates.

People who were unable to work were supposed to be cared for without the necessity of exerting themselves; but the authorities were very much more concerned with those who were able to work and did not want to do so. Valiant beggars, in the phrase of the time, able-bodied men who did not want to work were to be whipped at the cart's tail and sent to houses of correction. Their life was to be made miserable for them in accordance with their merits.

This general scheme of poor law legislation as codified in Elizabeth's Statute of 1601 remained the fundamental poor law of Great Britain until the Act of 1834 was passed, the law which was inspired in large measure by the investigations of Malthus.

So much for labor. You see that is a very comprehensive scheme to make sure that the country has properly trained labor forces adequately paid, but not paid too much, that people who would not work should be duly punished, that those that were unable to get jobs at the prevailing rates of pay should be still kept at work on materials provided by the public authorities a very elaborate scheme.

The law took as careful consideration of the various fundamental industries of the country. First agriculture, the great source of food supply. In those days England lived primarily upon the crops that she raised herself. And it was also to be seen to that not only was there a sufficient labor supply for agriculture but also that the grain raised was sold at a price which would be remunerative to the farmers on the one side and not unduly high for the consuming masses on the other hand. The law, therefore, put the trade in grain into the hands of a set of licensed dealers who were called bodgers. These bodgers, like all licensed dealers, were licensed in order that they might be responsible to public authority; and if they did not abide by the regulations they would of course lose their license and be subject in various cases to additional penalties.

The determination of the price of grain was not left to the bodgers, but in each market was determined by an official who was called the clerk of the market. It was his business, in view of the current conditions of demand and supply which the bodgers as the dealers were supposed to

know about, to set the price to legal weights and measures, so that consumers would get what they were supposed to; to inspect the quality of the grain offered for food; and to punish all offenses against the laws. The export of grain from England was promoted, except in years of scarcity. When harvests were short, the government would suspend altogether the outflow of grain, at least that is what it attempted to do. It also provided that no exports should go to the Queen's enemies – one of the attempts to weaken Spain which by that time was ceasing to be a self-supporting country agriculturally.

The government also had an elaborate industrial policy. They tried to stimulate various branches of production which they thought would add to the economic welfare of the people: the mining of metals that were required; improvements in the art of metallurgy; the making of comparatively novel products like brimstone and saltpeter; the introduction of new processes or products such as improved types of cloth; making of better glass; more effective cutlery, paper, etc. The general method employed, so far as the introduction of new arts was concerned, was first, when that resort was feasible, to encourage the immigration of skilled artisans from other countries. That was in those days often easy enough because of the religious troubles of the time. England had become a Protestant country and in countries where there were religious wars skilled artisans of the Protestant persuasion looked naturally to England as an asylum. In circumstances where that attraction did not suffice, the government often moved companies of foreign workers at its expense and provided settlements for them. It tried to make them comfortable in England and to use them as teachers of the native population, so that these important arts might become indigenous. Another method employed was to grant patents of monopoly to enterprisers who had invented or acquired the rights to inventions of industrial value, patents which through the monopoly privilege were supposed to make the exercise of the new trade profitable for sufficient length of time to get it firmly established.

Also the government was very much concerned with the foreign commerce of the country. It was very necessary in their eyes that that

should be regulated in very great detail in order that they might secure a favorable balance of trade, a balance of trade which would keep the country's workers profitably employed and bring into the country a flow of the precious metals, Precious metals were not, as is often said, in the eyes of the Mercantilist statesmen the only form of wealth, but in their eyes it was obvious that if you have gold and silver you can buy with it most of the things that you require. In order to regulate foreign trade, the general scheme was to put commerce with different parts of the world into the hands of regulated companies, that is, companies to carry on foreign trade which were set up under public regulation very much as the domestic trade in grain was put into the hands of licensed bodgers who acted under the supervision of clerks of the market. Thus, for example, the trade with Germany was supposed to be in the hands of the merchant adventurers, or the Hamburg Company, with Russia in the hands of the Muscovy merchants, with Turkey in the hands of the Levant Company – great privileged mercantile concerns. The North American fur trade was in the hands of the Hudson Bay Company, the one survivor of these great English mercantile concerns of the sixteenth and seventeenth centuries. There was also the great East India Company which became the largest of them all; and several having to do with the African trade. Commerce just across the Channel with Holland and France was not supposed to require the same sort of regulation.

If you were a merchant in those days and you wished to deal with one of the more distant parts of the earth, you had to do it by getting admission to one of these great regulated companies, pay the standard dues, and supposedly abiding by the restriction which the law placed and sharing in the payments which were required to the government,

The colonial system was used as a general part of this commercial policy. Colonies were planted very largely for commercial motives. It was expected of them that they should provide markets for English manufactures, on the one hand; sources of raw material supplies for English workers, on the other hand; and, third, all their carrying trade was to be carried on in English bottoms. That was one of a considerable number of measures intended to increase the country's mercantile

marine, a matter of far greater importance to national defense in those days than now because of course in those days the difference between a stout merchant vessel and a man-of-war was not very marked. In time of war all good mercantile vessels were taken by the navy and put to naval uses with comparatively little difficulty. So having a great merchant marine meant having potentially a powerful navy.

In order to build up this navy not only was the carrying trade with the colonies kept in English hands, but also very special efforts were made to develop fishing. Fishing was also attractive to the Mercantilist statesman on the ground that it supplied a cheap and wholesome part of the diet and also provided goods for which there was a good foreign demand. In order to stimulate fishing, people were required by law not to eat meat on certain days of the week: If they did not eat meat, then the fish were likely to have a market; and our not very closely honored convention nowadays of eating fish on Friday runs back to a time when that was by law the diet of all good citizens.

Then there were the Navigation Acts proper which required in general that British merchants should carry on their foreign trade in British bottoms and in particular that they should avoid employing ships and seamen of rival nations.

Now all these schemes for the economic welfare of the country, and I have mentioned only the most significant of the many which were in effect, constituted what came to be known as Mercantilism; a scheme of economic regulation by national statesman with the aim of making the country strong economically and therefore strong in a military sense. It was really a sort of scheme of economic mobilization in the time of peace which finds perhaps its best modern counterpart in the efforts which were made during the Great War in all the belligerent countries to mobilize all the economic resources in supporting the military program.

What national power required, as these statesmen saw it, was first of all a large population; second, that population should be abundantly provided for in a material sense; and well controlled by the central government, so that it could be turned to whatever uses public policy required. The scheme required also a large marine wherewith anything

that was required could be obtained promptly in adequate supplies. And the means by which this policy of power was pursued, as you see, were encouragement of agriculture, training of the workers, regulation of wages, regulation of prices of food and some other things, very careful regulation of foreign trade, of shipping and of the colonial ventures of the country as part of the general scheme; the introduction of new industries – anything which in the eyes of the people who felt responsible, as Sir James Steuart represents his statesmen to be, would affect the economic strength of the nation as a whole.

**Mercantilism vs. Individual Initiative in the Eighteenth Century.  
Adam Smith's Early Life.**

At the last meeting I sketched very briefly the whole scheme of industrial regulation that was adopted in England in the reigns of Queen Elizabeth and King James I, and which endeavored to provide for the industrial training of the population through the scheme of apprenticeship. It determined what classes of occupations sons of fathers following certain branches of industry might enter; it provided for the supposedly fair but not undue remuneration of the wage-earning classes through the fixing of wages by the justices of the peace; it tried to get all the able-bodied people at work by punishing idleness, and on the other hand tried to keep the deserving poor from distress. The scheme tried to encourage those branches of mining and manufacturing which were deemed by the statesmen most advantageous to the country at large, through granting bounties, imposing duties upon imports, giving inventors or others who were to develop certain trades monopoly privileges. The scheme imposed still more minute regulations upon commerce, endeavoring to see that the country's exports should reach the largest possible excess above their imports, so that a steady stream of the precious metals might flow into the country; and it regulated the business of the colonies in such a fashion as to contribute toward the economic prosperity of the motherland; and also adopted elaborate shipping regulations with the same aim in view. This whole elaborate scheme constituted the English form of mercantilism.

Mercantilism has often and properly been called the policy of power. We get our most vivid realization of it, I suppose, from what happened through the war, for in the last century or two the modern world has known nothing corresponding to this ambitious plan for managing the economic life of nations upon a sustained scheme, save for the hasty experiment which almost all the leading nations of the world were forced to adopt under the stress of the recent great conflict. When it did appear an indispensable national necessity that all the economic strength of the countries which were fighting each other should be mobilized and utilized to the utmost, then the preference for individual initiative was for the time being surrendered, and we put again into the hands of our statesmen, in this country as well as in Germany, and France, and England and Austria, and Russia, the task of telling us what we should do, of regulating in considerable detail and in the most drastic fashion occupations of the people, the prices at which they should exchange goods, striving to make everybody work or fight, striving to prevent the use of luxuries. In short, we reintroduced in haste a great many of the most characteristic features of mercantilism, this time not with the primary object of getting a large stream of the precious metals flowing into the nation, but primarily with the object of letting the nation attain its utmost fighting power.

Now in thinking about mercantilism, economists quite naturally laid more stress upon that particular object of getting a large supply of the precious metals than upon the general object of enhancing the nation's power. The desire of getting a favorable balance of trade to be paid in gold and silver was not an end in itself, but a means toward this more general end. It was a sort of political interpretation of the advantages of securing a money economy. The successive generations of statesmen had seen how much more the nation prospered when the king got his revenues in money instead of in commodities; when his military force was constituted of trained professional soldiers who were paid salaries obtained in lieu of the performance of the old military duties. When they had seen how much more effective even agricultural operations were when they were conducted on a money basis instead of by an exchange



of services for the right to use lands, when they had noticed the manifold advantages of active trade, they quite naturally thought, in somewhat naive fashion, that the nation as a whole might get powerful as it got rich, just as a merchant acquires power along with his wealth. And so, into their schemes of national aggrandizement which had for untold generations been the general aim of statesmen, they incorporated this new economic measure of trying to get a plentiful supply of the monetary metals; and in that aim they were led to pursue such a great diversity of special aims – all these elaborate regulations and standardizations of the lives of the population.

I think perhaps we can obtain the clearest idea of the difference between this general viewpoint and the viewpoint which was eloquently assumed by Adam Smith, and which is still the viewpoint that most of us hold most of the time when thinking about economic matters, by noticing the attitude of the mercantilist writers toward the problem of labor. That is a comparatively easy thing today because a few years ago Professor E.S. Furniss of Yale made a very extensive study of seventeenth and eighteenth century pamphlets on trade in the Yale library, and produced a book which he called rather curiously *The Position of the Laborer in a System of Nationalism*.<sup>13</sup> It is really a series of citations from mercantilist writers in the seventeenth and eighteenth centuries in England concerning the proper policy that should be adopted with reference to labor. The first point in this policy which Furniss notes is the insistence upon the importance of the laborer to the country. That is a matter which is asserted in as strong terms as any modern orator might adopt in addressing a trade union convention. But the laborer is important not for his own sake but for quite other reasons. The common viewpoint is very neatly and succinctly phrased in an essay of John Bellers:<sup>14</sup>

Regularly laboring people are the kingdom's greatest treasure and strength, for without laborers there can be no lords; and

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<sup>13</sup> Furnish, Edgar Stevenson, *The Position of the Laborer in a System of Nationalism: A Study in the Labor Theories of the Later English Mercantilists*, Boston, 1920.

