

Adam Smith, Politics, and Natural Liberty

Paul D. Mueller

George Mason University

Abstract

Over the past forty years several scholars have claimed that Adam Smith thought government intervention was a good and natural aspect of civil society. They argue that Smith often portrays politicians and government intervention as being benevolent. But there are many more passages from Smith's major works, *The Theory of Moral Sentiments* and *An Inquiry Into the Nature and Causes of the Wealth of Nations*, that suggest that he did not view government actors or government intervention as being particularly benevolent. Instead, Smith thought that government laws, on the whole, were at best a necessary evil because they encroached upon his ideal of the "obvious and simple system of natural liberty."

JEL Codes: H10, N0, D72

Keywords: Adam Smith, Natural liberty, Faction, Fanaticism, Politics, Laissez faire

I. Introduction

A tension exists in both *An Inquiry into the Nature and Causes of the Wealth of Nations* (Smith 1776) and *The Theory of Moral Sentiments* (Smith 1759) between two important, yet contradictory, themes. In the *Wealth of Nations*, Smith frequently criticizes government intervention because it prevents self-interested individuals from coordinating themselves as they are "led by an invisible hand" (Smith 1776, p. 456). He argues in favor of the "obvious and simple system of natural liberty" and "the inviolable sacred right of property" (Smith 1776, pp. 687, 138). Yet, as many scholars have pointed out, in the same book Smith claims that government intervention can improve the market by restraining the excesses of private greed and acquisitiveness (Viner 1927; Rothschild 2001; Brubaker 2006; Kennedy 2005, 2008). Similar tension between his advocacy of liberty and his exceptions to liberty can be found in *The Theory of Moral Sentiments*. Scholars have taken this tension in two different directions.

Some interpret *The Wealth of Nations* as arguing that narrow self-interest, directed toward advancing one's material ends, best promotes social cooperation and prosperity (Stigler 1971). Others claim that Smith thought self-interest a necessary evil that often needs to be restrained and that sympathy, benevolence, and generosity are more important human motivations (Brown 1994; Rothschild 2001; Brubaker 2006). Advocates of both of these views, however, agree about the following claim: Adam Smith thought that many government interventions could be beneficial. For Stigler (1971), Smith's views of beneficial government intervention contradict his premise that all men are self-interested and that self-interest in markets leads to good outcomes. Rothschild and others use this tension to argue that Smith may not have been as pro-liberty as many people thought. I argue that neither of these views is accurate because they are both based on a misconception of Smith's views on government. These scholars have overlooked a critical element in Smith's works: his distrust of political decision-making. There is little reason to believe that Smith thought political actors had enough benevolence or wisdom to interfere beneficially in citizens' lives.

In the next section I elaborate on the tension between Smith's advocacy of liberty and his support of various government interventions. I also offer a brief overview of how many Smithian scholars have tried to resolve this tension. Then I argue in Section III that Smith was skeptical of politics and political action because he believed that politics promotes faction and fanaticism, which corrupt individuals' morals. Furthermore, Smith claimed that politicians and bureaucrats have little incentive to care for the poor and even less knowledge of how to do so effectively. In Section IV, I outline how the lens of a "presumption of liberty" adequately describes Smith's view of the world and how many of Smith's exceptions fit with both his presumption of liberty and his skepticism of politics and government intervention. I conclude with remarks about the relevance of Smith's politics and his presumption of liberty today.

II. A Popular Misconception

Although hundreds of books and articles have been written about Adam Smith, most put insufficient weight on his descriptions of politicians, bureaucrats, and political decision-making in the *The Wealth of Nations* and *The Theory of Moral Sentiments*. The literature most closely related to this topic integrates Smith's thought across his

works and across disciplines, including philosophy, history, political theory, and economics. Yet even these works tend to address either Smith's various policy prescriptions or his moral philosophy. Stigler frames the problem beautifully when he asks: "How could [Smith] have failed to see the self-interest written upon the faces of politicians and constituencies? The man who denied the state the capacity to conduct almost any business save the postal—how could he give the sovereign the power of extirpating cowardice in the citizenry? How so, Professor Smith?" (1971, p. 174). Could it be that Smith analyzed market behavior using the idea of narrow self-interest, yet simply assumed benevolence in the realm of politics?

