General Introduction: Why Adam Smith?

Graduate economists, thoroughly conversant within the neoclassical paradigm and therefore numerate, who read the first few pages of *Wealth of Nations* confront an entirely different method of political economy to that which their academic training prepares them. If they persist, they find a literary style (no mathematics) that can be irritatingly obscure, seemingly long-winded and occasionally ambiguous, and given to ‘diversions’ of apparently questionable relevance, certainly when compared to the kinds of problems with which they are familiar. It is unlikely that they have an immediate resonance with Adam Smith’s style of discourse. Yet within his books there is much that may enlighten some of their deeper questions, and some they might find disturbing to their mastery of general equilibrium theory. For today’s economists, Smith’s corpus is the veritable and venerable ‘elephant in the room’: how did modern economics develop from such an unpromising source and why is he credited as the ‘Father of Economics’?

The bright confident mornings of the post-war years, when economists brimmed with the certainties of the near-triumphant Keynesian consensus, had by the 1980s ebbed into embarrassment, and many unsettled issues of economic policy resurfaced. Perhaps coincidentally, the history of economic thought and its companion discipline of economic history began their slide into obscurity, with vacant chairs following their former holders into retirement. Meanwhile, the long march of the mathematicians continued, offering numerate economists the promised prize of their joining the ranks of the ‘hard sciences’.

By the new millennium, the original conflict of ‘free trade versus protection’ was back in contention; markets versus state management remained as divisive as ever, and competing solutions to problems of poverty, domestic and global, were stuck, intellectually, practically where
Adam Smith had left them. The dominant feature of economics today is the divisive non-agreement on basic practical policies and, for all its hard-science pretensions, it remains in an unsettled state.

In contrast, concepts from what its proponents call ‘complex adaptive systems’ knock on the closed windows protecting general equilibrium systems from reality checks and raise questions about the validity of Milton Friedman’s\(^1\) papal-like unbending rejection of the need for ‘realism’ in the assumptions of economic models in favour of the quality of their predictions. Complex adaptive systems theory starts from ‘the underlying principles of self-organisation and evolution [that] can trace their origins to seventeenth and eighteenth-century philosophers of society’,\(^2\) and which may open dialogues with other social sciences.\(^3\)

I shall reintroduce Adam Smith into the attention span of readers, not of course by a crude transfer of his ideas into 21st-century policy debates but more as a learning aid from examples of the application of his semi-hidden historical, social-evolutionary understanding of how societies and their economies work. I ask readers, sceptical or curious, to focus on the historical aspect of Adam Smith’s works, by showing him to be a significant thinker in political economy before it became a separate discipline.

A closer look at Adam Smith is recommended to all economists if their reading has been confined to well-worn quotations from his books and to problematic beliefs that he was the theorist of ‘an invisible hand’, an advocate of ‘laissez-faire’, in favour of small-scale government (the ‘night-watchman state’) and a purist advocate of ‘free trade’\(^4\). A few economists, influenced by the ‘Austrian’ school,\(^5\) dismissed Adam Smith as an unoriginal thinker compared to Cantillon, Turgot and Ricardo.\(^6\) Recent revisionist claims\(^7\) that Adam Smith supported ideas associated today with social democracy are challenged, as are their long-standing counterparts on the political right, who claim direct lineage from Adam Smith. These claims from left and right are tested in what follows, as are those wilder assertions from the left-wing followers of Marx, who denounce Smith an as apologist for capitalism, as well as the claims from the ‘greed is good’ school, who claim succour for their tendentious statements which have much more to do with Bernard Mandeville\(^8\) than with Adam Smith.

Adam Smith’s reputation keeps his name in public discourse. Mention Adam Smith and listeners think of ‘his’ pin factory (WN14), a notion reinforced by the Bank of England’s £20 note showing Tassie’s iconic image of Smith. Many economists in the 20th century were influenced