<sup>14</sup> *An Essay toward the Improvement of Physick, with an Essay for Employing the Able Poor*; London, 1714, p. 37.

if the poor laborers did not raise much more food and manufacture than what did subsist themselves, every gentleman must be a laborer and every idle man must starve.

So, the laborers are really the foundation stone upon which the national economy rests; but they are important only because gentlemen cannot exist without them. It was also a part of the doctrine that laborers should be kept steadily employed. Another writer said that “labor is to be regarded as a capital material, a raw and undigested commodity, placed in the hands of supreme authority whose disposition it is to improve, manage, and fashion it to more or less advantage.” Laborers are not free people who are to live their own lives but they are raw materials, and it is the statesman's duty to see that they are utilized as well as may be. It is, of course, the statesman's responsibility to provide employment for all and, on the other hand, it is the people's duty to labor. “This duty should be taught early.”

An anonymous pamphlet on *The Management of the Poor* (1767) runs:<sup>15</sup>

Whenever either the legislature or private persons employ their care about the children of the poor, the principal part of their plan should be to inure them to the lowest and most early labor.

Another writer, William Temple, says:<sup>16</sup>

When these children are four years old, they shall be sent to the country workhouse and there taught to read two hours a day and be kept fully employed the rest of their time in any of the manufactures of the house which best suits their age, strength and capacity. If it be objected that at these early years they cannot be made useful, I reply that, at four years of age there are sturdy employments in which children can earn their living; but besides, there is considerable use in their being, somehow or other, constantly employed at least twelve hours in a day, whether they earn their living or not;

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<sup>15</sup> P. 16.

<sup>16</sup> *An Essay on Trade and Commerce*. London, 1770, pp. 266 ff.

for by these means, we hope that the rising generation will be so habituated to constant employment that it would at length prove agreeable and entertaining to them.....

And besides this rather drastic scheme of training which should be given to the most of the children, it was necessary that after that they be kept poor in order that they be kept busy, as Arthur Young, the author of the celebrated *Travels in France* wrote in his eastern tour in 1771:<sup>17</sup>

Everyone but an idiot knows that the lower classes must be kept poor or they will never be industrious; I do not mean, that the poor of England are to be kept like the poor of France, but, the state of the country considered, they must (like all mankind) be in poverty or they will not work.

And this view, “that is known to everyone but an idiot,” really explains a good many opinions which were widely prevalent, even among enlightened men in the eighteenth century; such, for instance, as proposals to reduce wages, based on the opinion that whenever wages were high it meant an increase in idleness and loss of national strength. It was considered necessary to keep the lower orders from feeling above the humdrum routine tasks. which the mass of men must be kept to... Endeavors were made to stop popular amusements which not only wasted time but were in danger taking on a professional character, and the use of luxuries such as tea and sugar by the laborers was viewed with alarm. It was thought that when their consumption increased appreciably it was a sign that the working classes were adopting useless luxuries, a sign that the country would be a good deal better off if their wages be reduced to the level where they have no temptation to use articles which had to be imported at a cost to the country as a whole.

This general scheme of mercantilism, though it continued to find active and able defenders throughout the eighteenth century right down to the time of Adam Smith, as these pamphlets and as Sir James Steuart's great exposition of mercantilism as a whole makes sufficiently clear, this system though it continued to be regarded as theoretically outlining the

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<sup>17</sup> *Farmer's Tour Through the East of England*, London, 1771; IV, p. 361.

proper economic policy for the country to pursue, had in fact been gradually disintegrating in a great many of its features. It was disintegrating, I think, quite clearly because certain changes in the daily life of the people were making it profitable to a great many individuals to do things forbidden by mercantilist legislation. Increasing hundreds of thousands of Englishmen were finding that laws adopted for the meritorious aim of increasing the country's strength really prevented them as individuals from finding a most profitable use of their capital and their time. And an Englishman in those times was much like a modern American in that he was always ready to respect laws which complied with his own convenience and to disregard those running counter to his own interests.

And so, while these laws remained on the statute books, and while they had theoretical defenders, we find in all classes of society there came to be an increasing disregard of the fundamental principles of mercantilist policy by a rapidly increasing number of the population. For example, under the mercantilist system a large part of England's foreign trade was reserved for exploitation by certain private companies. That was one of the approved schemes for seeing that the trade carried on was trade of a sort which would tend to increase exports and keep down imports so as to give the country a large favorable balance of trade. But where a monopoly privilege was given to certain companies by the government for exploiting trade, that company quite naturally tried to get monopoly prices, to pay as little as it possibly could to the people from whom it was buying wares in foreign countries and to sell wares when they were brought into England at as high a price as could be obtained. And quite naturally, these profits were almost an irresistible lure to enterprising British merchants. And so, you find what in those days was called "interloping" developing on an ever growing scale. Men who had no connection with the chartered companies, the privileged monopolists of certain branches of trade, would by hook or crook try to send their vessels out to these regions in order that they might get their share of the supposedly fabulous profits. And that was a practice which they illegally pursued, and it increased as time went on.

Everybody who has studied American history knows of similar examples of the disregard of the requirements of the mercantilist system on this side of the water and how far from law-abiding our colonial ancestors were with reference to the requirement that they should not trade directly with the sugar islands of the West Indies belonging to France or Spain; how they should, instead of that, carry on the great bulk of trade directly with the home country; and not trade, except in a few cases which were excepted on good mercantilist principles, with people of other nations. Well, the American colonists, finding an advantage in sending their produce to these islands, where the population was largely slaves, and importing molasses from which they could make rum, which they in turn could exchange in Africa for slaves, found it to their interest to engage in the profitable traffic, and the British government found it extremely difficult to interfere with the proceeding.

So too, in England the system of mercantilism involved the imposing of very heavy duties upon the importation of certain wares for which, nevertheless, there existed a very great market in England; and that resulted in a system of smuggling which was developed to a stage which I suppose even the infractions of the law against the importing of liquor at the present time gives only a faint idea of. It was carried on even by government officials and clergymen.

This summer I happened to meet an Englishman whose family lived on the southern coast of England, and who had been clergymen for a long while. He told me that the church in which his family was most interested was regularly used as a warehouse in which smuggled brandies and French wines were stored, and that frequently enough the church services themselves were interrupted by the arrival of some messenger belonging to the smuggling gang who told them a company of soldiers was moving their way, and the whole congregation was dispersed to move the smuggled goods to a safe place. That kind of thing was going on through all classes of society.

There were thousands upon thousands of Englishmen who were pursuing profitable trades without having gone through a regular apprenticeship. There were thousands of people disregarding completely

the guild regulations which prohibited a man who had not been duly initiated in a certain mystery from exercising the trade in question. From top to bottom, then, the English population, while maintaining in theory its reverence for this general scheme of having the statesman determine what was best for the country as a whole, were ready as individuals to do what they found profitable. It was, I think, fundamental, this pursuit of private profit, whether it ran counter to law or not; and was responsible for a change in practice, a change that came a considerable time before the change in theory. Adam Smith, when he came forward as the philosophic champion of a doctrine that justified a system under which everybody would be free to follow his own interests, found the minds of men prepared for that recipe because it was itself the justification of what they found themselves doing, doing rather reluctantly, in some cases against their conscience. But the promulgation of that kind of thought led men to believe that the laws were wrong and ought to be changed, and what they had been doing was not only right and profitable for themselves, but advantageous to the country as a whole.

One of the characteristics of the time, however, was that Parliament in the eighteenth century paid comparatively little attention to economic problems. Nowadays, I suppose, a person who reads congressional debates will get the impression that in most years the chief problems that concern the legislators of this country are problems of an economic order, or at least the problems that come up for treatment are treated largely in their economic aspects. If, on the other hand, you look over such records as we have of the debates in eighteenth century England, you get the impression on the whole that economic problems were not of first-rate importance in the eyes of the legislators. Now and then they could be induced to give their attention to some matter, particularly if that matter could be made in some way a burning issue between the two parties. But they were very much more concerned with the old problems of the balance of power in Europe, the question of foreign policy, and also with constitutional questions. The great issues of eighteenth-century British Policy arose from the issues connected with foreign wars, and of

course all these had to do with maintaining England's prestige in the balance of power and trying to improve that position.

The great questions were those that centered upon the wars and also around the relations between the king and Parliament. For a long while the great question was whether the efforts of George III to assert the old prerogatives of the Crown should succeed; whether the king should be allowed to choose his ministers, or whether they should continue to be, in fact though perhaps not in name, a committee chosen by the House. And then there came up that long continued and most interesting problem connected with the name of John Wilkes, as to whether a parliamentary constituency should be allowed to choose its own representative; whether Parliament or Parliament and king together could refuse to seat a man who had been elected by a certain constituency. And then there came to the fore for some years as the leading question of the day the struggle with the North American colonies, a question that had its economic side, a question which nowadays historians are very likely to treat in economic terms, but a question which was not discussed in eighteenth century England primarily in terms of economic issues but in terms of the Colonists' rights or rather in terms of the colonists' duties.

There were of course, economic questions considered, such for instance as the perennial fear that the national debt was growing to such proportions as to promise the ruin of the country; and questions of taxation methods, of trying to improve the way of collecting duties upon imports. But, broadly speaking, it is almost the fact that the eighteenth century at least until the time of the second William Pitt, that is, sometime after the appearance of *The Wealth of Nations*, eighteenth century England had, so far as the parliamentary record is concerned, hardly any great constructive measure of an economic sort to offer.

To sum up the situation as a whole; We have a community that was, in comparison with past times, living in large part a life of peace; a community that was turning its attention more and more to bettering its economic condition; a community in which people were more and more largely developing initiative and voluntary cooperation in pursuit of their

enterprises; in which the government itself, though running on in the old forms, was gradually becoming a government by public discussion; and in which the central government was taking less and less hand in local affairs, leaving them more and more in the management of local people; and in which the old traditional scheme for regulating the economic life of the people was being infringed upon in countless ways by countless individuals; and in which – and this is the last word I have to say before taking up Adam Smith's adventures in which the government was scarcely intervening to check the changes that were going forward – in which the government was acquiescing tacitly in the breakdown of a plan in which probably almost all members of Parliament continued to believe theoretically.