Several scholars have taken up Stigler's question and resolved the conflict by arguing that Smith was not as caught up in self-interest as Stigler suggests. Rothschild (2001), for example, argues that Smith was concerned about greed and acquisitiveness as well as about the plight of the poor. Brubaker extends this claim by arguing that Smith was not opposed to government intervention per se but only to bad government policies. In fact, she argues, Smith saw many examples of self-interest in markets creating conflicts and injustice. Therefore, self-interest must be ameliorated by wise government policy in order for natural liberty to flourish (Brubaker 2006, pp. 198–99). Self-interest is only one of many human motivations, and certainly not the best.

Of course many scholars do not accept that interpretation of Smith and counter that he was staunchly in favor of markets and liberty (Klein 2012). Otteson (2002) argues that Smith saw markets as promoting beneficial orders through self-interest, not only in economics but in language and morals, too. Liberty, and the protection of rights, were most important to Smith. If government limits itself to protecting that liberty, prosperity and human happiness will take care of themselves. Paganelli (2006) takes a slightly different approach to Smith's defense of natural liberty. She argues that Smith was more concerned about reducing imperfections and creating a "robust" system than he was about creating a perfect system. Therefore, he favored liberty and markets where people motivated by self-interest naturally tend to help one another and have limited ability to do harm. Contrast that system with one where government officials have the power to do great harm but are constrained in their ability to do good because of their lack of benevolence and knowledge.

Some scholars attempt to take the middle ground between arguing that liberty was most important to Smith and that liberty was relatively unimportant to him. Viner (1927) catalogues the many exceptions to liberty in the *Wealth of Nations*. He calls Smith “the great eclectic” and praises him for promoting markets yet also recognizing useful and important roles for government. Kennedy (2005, 2008) argues that in light of these exceptions to liberty, and the clear mandates that he gives to the state, Smith cannot be categorized as an advocate of completely free markets. Although he agrees that Smith did not solely advocate self-interest in markets (Kennedy 2008, pp. 162, 245–49), contra Rothschild and Brubaker, Kennedy argues that natural liberty, free from government intervention, is important to Smith and that Smith recommends government intervention hesitantly.

But even Kennedy’s position, for all its merit, fails to adequately address Stigler’s question. He never resolves the tension between government intervention and natural liberty except to claim that “utility, not principle, was [Smith’s] stance” (2008, p. 232)—as if utility was not itself a principle. But even assuming that Kennedy meant a particular principle, we are still not any closer to resolving the puzzle of how Smith thought about, and justified, government intervention.

That scholars disagree over what Smith thought about government intervention is not surprising. Smith was a thoughtful, complex, and nuanced writer, and anyone can find something in his works to support their position (Viner 1927, p. 126). Yet this misconception is not solely the result of scholars taking Smith out of context to advance their own agendas. In the *Wealth of Nations*, Smith claims that government should intervene in education, banking, national defense, and public works such as roads, canals, and harbors (Smith 1776, 758–89, 324, 437, 464, 689, 723–31; see Viner 1927 and Kennedy 2008, pp. 247–48). Furthermore, Smith condemns greed and the selfish pursuit of profit at the expense of others in both *The Theory of Moral Sentiments* (Smith 1759, pp. 50, 150, 181) and the *Wealth of Nations* (Smith 1776, pp. 62–63, 339, 350, 421). A reasonable case can be made that he thought government intervention could be benign. That case, however, is ultimately incorrect.

III. Smith's Skepticism of Politics and Government Intervention

Skepticism of politics is the exact opposite of viewing government as benevolent and benign. Demonstrating that Smith was skeptical of both the motives and the abilities of political actors will refute the misconception held by Stigler and others. The most revealing passages of Smith's skepticism are found in *The Theory of Moral Sentiments* when he talks about how faction and fanaticism corrupt people's moral sentiments and in his discussions of justice. His political skepticism fits well with his praise of liberty, justice, markets, and private enterprise. Furthermore, his understanding of self-interest implies that individuals are naturally the best judges and caretakers of themselves, their families, and their communities (Smith 1759, pp. 82, 219, 227; Smith 1776, pp. 343, 540).

