

Revealing the moral Smith

Fred Hansen reviews

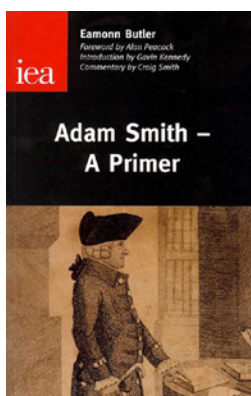
Adam Smith: A Primer

by Eamonn Butler, with
commentary by Craig Smith
(Institute of Economic Affairs,
2007, 272 pages)

It is for a good reason that Eamonn Butler, director of the Adam Smith Institute in London, has chosen to include selections from all of Adam Smith's works in his new primer on the founder of economics, and not simply his best known *Wealth of Nations*. One forms a much better understanding of Adam Smith's powerful analysis of the free market economy if one first acknowledges his genuine social psychology.

Trained as psychologist, philosopher and economist, Dr Butler is well-suited to his subject matter. So it may be reasonable to read Butler's extract of Smith's *Theory of Moral Sentiments* first and his *Wealth of Nations* later. As Butler renders it, Smith's cluster of individual values are more important than the general rules provided by the state to ensure that free markets actually work. Together, they represent the famous 'invisible hand' which simultaneously epitomises Smith's strong belief that major human achievements are more "the result of human action than the product of human design"—as his close friend Adam Ferguson put it.

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This is a nice expression of what can be taken as the creed of Anglo-Saxon empiricism, as opposed to abstract French rationalism. However, Butler points out that Smith refers to the phrase 'the invisible hand' only twice in his entire output and, even then, not really in the commonly presumed sense of crude self-interested actions that mysteriously produce some social benefit. Like the French Encyclopaedists, Smith was an Enlightenment figure who had a comprehensive knowledge of the classical scholars and of all major disciplines of thought present at

his time. (He even wrote a dissertation on astronomy where the phrase 'invisible hand' is also found indicating God or Providence.)

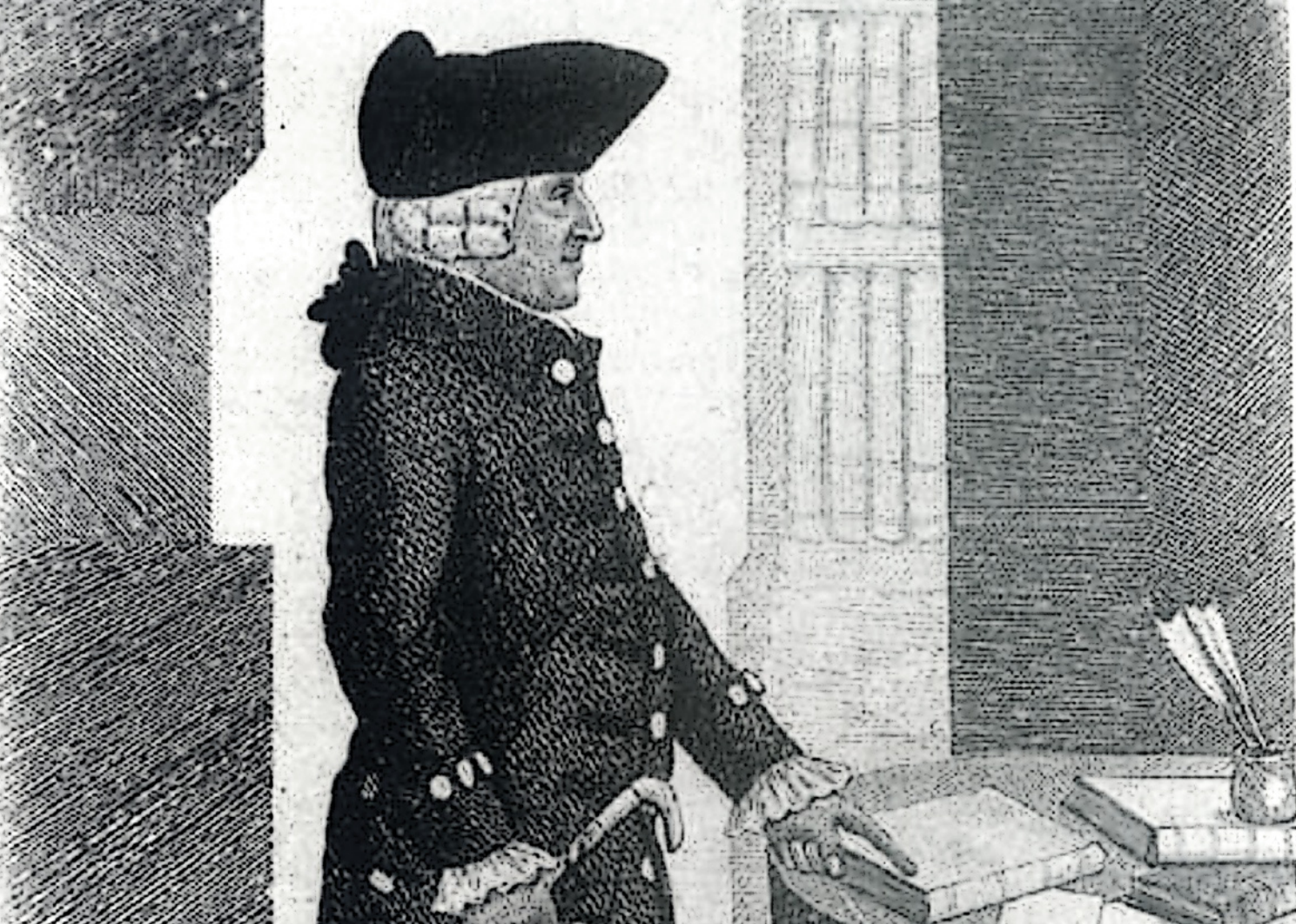
His lectures at Glasgow University have survived only in students notes. They covered the philosophy of science, the psychology of communication, the evolution of languages and last, but not least, government and public policy.