The British have a great system of what are called “dead letters,” laws which stand on the statute books, which nobody takes the trouble to repeal, but which also nobody takes the trouble to enforce. Now, as the eighteenth century wore on, more and more of the economic legislation came to have that status of “dead letters.” Now and then, people whose interests were interfered with by infractions of the law would protest to Parliament and ask that Parliament see to it that its own laws be respected. There were plenty of people of that sort; for instance, the people who were interested in the privileged trading companies found the persons of interlopers in their part of the trading world a most unwelcome development. They would demand that the privileges they were paying for should be confined to themselves and these lawbreakers be kept out. Every now and then a craft guild that found its market was being taken away by some enterprising businessman who found a new way of producing things and who employed certain people to make things who had not had proper apprenticeship and admission to the guild, would appeal to Parliament and ask that the laws regarding apprenticeship and guild membership be enforced. The manufacturers of England who thought that their interests in the colonies would be compromised by the illicit trade that the colonists were carrying on with the West India Islands belonging to other powers, or manufacturers in England who reared that the colonists were going to set up iron works of



their own and would become independent of British cutlery, etc. would appeal to Parliament and ask that it enforce the laws it had itself passed. And merchants who dealt in goods properly imported into England found that smuggling was likely to cause them serious losses. They did not go into the smuggling trade; and they were going to appeal to Parliament to see that the laws requiring that all goods which came in should come in through the customs house and be subjected there to the proper levies, should be enforced.

Parliament, made up of men, who had the usual amount of logical consistencies in their make-up, could always see the point that the laws should be enforced and often enough it lent a willing ear and tried to take some measure to see to it that the statutes were enforced. But more and more often as the century wore on, when a petition in favor of enforcing the old laws was presented, people appeared on the other side and began arguing as plausibly as they could through their representatives that the new ways of doing things after all were not injurious to the country. That happened perhaps most often with reference to the efforts of the craft guilds to get their ancient privileges respected. Businessmen who found other ways of producing things that were better and cheaper than the craft guild's methods would appear in opposition to a petition of that sort and oftentimes make a case which a set of gentlemen acting as a parliamentary committee, though they knew little about all this, could hardly disregard, and then Parliament disregarded the petitions and let matters alone. In a most confused sort of way the situation kept drifting on in the direction of freer and freer practice of individual initiative, in the direction of less and less practical enforcement of the scheme of statesmanlike control over the country's economic life as a whole.

Now that was the situation in which Adam Smith had grown up, and what I have next to do is to review briefly his individual experiences before the time when he set himself to discuss these large issues of trade on a philosophic basis. Among the numerous lives of Adam Smith, the best is one by John Rae.<sup>18</sup> If you look in any considerable library, you

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<sup>18</sup> *Life of Adam Smith*, London, 1895.

will find other lives, older and more recent, but I think none of the more recent ones undertake to be as comprehensive as this very carefully documented study.

Adam Smith was born in a small Scotch town called Kirkcaldy in 1723. About his father we know very little except the fact that he was a lawyer, what was called in Scotland a “writer to the signet,” – he had been the Judge Advocate for Scotland and Comptroller of the Customs in the Kirkcaldy district. These things indicate that he must have been a man of influential connections because anyone who did not have them would not in those days have been likely to get such appointments. His mother was the daughter of a well-to-do landowner. His father died a few months before Adam Smith was born, and he was the only child in the family. He was brought up at home then by a widow, and throughout his life he had the closest of personal relations with her. Most of the time he lived with his mother until her death, and she lived to the age of ninety, at which time he was sixty-one. He never married.

He was sent to the Kirkcaldy school which had a very good reputation, and at the age of fourteen he was ready to enter Glasgow College. Now when Adam Smith entered Glasgow College, it was a place of remarkable intellectual activity. Smith was particularly influenced by Francis Hutcheson, a great teacher, who was the first to give up the practice of lecturing in Latin in favor of English. He was a philosopher who discovered in nature the Benevolent Deity of the eighteenth century, a Deity whose will was to be found, not merely by consulting the Sacred Scriptures, but also to be found by inquiring into the good of mankind. If you could find out what measures made for the good of mankind, for what Hutcheson called “the greatest good of the greatest number,” a very famous phrase which he is said to be the first to use, you could find out what God's will was. Such was his philosophic brand of theology and in those days a teacher of moral philosophy was almost as much of a theologian as of a philosopher. His brand of philosophic theology led him quite naturally to inquire into a whole series of social problems, among which economic problems had their place. Hutcheson lectured on certain economic themes in his general course on natural jurisprudence,

and took, on the whole, a very liberal stand although on technical points he was a Mercantilist.

This influence of Hutcheson on Adam Smith is represented by all his biographers as being decidedly an important feature in forming his views, beginning at a time when he was pretty young. And another personal factor to which a good deal of influence is ascribed is Adam Smith's early and long acquaintance with David Hume. David Hume was some twelve years his elder; he was beyond a question a man of extraordinary intellectual power. He came to be regarded as the first philosopher of his age, not merely in Scotland and England but on the continent of Europe. He was a man of most delightful personality, a man of very wide interests, a writer upon history and economics and art as well as upon philosophy; a man to whom Adam Smith became very closely attached and with whom he spent a great deal of his time.

At the end of his four years in Glasgow College in 1740, Adam Smith won a Snell exhibition. There were five of these exhibitions granted only by Glasgow College. They were fellowships which carried a stipend of £40 a year and enabled the holders to spend five years in Balliol College, Oxford. So, after his four years at Glasgow, Adam Smith moved down to Oxford and studied there five years. He came to Oxford just at the time when its intellectual lethargy presented the sharpest of contrasts to the intellectual activity of the Scottish universities. In *The Wealth of Nations* there is a passage in which Adam Smith says that nobody was then taught, or could so much as find “the proper means of being taught, the sciences which it is the business of those incorporated bodies to teach.” And that harsh verdict which Adam Smith passed upon Oxford is one that is equally expressed by Edward Gibbon and Jeremy Bentham, who followed him at Oxford after no long interval.

Adam Smith, however, did not waste his time; he was a born student. He spent long days in the library at Balliol College reading classics, reading French and Italian belles lettres, and he was even caught reading his friend David Hume's *Treatise of Human Nature*, an indiscretion for which he was reprimanded and the book confiscated.

### **Adam Smith and the Wealth Of Nations**

At the close of our last hour, I began a brief account of Adam Smith's personal share in the life of his time. Indeed, it seems that he made very few friends at Oxford. In all this time he lived a very quiet studious life, devoting a great deal of his attention to belles lettres. He was there not only when the work of instructing was very unintelligently treated, but also at a time when there seemed to be no outstanding characters among the students. His biographers have spent a good deal of time looking over the lives of Oxford students and only one man in the University, in Balliol, his college, at that time, who later became distinguished was another Scotch lad, Douglas, who later in life became Bishop of Salisbury.

The Snell exhibitions were supposed to lead to a clerical career, that is, at the end of a man's tenure he was supposed to take Holy Orders and return to labor in the Scotch Church. But Adam Smith had gradually developed scruples against taking Holy Orders; these conscientious scruples stood in the way of a career in the Church, and for that matter in a university career in England, for very few people not in the Church could expect to get University fellowships. So, he returned to Kirkcaldy and settled down again to live with his mother.

He hoped to get a tutorship, that is, an opportunity to teach the children of some of the magnates of Scotland, but his diffidence and his poor dress stood in his way and no such opportunity was opened to him. After two years, however, he secured a chance to deliver a course of lectures on English literature in Edinburgh, and that proved one of the turning points in his life. At Edinburgh in the course of lectures on English literature he had a distinguished audience. His lectures were highly appreciated and won considerable reputation. From reports made at the time, we know something about the views he entertained upon this interesting subject. He held that Shakespeare had written good scenes but had not written any good plays; the best tragedy in any language was Racine's *Phaedrus*; Dryden was a better poet than Shakespeare; Milton's shorter poems were of no account; indeed, his opinions upon the merits of English literature were those of the eighteenth century. They differed very widely from our own. When William Wordsworth wrote the preface

to his *Lyrical Ballads*, he remarked that Adam Smith was the worst critic, David Hume not excepted, that Scotland, a soil of which that sort of weed seems natural, had produced. He gave these lectures on English literature three winters in succession, and during the last of these winters he gave a course of lectures on economics, in which he advocated the doctrines of commercial liberty.

The success of these lectures led to his appointment to a chair at Glasgow in 1751, when he was twenty-seven years old. The professor of logic had died and Adam Smith was promptly appointed to the vacant post. Next year he was transferred from the chair of logic to the more desirable chair of moral philosophy. As professor of moral philosophy he received an income from the endowment which probably averaged £70 a year, and in addition he received fees from the students who attended his course. These fees, it is believed, never exceeded £100, so that his income, both from the endowment and from the fees was probably in the neighborhood of £170. The college provided him a home, and Smith took in an occasional boarder. His mother and his aunt lived with him. This income seems low to us nowadays, the sum of money running, say, in the neighborhood of six or seven hundred dollars a year, together with a house and whatever profit he made from the boarder, but we must remember that at that time the general range of incomes in Scotland was very low. The best paid position in the Scotch Church was only £138 per annum.

Glasgow College when Smith went there as a tutor had about 300 students of whom 80 or 90 took Smith's general course on moral philosophy. In addition to that general course, he had what was called a "private class," a class of more advanced students, some twenty in number. On the average he used to lecture from half past seven to half past eight to his large class, to hold a quiz at eleven, and then to meet his private class at twelve twice a week. In addition, he had a good deal of personal intercourse with his students and exercised considerable influence upon them. He was one of the most successful tutors in Glasgow.

The moral philosophy course which he gave year after year consisted of four parts, the first dealing with natural theology, the second part with ethics, the third part with justice, and the fourth part with expediency. In the first part devoted to natural theology the lecturer adduced the principles of the being and the attributes of God and developed the principles of the human mind upon which religion is founded. In the second part of the course devoted to ethics he developed the principles which were presently to be in his *Theory of Moral Sentiments*, about which I shall say more in a moment. In the third part, belonging to justice, he traced the gradual progress of jurisprudence and the effects of measures which contribute to the subsistence and the accumulation of property. Finally, his discussion of expediency was a discussion of political regulations which are based not on justice as such but on expediency – regulations which were calculated to increase the riches, power, and prosperity of a state. This brought up for discussion questions of commercial and financial policy, ecclesiastical and military establishments, and so on. It was this fourth part of his course of lectures on moral philosophy which gradually developed into *The Wealth of Nations*. We know a good deal about this course because a very full set of notes taken by some member of this class in 1763 has been preserved. In 1896 it was edited and published by Professor Edward Cannan under the title of *Lectures on Justice, Police, Revenue and Arms Delivered in the University of Glasgow by Adam Smith*.

From the beginning, in his discussion of such economic problems as could be brought into the course on moral philosophy, Adam Smith expounded the principles of free trade, and it was ascribed to his influence that this doctrine became current among the business classes in Glasgow. Sir James Steuart, whose *Treatise on Political Economy* I mentioned in the early part of the course, returned from exile in 1763 and lived for a time at Glasgow. While there, he tried to persuade the Glasgow merchants to support the theory of protection which, of course, appealed to him; but he said that he became tired of repeating arguments to the Glasgow “theorists” as he called them, whom Smith had converted to the free trade heresy.