In *The Theory of Moral Sentiments*, Smith builds much of his system of morals on the idea of an impartial spectator who judges our feelings, actions, and motivations. By considering his views, people moderate their passions, uphold propriety, and act in a more controlled and socially beneficial manner. Faction and fanaticism, however, distort or corrupt our idea of an impartial spectator. Smith writes, "Of all the corrupters of moral sentiments, therefore, faction and fanaticism have always been by far the greatest" (Smith 1759, p. 156). After dividing into factions, people begin to imagine that the impartial spectator is like their fellow partisans who are not, in fact, impartial. Fanaticism for a cause may lead people to ignore or discount the impartial spectator altogether.

Yet faction and fanaticism are two of the hallmarks of politics. Political decision-making creates divisive interests that stoke people's passions (fanaticism) and it promotes parties (faction). How could Smith not be concerned about politics when it naturally involves faction and fanaticism, which in turn promote corruption, self-deception, and arrogance? Indeed, he is concerned about the corruption in politics and how the political system tends to attract ruthless and corrupt leaders (Smith 1759, pp. 155–56, 233).

The moral corruption caused by faction and fanaticism can be seen most clearly in "the furious zealots" and their political leaders. People caught up in faction and fanaticism tend to reject anyone advocating moderation, patience, and compromise. Men of sober judgment, rare as they are, will not be respected or influential in such an environment:

In a nation distracted by faction, there are . . . always a few . . . who preserve their judgment untainted by the general contagion . . . a solitary individual, without any influence, excluded, by his own candour, from the confidence of either party, and who, though he may be one of the wisest, is necessarily, upon that very account, one of the most insignificant men in society. All such people are held in contempt and derision, frequently in detestation, by the furious zealots of both parties. (Smith 1759, pp. 155–56)

Besides relegating wise and prudent men to the sidelines, faction promotes “party-men” who are ideologically extreme and unwilling to compromise. Not only that, the party-man suspects anyone who does not have views as extreme as his own:

A true party-man hates and despises candour; and, in reality, there is no vice which could so effectually disqualify him for the trade of party-man as that single virtue. The real, revered, and impartial spectator, therefore, is, upon no occasion, at a greater distance than amidst the violence and rage of contending parties. (Smith 1759, pp. 155–56)

Smith describes the impartial spectator as being at a great distance from those who are part of contending parties. And since people’s sense of morality comes from considering the views of the impartial spectator, their moral sentiments are less reliable.

Besides leaders being unwilling to compromise and despising candor, political power tends to attract men motivated by ambition with few inhibitions or scruples:

Candidates for fortune too frequently abandon the paths of virtue. . . . In many governments the candidates for the highest stations are above the law; and, if they can attain the object of their ambition, they have no fear of being called to account for the means by which they acquired it. They often endeavour, therefore, not only by fraud and falsehood, the ordinary and vulgar arts of intrigue and cabal; but sometimes by the perpetration of the most enormous crimes. (Smith 1759, pp. 64–65)

Although Smith’s accusation of politicians committing “enormous crimes” may not fit most politicians, it certainly fits some. Richard

Nixon comes to mind, but there are many others (Rod Blagojevich, Kwame Kilpatrick, etc.). Smith's description of ambition in politics is similar to Hayek's argument about "why the worst get on top" (1944, pp. 157–70). In the game of politics, the most ruthless individuals, like Stalin, Hitler, or Mao, tend to become the rulers.

In one of the most famous passages in *The Theory of Moral Sentiments*, Smith writes about the man of system who imagines that he can implement his plans and schemes without regard for the interests or opposition of others:

The man of system, on the contrary, is apt to be very wise in his own conceit; and is often so enamoured with the supposed beauty of his own ideal plan of government, that he cannot suffer the smallest deviation from any part of it. . . . He seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon the chess-board. He does not consider that the pieces upon the chess-board have no other principle of motion besides that which the hand impresses upon them; but that, in the great chess-board of human society, every single piece has a principle of motion of its own, altogether different from that which the legislature might chuse to impress upon it . . . If they are opposite or different, the game will go on miserably, and the society must be at all times in the highest degree of disorder. (pp. 233–34)

The man of system exists in a *political* context. He wants to impose his own system on other people using the power of government. For the reasons expressed above, these men of system are the natural product of the fanaticism in political factions. But Smith says that this natural product of politics will cause the game of society to go on "miserably" and "in the highest degree of disorder" if it opposes people's goals. What better example of self-interest in politics can there be?

