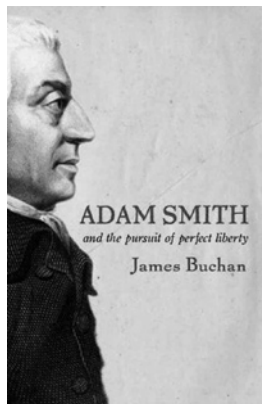


In search of Smith's legacy

Chris Berg reviews
*Adam Smith and the
 pursuit of perfect liberty*
 by James Buchan
 (Profile Books, 2006,
 288 pages)



If an economic philosopher is to be judged by his sound bites, then Adam Smith's best lines come not from his great masterpieces, but from a paper delivered in 1755, as reported by a friend:

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 governments which thwart this natural course, which force things into another channel, or which endeavour to arrest the progress of society at a particular point, are unnatural, and to support themselves are obliged to be oppressive and tyrannical.

Twenty years later, his masterwork *An Inquiry into the Nature and Causes of the Wealth of Nations* would contain nothing so radical.

James Buchan's short intellectual biography of Adam Smith pivots around the publication of his *Wealth of Nations* and the earlier *The Theory of Moral Sentiments*. Spartanly but engagingly written, Buchan depicts an Adam Smith cursed by ill-health for his whole life. The racy novelist Marie-Jeanne Riccoboni, who befriended him while he stayed in France, described him as 'ugly as a devil'—she hated his voice and found him terribly absent-minded, but loved his sentimental philosophy.

Buchan describes in his introduction how both sides of politics have tried to claim themselves as the heirs of Adam Smith—long adored by the free-market right, reform-minded Social Democrats

now try to co-opt his legacy. Buchan chastises both Alan Greenspan and Gordon Brown for inappropriately calling upon Smith's ghost, but it would be interesting to see where the biographer ultimately stands on this.

Certainly Smith was not a dogmatic libertarian by modern standards. He saw a role for the State in education, if under a peculiar justification. The division of labour, he worried, would make the poor into specialised idiots, men who were 'mutilated and deformed'. Public education would help alleviate their intellectual isolation, and lower the chances that their minds could be corrupted by the baser elements of political thought. He had a remarkably unenlightened view of women, but subsequent feminist authors made much of his theories by applying them more equitably.

Buchan rightly makes note of the misuse of what has wrongly become Smith's signature term 'the invisible hand'. Indeed, the 'invisible hand' was rarely used in Smith's writings, only once in each of the *Wealth of Nations* and *The Theory*. An out-of-context quotation from the *Wealth of Nations* has imparted upon it the meaning it has for modern commentators: an economic actor is 'led by an invisible hand to promote an end which was no part of his intention.' Smith, in this case, is talking about merchants who choose to store their wealth

at home rather than overseas for security purposes, and therefore raise the aggregate wealth of their home nation.

However misquoted or misunderstood, the 'invisible hand' has since become the universal metaphor for the workings of a free market. Buchan notes that while Adam Smith was not a particularly religious man, his metaphor helped illuminate his message to his students, most of whom were training for religious careers. *The Theory* is peppered with such references: Smith refers to the Great Superintendent, the Great Conductor, Benevolent Nature and the Superintendent of the Universe.

But, co-opted by economics teachers as a metaphor for Hayekian spontaneous order, its use just about gives the game away. If all that is required to shift resources efficiently throughout an economy is an omniscient designing mind, could not a sufficiently enlightened public servant, equipped with the best technology and intellectual expertise, do well enough to make it worth trying? But it is the process of voluntary exchange that creates the order of a market, and without perfect omniscience, no planner could replicate its results. While the metaphor holds, it also leads to unfortunate hubris on the part of planners who presume to replicate the invisible hand with their visible fist.

A short postscript he wrote for his friend David Hume's autobiography, who had attacked the religious sensitivities of establishment England at the time, caused Smith much greater problems than the *Wealth of Nations*, which had attacked the entire British commercial system. Buchan's brief overview of Smith's life gives us an engaging account of this man whose greatest work is now gathering the controversy it deserves.

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