Glasgow was at that time a rapidly rising commercial center of some 23,000 inhabitants. It had for an indefinite time been a residential town, but there was a group of unusually enterprising business people there. Their interest was largely in the tobacco trade with the West Indies. Glasgow became a point of supply for the tobacco-growing colonies, a point to which tobacco was shipped from the colonies, and from which the tobacco after more or less manufacturing was distributed to the various centers of consumption. In connection with that tobacco trade, the town developed a number of manufacturing enterprises. It imported iron from Russia and Sweden and made it into hoes and spades for the colonists in Maryland; it tanned hides and made saddlery and shoes for use upon the plantations. It was also developing linen works, copper and tin works, and pottery, carpets, silk, and leather glove manufacturers on a modest scale. In 1750 the first bank was opened in Glasgow, and two years later another was found necessary. In 1759 the merchants of the place began improving the navigation of the channel of the River Clyde so that vessels could come up to Glasgow itself. They installed a drydock in 1762, and in 1768 they began work on a canal to connect the Clyde with the Forth. A town then, you see, full of observant merchants and manufacturers; a town, the business of which was increasing rapidly.

Adam Smith entered into rather intimate associations with his enterprising fellow townsmen. In particular he joined a weekly discussion club of which the express designs were to inquire into the nature and principles of trade in all its branches. Thus, though not engaged in business himself, he had an uncommonly good opportunity to watch the processes of trade as they were carried on by one of the most enterprising groups of business people to be found anywhere in the United Kingdom. I suppose there is no doubt whatever that his weekly discussions for a long period of years with these business people had a great deal to do with the development of his interest in economic problems, and probably the formulation of the views which he came to entertain in regard to them.

Another factor in his development was the ripening of his acquaintance with David Hume, an acquaintance which you remember began when he

was a lad in college and brought him the embarrassment of having David Hume's *Treatise of Human Nature* taken away from him. Hume was not only the first philosopher of Europe at this time, he was also the most enlightened writer upon economic themes, at least the most enlightened English writer upon economic questions before Adam Smith's own day. The two men seem to have been most congenial, although Hume was some ten years older than the economist. Every now and then Smith would run over from Glasgow to Edinburgh where Hume was living, though the journey then was some thirteen hours, and he spent most of his vacations in Hume's house. Thus he came to know not only Hume himself but also to maintain an intimacy with Hume's Edinburgh circle, a circle which, I may add, was composed of people whose chief interest was decidedly different from that of the Glasgow group, so far as economic questions were discussed, and Adam Smith joined this select society in Edinburgh. The chief interest in Edinburgh was in agricultural problems and about them Adam Smith had an opportunity to think almost as much in Edinburgh as he thought about mercantile and manufacturing problems in his own home.

In 1759 Adam Smith published his *Theory of Moral Sentiments*. As I said, this book was an outgrowth of the second part of his course on moral philosophy, the part that dealt with ethics. It was an eloquently written essay of two volumes which argued that moral approbation and disapprobation are, in the last analysis, expressions of sympathy with the feelings of an imaginary and impartial spectator. Even what our own conscience tells us about the rightness or wrongness of our actions is a reflection of the views which some impartial or sympathetic spectator has concerning what we have done. And that sympathy with the views of an onlooker is the basis on which all our moral feelings rest in the last resort. This treatise upon ethics was most neatly adjusted to the taste of the age. It was filled with illustrations; the argument was developed in leisurely and rather copious fashion. It was written with considerable effort; easy to read, entertaining; was almost as much of a literary as it was a philosophical performance, and it promptly won an enviable reputation for the author. Within Adam Smith's lifetime it passed



through six editions, and made him widely known in England and in France as well as in Scotland. It also led to a considerable increase in the number of students who attended his classes in Glasgow. The old Scotch and Irish contingent were added to by men who drifted in from land, the Scandinavian countries, and even from Russia.

What was more important was that the publication of *The Theory of Moral Sentiments* led to the next important change in Adam Smith's method of life. The book came into the hands of Charles Townshend who was then Chancellor of the Exchequer; and, as David Hume wrote to Adam Smith, Townshend passed "for the cleverest fellow in England." He was a brilliant parliamentary light, now perhaps remembered because he was the person who took responsibility for imposing the duty upon tea in the North American colonies, the duty which led to the Boston Tea Party and contributed to the more serious consequences which followed, Townshend some years before had married the Countess of Dalkeith who was a great heiress and the widow of the oldest son of the Duke of Buccleugh. Before marrying Townshend she had two sons, and when the old Duke died, her infant son came in for the title, becoming the Duke of Buccleugh. To ensure that the young noble got a proper education, Charles Townshend, his stepfather, set his heart upon getting the author of *The Theory of Moral Sentiments* to take a grand tour with the young duke and give him the proper sort of introduction to life. So Townshend approached Adam Smith upon the subject, and in 1763 when the boy was old enough, Smith resigned his professorship and accepted the tutorship. That meant a very material improvement in his circumstances. He was paid a salary of £300 a year and promised a pension of the same amount for his whole life, and of course his expenses while traveling were to be paid. More than that, it gave him an opportunity to visit the European countries he had not yet seen.

So rather regretfully he resigned his professorship and in February 1764 set out with the duke for France. Their first task was to learn to speak the French language. They went south to Toulouse and devoted themselves in no very hasty fashion to acquiring familiarity with the language.

While he was in the south of France, Adam Smith wrote to David Hume, “I have begun to write a book in order to pass away the time. You may believe I have very little to do.” And the book thus begun in 1764 gradually grew into *The Wealth of Nations*; and it in turn was founded upon that section of the old moral philosophy course which had dealt with the principles of expediency.

After leisurely travels through France and Switzerland, during which Smith had an opportunity to observe economic conditions there, different from those with which he was familiar in Scotland and in England, the party reached Paris about Christmas in 1765. Their arrival in Paris occurred at the end of David Hume's two years of triumph in that city. Hume had been looked upon as a sort of demigod in the Paris salons. He had become acquainted with all the leaders in the literary and fashionable circles, so that he was in a position to introduce his friend Adam Smith and Smith's noble pupil to the people worth knowing. That he did at once, so that Adam Smith promptly formed the acquaintance of the group of men in Europe who were most concerned with the problems about which he was now actively thinking, that is, the group of Physiocrats.

About the Physiocrats, of course, you must all know a good deal, and it is no part of my present task to say anything concerning their views. What is important to recall, however, is that Dr. Quesnay, a physician attached to the court, had been brought to think rather more systematically about the problems of economic policy as they presented themselves to the monarch of a country, than any of his predecessors; that he had come to the opinion that by all odds the most important, not to say the exclusive source of wealth was to be found in agriculture, and that the king who wished to raise his people to the highest possible level of affluence should do all that he could to promote agriculture, among the steps necessary to be taken being to allow almost complete liberty of private initiative. Around him Quesnay had gradually gathered a band of distinguished disciples, and more or less on the outskirts of this band and very sympathetically related to them was Turgot, the celebrated

official who while Adam Smith was in Paris was himself writing a treatise, which was presently published, on the formation of riches.

When Adam Smith reached Paris, the Physiocrats were in the first flush of their first brief practical success. They had captured a journal, the *Journal de L'Agriculture du Commerce et des Finances*, of which one of their number, Dupont, that Physiocrat who later in life emigrated to the United States and set up the great powder business at Wilmington, was made editor in June, 1765. They had persuaded the government to issue an edict in 1764 which promoted the exportation of grain, and they were looking forward to exercising a very considerable degree of practical influence upon economic policy, hopes which were destined to an early and bitter disappointment. For nearly a year Smith stayed in Paris, seeing a great deal of this group as well as being on more or less intimate terms with the various sets of philosophers who were having such a good time in discussing unorthodox things of various sorts.

He returned to England rather hurriedly, due to the misfortune that the younger brother of the Duke of Buccleugh was killed and the party had to go back to London in November 1766. When they got back Adam Smith's duties as a tutor came to an end, and he was left at liberty to pursue his own interests with the pension of £300 a year. He spent a considerable time in London, working largely at the British Museum where he had opportunity to get certain materials concerning colonial questions about which his information had theretofore been unsatisfactory. Then in 1767 he went back to his old home at Kirkcaldy, and there he lived the greater part of his time the next ten years with his mother, working on his book. He did interrupt these years in Kirkcaldy, however, with some rather long stays in London but, substantially speaking, he buried himself in the country and devoted himself to his writing. We do not know very much about his progress, though there are occasional letters of his which throw some light on how he liked his quiet life. For instance, he wrote to Hume soon after settling down that he was immersed in study which was his only business, that his sole amusement was taking long solitary walks by the seaside, and that he had never been happier in his life. He seems to have completed his first

draft by about 1770, but he went on altering and amplifying parts of it for six years more. He suffered some very ill health. He wrote to a friend in 1772 of interruptions that were caused partly by bad health. Besides, he was always a slow worker. In a letter to a publisher that was found not long ago and printed in the *Economic Journal*, September, 1923, he remarked; "I am a slow, very slow workman, who do and undo everything I write at least half a dozen times before I can be tolerably pleased with it."

In 1773 he took the manuscript to London and spent three years there. His stay was a good deal more extensive than he had expected. While there he saw quite little of Edmund Burke and Benjamin Franklin; he was admitted to the Literary Club presided over by Samuel Johnson, a club which included among other members Edmund Burke, Sir Joshua Reynolds, and Edward Gibbon. Finally, in March 1776, *The Wealth of Nations* was published as a two-volume quarto, selling for £1.16. The book had taken ten years to write, if you count only the years from 1766 when Adam Smith had given up his tutoring of the young duke and devoted his time almost exclusively to it. It took a good deal more time if you go back to the time he began writing in Toulouse, and it had been really developing in his mind probably from the beginning of his professorship in Glasgow, perhaps even from that one course of lectures upon economic topics which he had delivered in his twenty-ninth year at Edinburgh – a book, you see, that developed in a very deliberate fashion. *The Wealth of Nations* had a very rapid success. The whole of the first edition was exhausted within six months. Before Adam Smith died, four other editions had been printed and sold. It was translated three times into French before the end of the eighteenth century and twice into German. It was translated also into Italian, Danish, and Spanish, and it was pirated in Ireland. It met as warm and perfect a welcome from the intellectual world in England as any book of a serious nature that appeared within a hundred years of its time. Our concern, of course, is largely, in fact mainly, with this book, but before taking up that theme, let me add a few words about Adam Smith's later years.