The men of system and party leaders are so convinced of the merits of their ideal system that they are willing to overturn existing institutions and commit the most enormous violations of propriety and justice to implement it. Why are the leaders and members of political factions so willing to throw propriety and justice out the window? Because they are not seeing the world through the eyes of

an impartial spectator. These passages reveal Smith's doubts, and even distaste, for politics; not his naïveté.

Besides his concern about moral corruption in politics, Smith also generally opposed collective action because of the poor incentives and knowledge that bureaucrats have. Bureaucrats face the same incentive problem as the Oxford professors of Smith's time did. In cases where a teacher is prohibited from receiving fees directly from his students, "His interest is, in this case set as directly in opposition to his duty as it is possible to set it" (Smith 1776, p. 760). This is why in the university of Oxford "the greater part of the publick professors have . . . given up altogether even the pretence of teaching" (Smith 1776, p. 761). The problem, according to Smith, is that "what those lectures shall be, must still depend upon the diligence of the teacher; and that diligence is likely to be proportioned to the motives which he has for exerting it" (Smith 1776, p. 761). But because the professors are not actually making an exchange with their students, teaching in return for fees, they have little motivation. Bureaucrats in government are in much the same position when it comes to helping the poor or maintaining public goods. Personal responsibility, with both the means and knowledge of providing for the weak or indigent, is found in the exchange and interests of individual citizens, not government officials.

Smith's conception of justice also supports his political skepticism. In *The Theory of Moral Sentiments*, he describes several types of justice, but commutative justice—abstaining from directly harming another—is most important:

We are said to do justice to our neighbour when we abstain from doing him a positive harm, and do not directly hurt him, either in his person, or in his estate, or in his reputation. This is that justice which I have treated of above, the observance of which may be extorted by force, and the violation of which exposes to punishment. . . . the word coincides with what Aristotle and the Schoolmen call commutative justice. (Smith 1759, p. 269)

Commutative justice is largely negative, meaning that it can be accomplished by not doing something. Smith writes, "We may often fulfill all the rules of justice by sitting still and doing nothing" (Smith 1759, p. 82). Not stealing another's property or harming him is most important for society because "Beneficence, therefore, is less

essential to the existence of society than justice. Society may subsist, though not in the most comfortable state, without beneficence; but the prevalence of injustice must utterly destroy it” (Smith 1759, p. 86). He calls commutative justice the pillar on which society rests. Such a stance casts a troubling shadow over political policies that are justified on the merits of social responsibility or cost-benefit analysis yet violate commutative justice.

Those who know *The Theory of Moral Sentiments* well will object that the demands of commutative justice apply to private citizens, not to governments. But the primary role of government is to protect its citizens from injustice. Only in exceptional cases can government go beyond that maxim:

A superior may, indeed, sometimes, with universal approbation, oblige those under his jurisdiction to behave, in this respect, with a certain degree of propriety to one another. . . . not only of preserving the public peace by restraining injustice, but of promoting the prosperity of the commonwealth . . . he may prescribe rules, therefore, which not only prohibit mutual injuries among fellow-citizens, but command mutual good offices to a certain degree. . . . *Of all the duties of a law-giver, however, this, perhaps, is that which it requires the greatest delicacy and reserve to execute with propriety and judgment.* To neglect it altogether exposes the commonwealth to many gross disorders and shocking enormities, and to push it too far is destructive of all liberty, security, and justice. (Smith 1759, p. 81, emphasis added)

He says that there *may* be good cause for a government to violate the rights of its citizens on some occasions. But the presumption is that people should have liberty. Therefore, any government intervention bears the burden of proof that its effects outweigh the violation of justice.

To answer Stigler’s first question, Smith did not doubt self-interest in political actors. But why, then, would he advocate any government intervention at all given his political skepticism? Even though commutative justice, that pillar of society, is critically important, so are prosperity and morality. Smith understood that there are trade-offs and that sometimes governments may be justified in intervening in order to promote morality or prosperity. But such intervention should be limited because it can destroy “liberty,

security, and justice.” Government intervention beyond the enforcement of commutative justice requires an argument that its benefits will outweigh not only its monetary costs, but also its risk of undermining society. That burden of proof forms the heart of Smith’s “presumption of liberty.”