He stayed in London for a little time after the book was published, enjoying his triumph, and in 1778, early in that year, he was appointed to a commissionership of the customs in Edinburgh, a rather lucrative post in the government employ. This post was a very desirable one from Adam Smith's viewpoint and seems to have been a direct reward to the author for the benefits which Lord North, then Chancellor of the Exchequer, had obtained from reading *The Wealth of Nations* in preparing his budgets for the years 1777 and 1778. Lord North, by no means agreeing with Adam Smith's general views, had found certain technical suggestions on the matter of taxation which he took directly out of the book and incorporated in the budget. So that when Adam Smith's friends suggested the desirability of making him Commissioner of the Customs in Edinburgh, he lent a willing ear. His salary in this post was £600 a year. Smith retained his pension of £300 from the Duke of Buccleugh; he also had half the selling price of the later editions of *The Wealth of Nations*, besides his royalties on the editions of *The Theory of Moral Sentiments* which the market kept absorbing. Indeed, he enjoyed in the later that he was able to live a most agreeable life. He dispensed very liberal charity and he associated with the leading men of his day. While Glasgow was notable for its enterprising merchants, Edinburgh was notable for its intellectuals. It was the home of such men as Hutton, the man whose work did most to introduce the modern type of geology, and Black, one of the most distinguished surgeons of the day.

It was altogether a very calm and happy old age that he passed, his work not being exceedingly irksome. Just before his death he called in the most intimate of his remaining friends – for David Hume had died in 1776 shortly after *The Wealth of Nations* had appeared – and asked them in his presence to burn sixteen volumes of manuscript. This they did without asking what those books contained, and with that act started a mystery which has exercised the minds of economists ever since. The general supposition is that as Adam Smith had developed the second part of his course on moral philosophy into his *Theory of Moral Sentiments* and the fourth part into *The Wealth of Nations*, so in his later years he spent his leisure in developing the third part into a treatise upon

jurisprudence, and that the sixteen volumes, not developed to such a point that he was willing to have them published, may have contained that work. But inasmuch as Black and Hutton did not look into their friend's books, it can only be speculated as to what the world lost in the burning. He died finally on the 17th of July, 1790.

The point of this sketch of Adam Smith's life for us is, I think, to observe that *The Wealth of Nations* was the carefully elaborated product of a college professor, a professor of moral philosophy, a man whose training had been in classics and literature, and in philosophy; a man who had never taken any active share in business up to the time he published his work, and who even to the close of his days was never a businessman, though he did become a public official. But though its author did live this quite reflective life, he was a man who associated closely with several quite different circles of people, people whose leading interests were remarkably diverse. He had his long friendship with that curiously stimulating philosopher, David Hume, and his associations with his professional colleagues in Glasgow. For that matter I might mention that among those with whom he came in contact was James Watt who was the mathematical instrument maker to the college while Adam Smith was the professor of moral philosophy; and while Adam Smith was lecturing on jurisprudence and economics, Watt was making those experiments which led to his important improvements on Newcomen's steam engine.

In closing I will say, he had had the active interchange of views with the merchants and manufacturers of the place, and conversations with the people interested in agricultural problems around Edinburgh. And then he had been given the opportunity to travel in France and Switzerland, and to observe economic life under a political system markedly different from that at home, economic conditions in a geographical environment which was different from that of Scotland or England. Also, his French travels had brought him into close intellectual contact with the intellectually most vigorous set of people who were trying to develop economics on a systematic basis. With all these many contacts Adam Smith had finally gone home to his mother's house in the quiet Scotch

village and spent some ten or eleven meditative years in elaborating in a finished manner all the numerous ideas which he had gathered. The result was then a book which had a curious degree of finish for a book that marks as large an effort in human thought as does *The Wealth of Nations*. You expect people who are breaking new ground to show in their books a certain amount of crudity. It is eminently true of the next influential work in economics which we shall have to consider David Ricardo's *Principles of Political Economy*; that is a hasty, raw, imperfect sort of performance. Adam Smith's *The Wealth of Nations* is from a literary point of view an admirable performance, urbane, well rounded out in all its parts, exactly the kind of work that you might expect, so far as its manner is concerned, to come from the hand of a college professor.

### ***The Wealth of Nations:***

#### **A Philosopher's Reflections on What He Saw About Him**

Today I wish to say something about *The Wealth of Nations*, though I do not plan to discuss the economic doctrines which this celebrated book contains. Those doctrines you are acquainting yourselves with by reading the book as a whole. My aim is to emphasize certain characteristics of the book and presently to show in some detail what practical influence it exercised. *The Wealth of Nations* is certainly one of the most influential books which has ever been published – influential both in shaping public policies not only in England but also in other countries, and influential likewise in promoting the development of thought. Yet it is a very curious book in its makeup. As I said early in the course, when we read it, we usually, as students of economics, read it to see what Adam Smith thought concerning certain technical doctrines, particularly the theory of value and the theories of wages, profits, and rent. It was not, however, because of interest in these topics that the book was read so widely by so many important people in its own time. They consulted it rather to see what Adam Smith had to say about the problems which concerned them: about such matters as the currency and banking, colonial administration, the Settlement Laws that curious set of regulations which prevented a poor man from moving from one part of

the country to the other – about the Navigation Acts, about the Canons of Taxation.

Now the book has a good deal to say about economic theory and a great deal to say about public policy. It is a curious compound such as you will find matched in this respect by very few modern treatises. It is a book, indeed, without a systematic plan. In the generation that followed Adam Smith you expected to find that a treatise upon economic theory would be arranged in an orderly manner, beginning probably with a discussion of the production of wealth, followed by a discussion of exchange, then a discussion of distribution, and perhaps closing with a discussion of the consumption of wealth. Nowadays, when you open an economic treatise you expect to find it organized on the lines of the discussion of value, perhaps opening with a discussion of what constitutes value, duly developing the reasons why we want goods on the one hand, and the factors which regulate the supply of goods on the other hand. And then it will proceed to discuss the distribution of wealth as a series of problems in value: wages is the price paid for labor, and the price for labor can be discussed in terms of the general theory of value as supply and demand. So interest is the price paid for the loan of funds and can be discussed in terms of the supply and demand of capital. Rent is the price paid for the use of land and can be discussed in terms of the supply of and demand for land. And profit is the price which people get for undertaking the work of business management, and can be discussed as a problem of the demand for and supply of business ability.

In *The Wealth of Nations* you find a plan, and one that unfolds, as Adam Smith writes in a natural, plausible fashion. That is just because Adam Smith had considerable literary ability. Logically, the plan is very curious when you look at it as a whole, and indeed the lack of arrangement as they called it, was one of the chief criticisms, which Adam Smith's young disciples in the generation that followed him made of *The Wealth of Nations*. It was a criticism naturally that was very prominent in the minds of his French disciples, for we credit the French with having a keener sense of logical proportion than we usually have. It was J. B. Say who in his *Cours d'Economic Politique Pratique* published



in 1803 introduced the order that commended itself to economists for another generation and consumption.

Let us see what Adam Smith's own order was. Book I he calls "Of the causes of improvement in the productive powers of labor, and of the order according to which its produce is naturally distributed among the different ranks of the people." That is, he begins with production and distribution; and this is the longest section of *The Wealth of Nations*. Book II he calls "Of the nature, accumulation, and employment of stock," – stock being the term which he used in substantially the way capital is now used in economic treatises. Here is his discussion of capital which would be expected nowadays to go into a discussion of production and distribution; here is the discussion of capital taken up after he has taken up the productive powers of labor and the order in which the product is distributed. Then he writes a still shorter book, Book III, called "Of the different progress of opulence in different nations," a book on the factors which stimulate or retard the increase in national wealth. Then he turns to an essay in criticism, Book IV, "Of systems of political economy," a book in which he discusses at very great length and with destructive effect the prevalent Mercantilist notions of economic policy, and in which he also discusses more briefly and more sympathetically the ideas peculiar to the Physiocrats with whom he had come in intimate contact, as we saw, during his year in Paris. The work closes with Book V, "Of the revenue of the sovereign or commonwealth," a discussion of taxation.

The explanation of this curious order seems to be a very simple one; that Adam Smith never really emancipated himself very much from the general scheme which he had followed in his course of lectures on moral philosophy at Glasgow University. Apparently, he was one of those professors who not only gave the same course year after year, but also one of those who, when he came to write a book, wrote an expanded version of his lectures. The course was divided, you remember, into four parts, of which the fourth part dealt with public policies based upon expediency, taking up police, revenue, and arms. And in *The Wealth of Nations* Adam Smith dropped his reference to police, seeming to feel

that that was, after all, not a matter of first-rate consequence for his purpose, but he expanded the lectures dealing with means of securing cheapness very much. And they grew into his discussions of the division of labor, of the accumulation of stock, of the progress of opulence; and negatively they appeared in another form in his extended criticism of Mercantilist doctrines. He also, of course, expanded his old remarks on revenue. They grew into the closing book of *The Wealth of Nations*, "Of the revenue of the sovereign or commonwealth."

The most important change from the scheme of the lectures was the introduction of an exposition upon the way in which the produce of a country is distributed among the several ranks of the people, that is, the introduction of the discussion of distribution. And that introduction shows, if you will notice its manner, how hard Adam Smith seemed to be put to it to bring the topic in at all. He begins with his glowing, famous disquisition upon the division of labor and the great advantages which men derive from that in increasing the effectiveness of production. He goes on to point out that the division of labor rests upon exchange. An efficient exchange calls for the use of money and, of course, the use of money brings in the idea of prices, and the idea of prices enables him to discuss the component parts of price. Now that discussion of the component parts of price contains what Adam Smith had to say about the theory of distribution, for the component parts of price are wages, rents, and profits.

The introduction of this theory of distribution which presently became in the eyes of technical economists the most important part of the book as a whole seems clearly to have been due to Adam Smith's converse with the Physiocrats. If you will look at that reprint of a student's notebook of his lectures as given in 1763 which I mentioned on Tuesday, you will find no trace of this discussion of the component parts of price, that is, no trace of the theory of distribution. But when Adam Smith got to Paris, met Dr. Quesnay, and conversed with Turgot, who was at that very time writing his admirable little book on the formation of riches, he found that this physiocratic group was making much of a topic which had played seemingly a very slight role in his own construction of economic

problems. Quesnay had hit upon the general conception that the real wealth of a country consists not at all as the Mercantilists had said – perhaps without really meaning it, but repeating it – in the amount of gold and silver, but that its real wealth consists fundamentally in the supply of useful commodities which are turned out by its laborers year after year. He hit, in other words, upon the idea which is represented by Alfred Marshall’s conception of the “national dividend.” And in discussing this “national dividend” he was led to take up the question how it is distributed among the people who cooperate to produce it – among the laborers, and the landowners, and the employing classes. Now Adam Smith came back from Paris apparently much interested in this idea, and in reflecting upon the matter at large during the ten or eleven years when he was writing *The Wealth of Nations* in Kirkcaldy, he worked up his reflections upon the Physiocratic doctrine into his own discussion of the component parts of price. So, to repeat, we apparently owe this particularly important section of *The Wealth of Nations* – that is, particularly important from the point of view of the influence of that book upon the further development of economic theory – to the influence which the Physiocratic group exercised upon Adam Smith.

By odds the most important part of the book, however, so far as influencing practical affairs is concerned, and in the larger sense so far as influencing our thought about social problems is concerned, is the general view which Adam Smith expounded on so many pages and with such force concerning the fundamental principles of economic policy the general view which we now usually characterize by the French phrase *laissez faire*. That was a view which was no less characteristic of the Physiocrats, and even of certain opposing schools of economists, than was the doctrine of the national dividend or the doctrine of the single tax upon land. But Adam Smith did not derive his faith in *laissez faire* from his contact with the French economists. As I had occasion to remark incidentally, Francis Hutcheson, his teacher at Glasgow College, had much to say concerning the advantages of free enterprise, although on technical economic questions he maintained orthodox Mercantilist views. Adam Smith, apparently from the beginning of his teaching, had

been an ardent exponent of the view that after all every man can judge what is to his own advantage far better for himself than any statesman can judge for him, and that inasmuch as the wealth of a country is the sum total of the wealth of the citizens who compose it – a view, by the way, which soon came in for criticism at the hands of later disciples of Adam Smith, but a view which Adam Smith entertained – it must follow that the wealth of nations will increase most rapidly if every man is allowed to follow whatever occupation seems best in his own eyes, and be allowed to invest his capital in whatever enterprise he thinks will prove most profitable.

That opinion, as I said, Adam Smith had heard propounded by Francis Hutcheson. It probably got its energy in his own thinking very largely from his thirteen years of intimate association with that enterprising group of Glasgow merchants and manufacturers with whom he associated in the political economy club in Glasgow. It was a conviction which may have been confirmed by his intercourse with the Physiocrats, but a conviction that had its roots deep in English experience.

Now I have quite failed in the purpose of most of the lectures that I have given so far if I have not made you realize how a philosophic mind reflecting upon varied developments in English life during the eighteenth century would naturally and rapidly come to the conclusion that the country's welfare was really being promoted by the mass phenomenon, mass practice, of individual initiative, and that one of the chief obstacles to be encountered; actually obstructing progress in national welfare, was the mass of old laws and regulations which endeavored to exercise an artificial control over the occupations and investments of the people – laws which would have constituted a very much more serious obstruction than they actually did had people been foolish enough to observe them.

Adam Smith, drawing this lesson from English experience, was, as I have intimated from time to time, really giving his fellow countrymen a sort of rationalization of practices which they had developed, probably without much thinking about them – practices which were doubtless carried on by many a man whose theories of public policy continued to

run in the old channels of his mind. It is by no means an exceptional experience in human nature that we readjust our practical activities under pressure by necessity or the stimulus of opportunity very much more readily than we adjust our general conceptions. That is quite true of all of us, as can be shown by a homely illustration in connection with our religious life. If you talk to a man about the matter of Sunday observance, you will find in a large number of cases that what he will tell you citizens should do upon the Sabbath is not at all an accurate picture of his usual Sunday occupations. He keeps certain old doctrines which he learned in his youth, and when he discusses the matter formally he presents those old-fashioned views, but does not observe them very well in his own life as a matter of personal behavior. There were tens of thousands, probably hundreds of thousands of Englishmen in Adam Smith's time who were following the lead of their private interests in economic matters, and following them without devoting much thought to general economic principles following them while probably if anybody led them into a discussion of economic principles they would find themselves formulating views which would condemn their own conduct.

That frame of public mind, that social situation, goes very far to account for the enormous success that *The Wealth of Nations* achieved so promptly – goes far to account for the fact that so many editions were called for, and the further fact, of which I shall say more presently, that *The Wealth of Nations* was soon after its appearance to exercise a very definite influence upon English was soon after legislation and administration. But before passing on to this topic of the immediate practical influence exercised by the book, I want to make one other remark about *The Wealth of Nations*, as a whole.

We like to speak of economics as a science, and we like to speak of Adam Smith as the father of political economy. In our more careful moments we have perhaps some reservations about both remarks. We know that Adam Smith was preceded by Quesnay; that Quesnay was preceded by Cantillon; that Cantillon was preceded by a whole group of at least half-enlightened Mercantilist writers upon public policy. And yet

when we have made all these deductions, it does remain a fact that *The Wealth of Nations* was in a very genuine sense the start, the foundation of modern economics. Even in this qualified sense of the beginning of a new science, it is very different in character from the beginnings to which we trace back most of the natural sciences. If you will contrast this epoch-making book in economics with the epoch-making changes that were made in Adam Smith's own lifetime, or soon thereafter, in the science of chemistry, you will get an idea of what I mean. Chemistry was an older science than economics, but one of the men who were living and had done scientific investigation even before Adam Smith was Lavoisier, the great French chemist who established the science upon a new basis by overthrowing the phlogistic theory, the old idea about combustion, and by using more methodical ways of performing chemical experiments and more accurate procedure in weighing and computing. What this chemical investigator did was to try a set of rather simple experiments, to add a new view of one fundamental chemical process, and to announce his result in a memoir of no great size. From the outset it took a comparatively great step forward, leading to the improvement of our knowledge of one detail in chemistry. And the further growth of chemistry was characterized by a succession of steps of that character, few of which had anything like the general significance of Lavoisier's great experiments. Chemistry grew up by a detailed process of accretion of associated knowledge concerning one set of reactions after another.

On the other hand, the history of political economy is marked primarily by a series of changes in viewpoint. It is not so much that Adam Smith, or Ricardo, or John Stuart Mill, or Jevons, or Alfred Marshall has related someone new fact of very broad significance, such as the facts Lavoisier ascertained concerning combustion, as it is the fact that these successive writers have had a more or less novel way of looking at the more or less common stock of knowledge. In Adam Smith you will find an exposition of very many facts. He has much interest in a realistic treatment of the questions which he handles, and his book is, for instance, one of the best sources of information we have concerning the

organization of the Bank of Amsterdam. His account of several of the historical events of particular interest to economic historians is a valuable piece of work. But after all, in these historical researches he is primarily giving us a very skillful summary of knowledge which was available to many people. It is not the new facts which he adduces, when he adduces any facts which are really new, that are of importance. It is rather that in dealing with a body of actual knowledge more or less common to people of his generation he dealt with it from a novel viewpoint adapted to new purpose. That is, *The Wealth of Nations* is in fact more like a philosophical treatise than it is like a scientific memoir. And that has been true, I should say, of the successive very influential books on economics which have appeared since Adam Smith's time. The science has not grown up at all by a process of experimentation. It has been influenced but not decisively influenced by our growth of knowledge. It has been influenced most by our way of interpreting certain information of which all of us are more or less masters – information of a sort which we can very readily accumulate from all sorts of sources aside from books on economic theory – a way of thinking about things rather than an organized body of steadily growing ascertained knowledge.

Now and then in the history of science you come across a book that has this same characteristic. I think this is true of Darwin's *Origin of Species*; and it is very characteristic of modern biological research that most of the active investigators now regard that great classic as a piece of extremely skillful dialectics rather than as adding greatly to our real knowledge of how the species of animals which now inhabit the world have gradually developed. The kind of scientific work which is more characteristic of the growth of science as a whole is represented far better by Gregor Mendel's experiments in growing different types of peas and other experiments that he made and on the basis of which he formulated what are called the Mendelian Laws. That is very much more typical of the general characteristics of scientific development than is a book like Darwin's *Origin of Species*.

That fact that the greatly influential books on economic theory had been primarily the presentation of new viewpoints and only secondarily the result of increasing knowledge of facts, accounts for the fact that a book like *The Wealth of Nations*, so large, so finished, so imposing in all respects, could be written about the subject at so early a date. Men cannot discover new facts very rapidly. No one man ever discovers a great many. You cannot systematize a science on the basis of anyone's discoveries. But a philosopher, a man who has new insight into relations, a man who is relating a great accumulated body of common knowledge which he is not trying to render particularly more precise, but about which he is reflecting – a man of that kind can bring forth a new system excogitation rather than investigation. It sees new relations of facts, rather than teach us more about economic life. It is a series of reflections, conclusions drawn by reasoning, rather than an addition to our actual knowledge of economic properties. And as a book of that sort it comes before us, being commonly referred to, and as it seems to me with some right, as the first of the great modern books on economic theory, prompting us to call its author the father of his science. But a father whose child is no infant. If you will want to draw fanciful analogies, you will have to think of the birth of Minerva from the brain of Jove, springing full-armed into the world. It began at once to exercise a powerful influence upon the course of affairs.

Adam Smith was not the first person by any means to think about economic problems. Now to repeat: All this is said with full realization of the fact that with the recognition of the fact that many of his ideas, probably in detail almost all of them can be traced back into earlier writings, often for a long, long way; but nonetheless you do not find all this work organized as Adam Smith organized it. He did organize it. And because the object was one of organizing materials in existence, he could do the job so quickly and with such finish; and that constitutes his great achievement, an achievement that was great because organizing knowledge on economic matters, seeing it in new perspective, was the one great service that a man of his time could effectively render.



There had started in the England of a hundred years before Adam Smith's time a movement to treat economics in a way far more analogous to the methods characteristic of the physical sciences. That group of men organized the Royal Society, the group of whom Sir Isaac Newton was the most illustrious, included among others Sir William Petty, a man of medical education, of wide philosophical interests, who applied his highly ingenious inquiring mind in many ways – for he was a character resembling Benjamin Franklin – among which was a discussion of many economic problems. And following the natural bent, reinforced by his close association with the mathematicians and physicists who formed the core of the Royal Society, he tried to treat economic questions distinctly on a quantitative basis. That is, he set out as he put it, to “bottom” his discourses upon number and measure, to use statistical methods, but he produced a high score of speculative discussions on economic problems which were not “bottomed” on number and measure. The fullest result of Petty's labors was the publication of his Political Arithmetic, a book which tried to treat not only economic but also political questions on a statistical basis.

Now this attempt to apply rather rigorous quantitative methods to the discussion of economic problems had not lacked other followers, and if you will look in any of the books which deal with the history of statistics you will find that there followed Petty a long succession of people who worked in the statistical fashion upon economic problems, making most rapid progress with vital statistics. But that attempt to treat economic problems in precise fashion had, after all, not progressed greatly. It is very characteristic of what had happened that in Adam Smith's own lifetime one of his acquaintances, the celebrated Dr. Richard Price, was demonstrating statistically that the population of England had declined since the Revolution of 1688, and Arthur Young was demonstrating statistically that the population of England was increasing rapidly.

These two demonstrations flatly contradicting each other were possible because neither investigator had adequate data. Dr. Richard Price rested his conclusion primarily upon certain tax returns. There were hearth taxes, and then window taxes, and he thought he could figure out the

number of houses and so the number of families, and so the number of people. Arthur Young used certain parish records which, while better, were after all merely samples, and not very representative samples at that.