IV. A Presumption of Liberty

Kennedy writes that Smith “favored liberty, pure and simple” (2008, p. 146), and Otteson suggests that the system of liberty was Smith’s “ultimate preference” (2002, p. 279). Smith’s presumption of liberty flows naturally from his skepticism of politics and government intervention. He often argues that men should be left free from the coercion of others *and* the coercion of government. For example, Smith claims that once “all systems of preference or restraint” instituted by governments are taken away, “the obvious and simple system of natural liberty establishes itself of its own accord” (Smith 1776, p. 687). He has also been quoted by Dugald Stewart as saying, “Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things” (Smith 1980, p. 322). The frequent object of Smith’s attacks in the *Wealth of Nations* is government interference in its citizens’ lives. Because men have a natural “propensity to truck, barter, and exchange one thing for another,” according to Smith, they will naturally trade with one another and cooperate in order to promote prosperity and human well-being (Smith 1776, p. 25).

The principle of natural liberty could not have left Smith indifferent to whether government engaged in one activity or another. So Kennedy’s description of Smith viewing public policy pragmatically seems to miss an important part of the story:

Smith’s legacy, however, leaves room for an extension of state-funded and possibly state-managed interventions, such as in health expenditures that he ever so lightly touched upon (WN 787–8). Smith in all such discussions would ask today’s generations to answer “To what ends are your proposed extensions of state funding aimed?” and “could they be undertaken or managed a different way by private organisations?” The Smithian guiding measure, as always, would be “what worked” and not abstract “principle” . . . not

whether it expanded or contracted the boundaries between private versus public sectors. (2008, p. 250)

Was Smith concerned about practicality? Yes. Was he concerned about human well-being? Most assuredly. Does that mean that he would advocate a government program as long as it benefited more people than it harmed and was not something that could be done by private individuals? I do not think so. The burden of proof for government intervention is more demanding than that.

Even the oft quoted (though much less understood) section about conspiratorial merchants plotting against the public demonstrates Smith's presumption of liberty:

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the publick, or in some contrivance to raise prices. It is impossible indeed to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary . . . A regulation which enables those of the same trade to tax themselves in order to provide for their poor, their sick, their widows, and orphans, by giving them a common interest to manage, renders such assemblies necessary. (Smith 1776, p. 145)

Government should not regulate these businesses, even for the laudable end of helping them care for their poor, sick, widows, and orphans! Why? Because such regulation promotes moral corruption by encouraging faction among merchants, tradesmen, or business owners. Those factions reinforce the political process by creating special interests that will lobby to restrain trade.

Liberty mattered a great deal to Smith, and he did not treat violations of it lightly. So it is a mistake to believe that he advocated the possibility of benign government intervention. But Smith had a *presumption* of liberty, not an inviolable rule. He was willing to accept government intervention that met his high burden of proof on a case by case basis. Classical liberals and modern liberals may disagree in their assessment of whether any particular intervention meets Smith's

burden of proof without denying that, at least for Smith, there was a burden of proof to be met.

V. What about Exceptions to Liberty? Squaring the Circle

That Smith recommended government policies beyond the simple protection of negative liberty and the enforcement of commutative justice is beyond dispute. Viner (1927) and Kennedy (2005, 2008) have both documented extensive exceptions to what they call *laissez faire*, or the system of complete individual liberty and minimal government. Viner argues that Smith should still be read as a proponent of liberty, while Kennedy suggests that Smith would support any government policy where the benefits outweigh the costs, no matter by how little, and where private citizens could not be expected to take care of the issue. The following analysis attempts to elaborate Smith's principles rather than attribute his recommendations to eclecticism.

Kennedy, in his arguments against Smith supporting *laissez faire*, discusses three major exceptions to liberty in the *Wealth of Nations*: banking, education, and restrictions on trade (2008, pp. 162–65, 233–35, 190–95). In banking, Smith recommends restrictions on the issuance of paper money in order to prevent panics, limitations on issuing low-denomination currency to prevent fraud, and restrictions on usury to prevent credit rationing (not unlike Stiglitz and Weiss [1981]). For education, Smith suggests that government should subsidize, and even require, basic levels of education among the poor. Finally, Smith promotes restraint of trade in circumstances of emergency (prohibiting corn exportation) or national defense (Navigation Acts).