Adam Smith, under such circumstances, naturally came to the opinion, which he expresses in a brief aside in some passage in *The Wealth of Nations*, saying: "I have little faith in political arithmetic." That is, the time when it was possible to treat questions of the sort that Adam Smith discusses with such great skill and so effectively by methods approximating precision, did not come, and could not come, until the materials for such work existed on a far larger scale and of a far better quality than that in which they were found when *The Wealth of Nations* was written. The way that Adam Smith had of discussing economic questions from a philosophic viewpoint on the basis of his innate convictions concerning human nature was the one method which could at that time be practiced with a large measure of success, unless a person wanted to confine himself to a comparatively few minor issues.

And if nowadays we are inclined sometimes to look askance at the drawing of such sweeping conclusions as Adam Smith reached on the basis of his cogitations from general principles, we should remind ourselves of the practical impossibility of treating those problems at that time by any other method than the one he followed.

### **Adam Smith's Influence Upon British Politics**

I have been trying for the last two or three weeks to show that *The Wealth of Nations* grew out of the general social developments of the time and country in which it was published. Now I want to show how this product of the general social process of intellectual and practical developments was in turn affected by Adam Smith's formulations. If the general view that I am presenting is a sound one, then of course it follows that anything which does appear as a prominent factor in the common life of a group of people such as the English population then constituted is never simply an end product. It is always simply one feature of a cumulative development, and if it has any force, effectiveness, it is going to influence what comes after it. That I think is

very definitely true of *The Wealth of Nations*. Perhaps we are not going too far when we say, and I am inclined to take the position, that Adam Smith's economic philosophy was after all a scholar's reflective formulation of ideas that were already acted upon rather than systematically thought about among a considerable proportion of his contemporaries. But the very fact that your ideas are formulated for you, the very fact that the things you are doing are rationally justified is likely to have a considerable influence on your future conduct.

Now one side of the influence exercised by *The Wealth of Nations* very promptly after its publication is known with curious definiteness. We have on record that certain technical, not very important, actions of the government were suggested within a few years by ideas propounded in that book. And then very soon afterwards, within less than a decade after Adam Smith's death, we find that far more important measures were debated, and debated by responsible statesmen who used Adam Smith's reasons, quoting Adam Smith himself, as an explanation of the changes they proposed. And more intensive study (for which we have not here time) would unquestionably make it certain that not only in these large conspicuous measures – the new laws that were passed but that in a thousand lesser matters concerned rather with administration than with new legislation, the reasoning of *The Wealth of Nations* kept men fixed on a line of conduct they had rather waveringly been following before, and emboldened them to go farther and farther in the direction which common sense seemed to justify, though the actions ran directly counter to precedent.

To begin with the very tangible influence which *The Wealth of Nations* exercised at once on government policy: In the next year after it was published, that is, in 1777, Lord North, who was then Prime Minister and Chancellor of the Exchequer, was drawing up his budget, and as usually happens in planning the budget, he was looking for new sources of revenue. He was particularly eager, as Chancellors of the Exchequer are, to find forms of taxation which would result in a considerable yield to the Exchequer, and taxes which would nevertheless not be particularly burdensome to the people taxed, or at least would raise no serious

outcry. He obtained valuable assistance from *The Wealth of Nations*. He imposed two new taxes of which he got the idea from *The Wealth of Nations*; one a tax on manservants which Adam Smith recommended with particular fervor, and the other a tax on property sold by auction. In the next year Lord North got still more important help from Adam Smith's suggestions, for he introduced an inhabited house duty, an important tax, whereas the tax on manservants and property sold at auction were matters of no very large consequence. He introduced the inhabited house duty and also a tax on malt which corresponds more or less to our internal revenue duties on beer. Adam Smith's biographer, John Rae, thinks it was primarily in recognition of this assistance which he derived from *The Wealth of Nations* in drawing the budgets for 1777 and 1778 that Lord North appointed Adam Smith commissioner of the customs in Scotland.

We also know that Adam Smith was consulted by Henry Dundas and by the Earl of Carlisle in 1779 about a general question of economic policy that was then very troublesome. Henry Dundas, you may remember I had occasion to mention, was one of the political jobbers of the time. He was then the man of patronage in Scotland for the ministry of Lord North, and then he was a sort of political manager in Scotland for William Pitt. As a Scotchman, he was well acquainted with Adam Smith and with his claims to attention. Now in 1779 the question about the commercial relations between Ireland and England came to the fore. In those days there were rather heavy protective duties imposed in England on the importation of manufactured goods from Ireland. The general British policy in trading with Ireland had been not very unlike the general British policy in trading with their transatlantic colonies, a policy of trying to get Ireland as a valuable source for raw materials which should be brought into England and manufactured there, and the products of which could be distributed to Ireland and other customers. The British manufacturers, like manufacturers in other countries which enjoy the blessings of a protective tariff, were very much afraid lest the Irish should set up independent manufacturing plants of their own and should take away their business. And so, they were very much alarmed

when a proposal was made to reduce materially the English import duties, for efforts had long been made to keep Ireland as a source of raw materials and a market for English manufactures.

This whole problem was put before Adam Smith by Henry Dundas and the Earl of Carlisle, and Adam Smith wrote to Lord Carlisle a notable memorandum which you will find, if you are interested, in Rae's *Life of Adam Smith*.<sup>19</sup> He concluded in this vigorous fashion:

Should the industry of Ireland, in consequence of freedom and good government, ever equal that of England, so much the better would it be not only for the whole British Empire, but for the particular province of England.

As we shall see, the time presently came when William Pitt tried, though not with much success, to realize these ideas of Adam Smith about the advantage to England from vigorous development of manufactures in Ireland.

We also have an interesting and rather mysterious communication that Adam Smith was consulted by William Pitt in 1792 upon some economic problem, the nature of which is not disclosed. This communication comes from a letter written by a prominent barrister of the time, George Wilson, to Jeremy Bentham, July 14, 1787. The letter reads as follows:

(Bentham had in the early part of 1787 sent from Russia the manuscript of his *Defense of Usury* written in antagonism to Smith's doctrine on the subject, to his friend George Wilson, barrister, and Wilson a month or two later – 14th of July writes of “Dr. Smith,” who can, I think, be no other than the economist:)

Dr. Smith has been very ill here of an inflammation in the neck of the bladder, which was increased by very bad piles. He has been cut for the piles, and the other complaint is since much mended. The physicians say he may do some time longer. He is much with the ministry, and the clerks of the

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<sup>19</sup> Pp. 351-352.

public offices have orders to furnish him with all papers, and to employ additional hands, if necessary, to copy for him. I am vexed that Pitt should have done so right a thing as to consult Smith, but if any of his schemes are effectuated I shall be comforted.<sup>20</sup>

We also know that Adam Smith came presently to be quoted as an authority in Parliament. That may seem to us nowadays rather a slight matter, but in the eighteenth century it created some surprise that any responsible statesman in by being substantiated by quotations from some theoretical writer. The first man Parliament should think that his views gained any additional weight or authority who cited *The Wealth of Nations* in a parliamentary debate was Charles James Fox. That happened in 1783. He afterwards admitted, with somewhat unusual candor, that he had never read the book, and also that he had a very poor opinion of economics at large. Nevertheless, he was quite willing to use what he supposed to be Adam Smith's influence on his side. It was not long, however, before Adam Smith came to be quoted in Parliament in rather intelligent fashion. In 1787 that happened in a couple of debates, one on the commercial treaty with France, and one on the proposal to farm out the post-horse duties. He was also quoted in 1788, and in 1792 when William Pitt was introducing the budget and dilating on the advantage of progressive accumulation of capital, he pronounced a formal eulogy upon the writer of *The Wealth of Nations*. As I say, he was dilating on the advantages of the progressive accumulation of capital, and in the course of his subject he said:

Simple and obvious as this principle is, and felt and observed as it must have been in a greater or less degree, even from the earliest periods, I doubt whether it has ever been fully developed and sufficiently explained, but in the writings of an author of our own times, now unfortunately no more, (I mean the author of the celebrated Treatise on *The Wealth of Nations* whose extensive knowledge of detail, and depth of philosophical research, will, I believe, furnish the best

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<sup>20</sup> Wilberforce, *Correspondence*, I, 40; quoted by Rae, *op. cit.*, p. 406.

solution to every question connected with the history of commerce or with the systems of political economy.

Adam Smith was referred to in the later years of the eighteenth century with increasing frequency. Buckle<sup>21</sup> has taken the trouble to go through the debates and note other instances of this sort. If you will look in his first volume page 167ff., you will find that he has collected no less than sixty references to this particular book in the years that elapsed between its publication and 1800. Indeed, the fourteen years that immediately followed the publication of *The Wealth of Nations* seemed to promise sweeping reforms in economic and political organization, reforms that were precisely in line with Adam Smith's recommendations:

For this rapid acceptance of the general principles of the book, changes in politics were in part responsible, in minor part presumably, but they did have a considerable immediate effect. Lord North's disastrous ministry which carried on the war against the North American colonies collapsed in 1732, collapsed largely in consequence of increasing public anger over the feeble and ineffective military operations and resentment at the growing cost of carrying on what seemed to be a hopeless struggle, supplemented by increasing anger at the rather high-handed fashion by which the king was getting votes in favor of the ministry he was supporting. When public irritation had finally reached the point where even the king saw that it was dangerous to continue in the policy he allowed Lord North to go, and his ministry was succeeded by that of the Marquess of Rockingham.

The first task of this ministry was to institute the negotiations which led to peace with the North American colonies and the recognition of the United States. Their second task was to institute a series of reforms – reforms, the chief aim of which was to strike at the worst sources of political corruption which George III and his ministers had used so effectively to keep the North ministry in power. The government presently brought in and passed a bill which excluded government contractors from Parliament, that is, a bill which made it impossible in

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<sup>21</sup> Buckle, Henry Thomas, *History of Civilization in England*.

the future to reward obsequious members of the House of Commons or the House of Lords by giving them profitable contracts. Another bill disfranchised customs and revenue officers. That seems to us perhaps a striking measure, but at the time it was declared that there were less than seventy constituencies in England where the customs and revenue officers did not hold the deciding voice in determining the return of candidates to Parliament. That meant that the government in power, by instructing its appointees in the customs and revenue service could make sure that the members returned in those constituencies would be men who would support their policies.