A system of natural liberty does not mean that there is no role for positive or proactive government. It does not mean that governments should only provide for national defense and the protection of individual rights. But it does mean that they should justify all their policies in those terms. The Navigation Acts violate liberty and reduce prosperity; but they clearly strengthen national defense. Providing education for the public may prevent the acts from violating justice individually or collectively in the future. Smith defends banking regulations, party walls, usury laws, and restrictions on exporting corn in times of emergency as means to prevent greater injustice from occurring.

One question we should ask is: if Smith was such a supporter of natural liberty, why did he not support a system of total natural

liberty with minimal government intervention (*laissez faire*) in its entirety, as some of his counterparts in France did? The answer is twofold. First, Smith genuinely thought that self-interest in markets could lead to bad outcomes in some circumstances because of human imperfection. He understood that markets depend upon trust, civility, and some level of virtue, as well as upon the legal and cultural rules of the game. In legal matters government has an important, and at times proactive, role to play. The second reason Smith would not advocate *laissez faire*, even if he believed it to be correct, was his intellectual humility.

In *The Theory of Moral Sentiments*, Smith criticizes the “man of system” and the fundamentalist for their unwillingness to compromise, their selfishness, and their pride. As Kennedy (2008) notes, Smith was not a man of system. He was ever the compromiser, trying to persuade people by degrees rather than simply hammering them with his arguments. We see evidence of this behavior in Smith’s life from his unwillingness to support Hume and his ideas publicly (at least until Hume’s death). Propriety, which Smith praises so highly and attempts to comport himself to, would not allow him to argue for *laissez faire*, even if he had been entirely in favor of it.

Yet it seems highly implausible that Smith supported *laissez faire* even in private. He chides Epicurus (and others) for engaging in a certain propensity to reduce all morality or action down to a single principle (Smith 1759, p. 299). Picking up on that theme, McCloskey (2008) argues that Smith was a “virtue ethicist”—meaning that he thought morality consisted of the interaction and trade-offs between many virtues. No single virtue could monopolize or trump the rest. Similarly, no principle of political economy could claim unchallenged preeminence in any and every situation. Even the “sacred inviolable” right of property would have to give way before compelling public needs and dangers. But this does not mean that liberty was unimportant to Smith, or even that it was less important than any other principle (e.g., prosperity, morality, peace, equality, etc.)

Smith’s many exceptions to the total system of natural liberty can be understood within his broader philosophy. He hated arrogance and fanaticism, so we could hardly expect him to write a fanatical defense of completely free markets, even if he believed that they promoted the prosperity and moral order of society. But his recommendations of government intervention should be viewed in light of his presumption of liberty. Beyond protecting property and commutative justice, government interventions were always *exceptions*

to natural liberty, not substitutes for it. The exceptions bear the burden of proof. They must justify both their economic inefficiency and their risks to society.

Smith observed that political decision-making corrupts our moral judgments and creates conflicting interests. Therefore, he distrusted partisan politics. The moral costs of politicizing social affairs in *The Theory of Moral Sentiments* go hand in hand with the economic costs of government intervention in *The Wealth of Nations*. Both angles of analysis suggest that Smith had a strong “presumption” of liberty. Although Smith was certainly not a dogmatic advocate of laissez faire (Viner 1927; Rothschild 2001; Kennedy 2005, 2008), as a general rule, his arguments demonstrate that liberty will promote human happiness better than government will, by establishing markets for goods, ideas, and morals (Otteson 2002).

VI. Conclusion

Those who claim that Smith thought politicians were benevolent and that government intervention could often be benign have misunderstood him on these issues. Stigler’s claim that Smith naively ignored self-interest among political actors falls completely flat. Smith had significant skepticism of politicians’ motivations, knowledge, and abilities to interfere productively in markets. That skepticism matches his presumption of liberty. Despite both his skepticism and presumption, Smith did not advocate laissez faire. In many cases his advocacy of government intervention seems puzzling. Yet, understanding that Smith was not dogmatic, and that he valued principles besides liberty, helps explain most of these exceptions.

You might wonder, “Why all the fuss about whether Adam Smith believed this or that? Hasn’t economics moved well beyond his ideas?” In a word, no. Besides Smith’s importance in the history of economics, his ideas as a system of thought still influence economists today, including Nobel Laureates (Stigler 1983; Coase 1992; Stiglitz 2002; V. Smith 2003). Is there a natural order in markets, or are they constantly plagued by disorder requiring government correction? What should government be doing and why? These questions are still debated today, and what Smith thought of such matters is far from trivial.

Besides policy prescriptions, however, there is much that we economists can learn from Smith’s moral philosophy. First, we should see the trap of single-principle thinking, whether the principle be liberty, social justice, efficiency, or equality. One-system thinking

oversimplifies reality and makes people rigid and inflexible. Second, we should learn from Smith's example of intellectual humility. Being willing to concede points, make exceptions, and compromise are all important parts of healthy academic discourse. No one has a monopoly on the truth. Smith knew it, and we should know it, too.

References

- Brown, V. 1994. *Adam Smith's Discourse: Canonicity, Commerce and Conscience*. New York: Routledge.
- Brubaker, L. 2006. "Why Adam Smith Is Neither a Conservative Nor a Libertarian." *Adam Smith Review*, 2: 197–202.
- Coase, R. H. 1992. "The Institutional Structure of Production." *American Economic Review*, 82(4): 713–19.
- Hayek, F. A. 1944[2009]. *The Road to Serfdom: Text and Documents—The Definitive Edition*. London: University of Chicago Press.
- Kennedy, G. 2005. *Adam Smith's Lost Legacy*. Basingstoke, England: Palgrave Macmillan.
- Kennedy, G. 2008. *Adam Smith: A Moral Philosopher and His Political Economy*. Basingstoke, England: Palgrave Macmillan.
- Klein, D. 2012. *Knowledge and Coordination: A Liberal Interpretation*. New York: Oxford University Press.
- McCloskey, D. 2008. "Adam Smith, The Last of the Former Virtue Ethicists." *History of Political Economy*, 40(1): 43–71.
- Otteson, J. R. 2002. *Adam Smith's Marketplace of Life*. Cambridge, UK: Cambridge University Press.
- Paganelli, M. P. 2006. Adam Smith: Why Decentralized Systems? *The Adam Smith Review*, 2: 201–06.
- Rothschild, E. 2001. *Economic Sentiments: Adam Smith, Condorcet, and the Enlightenment*. Cambridge, MA: Harvard University Press.

- Smith, A. 1776 [1981]. *An Inquiry Into the Nature and Causes of the Wealth of Nations*. Vol. 2, *Glasgow Edition of the Works and Correspondence of Adam Smith*, ed. R. H. Campbell and A. S. Skinner. Indianapolis: Liberty Fund.
- Smith, A. 1759 [1982]. *The Theory of Moral Sentiments*. Vol. 1, *Glasgow Edition of the Works and Correspondence of Adam Smith*, ed. D. D. Raphael and A. L. Macfie. Indianapolis: Liberty Fund.
- Smith, A. 1980. *The Glasgow Edition of the Works and Correspondence of Adam Smith: III: Essays on Philosophical Subjects: With Dugald Stewart's Account of Adam Smith*, vol. 3. Indianapolis: Liberty Fund.
- Smith, V. L. 2003. "Constructivist and Ecological Rationality in Economics." *American Economic Review*, 93(3): 465–508.
- Stigler, G. J. 1971. "Smith's Travels on the Ship of State." *History of Political Economy*, 3(2): 265–77.
- Stigler, G. J. 1983. "Nobel lecture: The Process and Progress of Economics." *Journal of Political Economy*, 91(4): 529–45.
- Stiglitz, J. E., and A. Weiss. 1981. "Credit Rationing in Markets with Imperfect Information." *American Economic Review*, 71(3): 393–410.
- Stiglitz, J. E. 2002. "Information and the Change in the Paradigm in Economics." *American Economic Review*, 92(3): 460–501.
- Viner, J. 1927. "Adam Smith and Laissez Faire." *Journal of Political Economy*, 198–232.