Edmund Burke, who under this ministry was Paymaster General, brought in also a bill for economical reform in which he abolished numerous sinecures, that is, offices that carried pay but carried the performance of no serious duties-offices which had also been used to reward political henchmen – and which limited the pension list to £90,000 per annum, and so limited the money a ministry could use to reward with pensions those who gave political support; and it prohibited the use of the secret service fund for political purposes. It was charged, and probably with justice, that the ministry had actually used the secret service funds, not for proper purposes of national protection, but actually for paying hard government cash to people whose votes they needed. Burke also, though himself Paymaster General, carried another measure which prohibited the incumbent of that office from lending out the government balance for his own benefit. This had been a common practice. Henry Fox, the father of Charles James Fox, had accumulated a fortune due to the fact that he had held this position for a rather long period of time when the government was carrying on war upon a grand scale. During periods of active military operations, of course, the Paymaster General had to have at his disposal all the time a rather large working fund, and as matters then stood and as politics was practiced, Fox and for that matter his successors had lent out this balance. They kept it in banks instead of keeping it in the government office and the interest which the banks paid went into the Paymaster General's own private pocket. Edmund Burke brought in a bill terminating that abuse.



Also, William Pitt brought up the fundamental question of reforming Parliament on a broader scale, trying to change the suffrage laws in such a fashion as to give different constituencies greater equality so far as number of representatives was concerned, to allow places which had grown rapidly in population a proportionate number of members, and to abolish the more notorious “rotten boroughs.” This bill which Pitt brought in was indeed lost, but it was lost by a majority of twenty votes only, and that was the best that Parliamentary reformers succeeded in getting until 1830, shortly before the Great Reform Bill of 1832 became a law.

The reforming career of the Rockingham ministry, however, was presently terminated very early. They came into power in March 1782 and in July Rockingham died. He was succeeded by the Earl of Shelburne, one of Adam Smith’s earliest disciples among statesmen, a convinced free-trader, a man better known to history under the title he presently bore, the Marquess of Lansdowne. But Shelburne could not get along with Fox, and in April 1783 his ministry fell and was succeeded by a new ministry in which the prime minister was nominally the Duke of Portland, but in which the real power was supplied by a coalition between Charles James Fox and Lord North. Now this coalition was bitterly detested by the king and it was exceedingly unpopular out of doors, primarily because during the American War Charles James Fox had been the most vigorous parliamentary opponent of Lord North. He had criticized that statesman’s policy and his character in about as vigorous terms, as could be used without going far beyond all bounds of parliamentary restraint; so that when these two men struck hands and united in giving support to the ministry nominally headed by the Duke of Portland, it seemed as though they willing to sacrifice all their genuine beliefs if only they could keep the reins were both of them burying what had been credited as their principles and were in their own hands.

Public feeling about the inequity of the new political combination was increased when the Portland ministry brought in a bill for reorganizing the government of British India. The question regarding the justice and

wisdom of the policy pursued by the British East India Company in governing that great dependency across the sea with its millions of inhabitants had been one of the burning questions of English politics for a decade or two. Fox's and North's bill provided that certain leading officials in India should be appointed, not by the British East India Company, but should be appointed by the British Government. That was taken to be a Whig job. It was thought that what Fox and North were after was to substitute for the old sources of corruption which the Rockingham ministry had begun to sweep away with public approbation a new source of corruption, that they would reward their faithful henchmen with places in India in which fortunes might rapidly be accumulated, perhaps not at the expense of the British taxpayers, but certainly at the expense of the Indian populace. And people who were incensed with the ministry, probably glad to find a rational and highly moral ground on which to criticize it, made much of this piece of corruption which they held to be in process. This grievance against the Lord North ministry united the Crown and the English people in opposition, but North and Fox had apparently secured a majority in Parliament. Both of them practiced parliamentary arts with exceeding skill, North being one of the masters of corrupt personal politics, and Fox being one of the greatest parliamentary tacticians who has ever lived. And it seemed for a while as though the ministry would succeed in carrying this bill, maintaining its position in the face both of popular clamor and the king's anger.

Well, now, the king, who was himself a very shrewd politician, took a bold step. He asked William Pitt, the son of the great Earl of Chatham, and who was then but twenty-four years old, to become prime minister, and Pitt with extraordinary courage accepted the task, knowing full well that nothing which the king could do to support him would enable him to obtain a parliamentary majority. But his plan was to accept the government and carry on in the face of certain defeat of all important government proposals for a short while, and use his position as the responsible head of the government, as the person who could control the measures introduced in large measure, to make the public realize exactly

how obstructive, how selfish, was the policy of the coalition which was defeating them. Being himself no less an artist in parliamentary tactics than Charles James Fox, he succeeded for several months not, to be sure, in getting any important legislation enacted, but in exciting the popular fury against the North-Fox combination to higher degree. And then in March 1784 he thought the time had come. He got the king to prorogue Parliament and call for a new general election. That is, they appealed from the men who were defeating them on the benches of Parliament to the nation at large.

The general election of 1784 that followed was one of the most memorable parliamentary struggles of the century. It resulted in a sweeping victory for the king and Pitt, so that after the election was over Pitt returned to power with a large majority back of him, in a position to carry out the policies which he had at heart. And that meant, so far as we particularly are concerned, that another one of Adam Smith's disciples was occupying the most influential position in the British government – a man of far greater talent, far greater power, than Shelburne, the Marquess of Lansdowne – a man who remained in power for eighteen years, his ministry having lasted longer than any other in the British record save the preceding ministry in the early part of the eighteenth century headed by Sir Robert Walpole.

Pitt took advantage of his new political strength to begin to introduce reforms of the sort that Adam Smith had advocated on a large scale. One of his earliest steps as Chancellor of the Exchequer was to begin offering loans to public subscription. Before that the loans of the government had usually been negotiated privately. That had been another means by which the ministry in power had been enabled to distribute very valuable favors to its supporters. That is, people would be allowed to buy government stock at prices substantially below current quotations, and sell that stock for their own profit. When the practice was adopted of calling for competitive bids every time the government went into the market to raise money, the source of corruption was stopped and, what in Pitt's eyes was doubtless as important, the government got much better terms.

Also, Pitt attacked the great problem of smuggling which, as I have said, had become an evil on a grand scale. He attacked it by precisely the methods which Adam Smith advocated, that is, by reducing the temptation to smuggle; he cut the duties – the import duties – on the most important classes of goods which were the subject of the smuggling trade, and cut them heavily. For instance, the duty on tea which had amounted to about 119% ad valorem, that is, which more than doubled the price which the English consumer had to pay, was cut to 12%. The result was that smuggling became an unprofitable business so far as tea was concerned, and the great reduction of the rate of duty was followed by a considerable increase in the government's receipts from the duty. All the tea that had formerly been smuggled now passed through the customs, and the increase in the amount that went through the customs was sufficiently great to offset the reduction of the duty by about nine-fold.

Pitt also went into an elaborate system of tax reforms, the object of which was largely to simplify administrative procedure and readjust the taxes in a fairer way, according to the ability of people to pay. He also adopted – and this is one of the most curious, and in the end, it became the most celebrated of his reforms – a sinking fund scheme. One of the leading economists of the day, Dr. Richard Price, the man whom you may remember I mentioned as having proved that the population of England had declined from 1688 to the 1780's, had written a very ingenious book in which he seemed to prove that if the government would only devote a certain part of its revenue every year to payments into a sinking fund and then credit that sinking fund with interest and let the interest accumulate, they would through the magic of compound interest after a time raise the sinking fund to such huge proportions that they could pay off the debt with ease. It was a mathematical fallacy, but Dr. Price who was a clever mathematician was fully taken in with it and so were William Pitt and also the financial experts of that generation. The adoption of this delusive scheme of paying off the government debt through the creation of a sinking fund was one of Pitt's most popular measures, and it was not until at least a generation had passed that

anybody succeeded in providing convincing demonstration that the whole delusive scheme had increased the cost of carrying the national debt. It really meant that the government in a great many cases had been contracting new loans and paying higher rates of interest for money being paid into the sinking fund at low rates of interest.

Pitt also attacked the question of free trade between England and Ireland, bringing in a bill along the lines which Adam Smith recommended. But here he did not succeed. The first Parliament of Ireland – in those days there was a separate Parliament; the Union had not yet been effected – the first Irish Parliament to which the measure was proposed accepted Pitt's scheme. Then it was presented to the English Parliament, and there it was amended in so many ways through the pressure of the protected British manufacturing interests that it had to be resubmitted to the Irish Parliament, and when resubmitted it promised so little improvement the relations that the Irish Parliament rejected it.

Pitt had much better success in working toward free trade with France. Through William Eden, later Lord Auckland, he negotiated a commercial treaty with France which did not, indeed, establish free trade between the two countries, but which went far in the direction of diminishing the reciprocal duties which were imposed upon the importation of goods into the two countries. And that bill Pitt got accepted in Parliament by a large majority.

He also brought in a measure for parliamentary reform. This scheme provided that the British government should buy thirty-six “rotten boroughs,” the most notorious constituencies where a few people were able through control of property rights of one sort or another practically to appoint members of the House of Commons. The bill provided that the government should purchase these thirty-six of the rottenest boroughs and that the seventy-two seats thus gained should be distributed among the larger counties and part of them given to the City of London and the City of Westminster, both of which were shockingly unrepresented on a population basis. This bill was beaten in Parliament, beaten largely by Pitt's own nominal supporters. And he seems to have acquiesced in the defeat of that measure rather easily. It appears he was

much less excited about the evils of the unfair suffrage when he was himself prime minister and able to take the opportunities which the old system afforded to maintain his party in power; he was much more excited when he was in opposition than when he was prime minister.

Finally, Pitt encouraged his supporters to bring in a bill for the abolition of the African slave trade, the first important step in the direction of dealing with the problem of slavery in the British Empire. That measure was supported by Edmund Burke and by Charles James Fox. That is, it was a measure on which party lines were not drawn, and it was accepted by the House without much trouble.

So, you see how the whirligig of politics brought into power, from time to time, men who were decidedly sympathetic toward the general view of public policy that Adam Smith had advocated. Reforms were achieved, and achieved within less than a quarter of a century after *The Wealth of Nations* was published.

But this era of reform, first under a Whig and then under a liberal Tory administration, was cut short in 1789 by the outbreak of the French Revolution, and we have to notice how that great step toward the liberation of another people reacted upon the British reform movement.

When the news came of the first great steps in the French Revolution, pretty much the whole British nation celebrated the event as a great step toward the liberation of mankind. The leaders of opinion among the English people had close personal relations with many of the more prominent intelligent men in France, and the men with whom they were in closest touch were men, a large proportion of whom had suffered from oppression under the absolute monarchy. They were men who had themselves been exponents of liberal ideas, very often of liberal ideas in the English way, and it seemed to the leaders of British opinion that at last the French nation was accepting men of the kind they knew personally and trusted, and whose ideas were like their own, and that the monarchy was going to be reformed after the English fashion; that the shocking financial abuses would be checked; that a larger measure of representation would be allowed to public opinion; that France might recast her political institutions along the lines of British policy. And

apparently much the same view of the situation was taken at first by most Englishmen, so that the first reaction to the opening guns of the Revolution in England was almost universally sympathetic. But very soon a change came – a change which rapidly altered completely the English emotional attitude and which had a profound influence upon the domestic as well as upon the foreign policy of the British Government, but that story I must tell at the next meeting.