Another good reason for Butler to introduce us to the whole of Smith's output is the recently announced plan of no less a personality than the new UK Prime Minister to publish his own version of the 'true' Adam Smith.

Gordon Brown has upset free-market think-tank communities and others with his plan to review the legacy of Adam Smith under the auspices of the utopian early socialist movement. However, Dr Butler shows that it is not group-centred solidarity but individual-centred sympathy (modern empathy) which lies at the core of Smith's social psychology.

And it is not mere coincidence, indeed, that Smith achieves an elegant balance by distancing himself from special interest groups or rent-seeking individuals, including entrepreneurs. He is also an invaluable source for that good old Whig liberalism which can only flourish with some shared human values—not in the splendid isolation of value-free neutrality, as some modern liberals have it. Amazingly, it has only been quite recently that the importance of this difference has re-emerged in the controversy about French rationalist versus Scottish/English empiricist Enlightenment, as discussed in the works of Gertrude Himmelfarb.

It is in this context, where Dr Butler, who is, like Smith and Gordon



Brown, a Scot, weighs in, rendering Smith's social psychology as a:

real scientific breakthrough. It shows that our moral ideas and actions are a product of our very nature as social creatures. It argues that this social psychology is a better guide to moral action than reason. It identifies the basic rules of prudence and justice that are needed for society to survive and explains the additional, beneficent, actions that enable it to flourish.

Smith also advocates a very modern form of small government—with the exception of his view of the state's role in education, which Butler (of course) wants to be left to parents and competing school types—anticipating the now overwhelming evidence that markets are much better at allocating resources

or matching demand and supply.

Smith exposed the fallacies of the mercantilists who argued that the economy would benefit from exports rather than from imports, because the latter would deplete their money reserves. This myth is still present in some continental provinces where an obsession with exports and a dislike of consumption prevail. Smith also criticises the French Physiocrats, who thought that wealth was only created by agriculture and not in the busy cities. This myth has probably not vanished either, and may fuel French reluctance to let go of their European farm subsidies.

Furthermore, Smith is very well aware of the traps of regulation, speaking of the 'man of system' who has an intrinsic calling to become a zealot. Since there is no such thing as omniscience in human affairs, we are bet-

ter off to go for the invisible hand as a source of social order and peace. Is it too farfetched to suggest that this attitude may have saved the Anglo-sphere from any dictatorship?

Eamonn Butler's book is, of course, much easier to read than the eighteenth-century texts it cites. However, it favours a style which would have pleased Adam Smith himself, who, for his time, anticipated an impressive, almost journalistic style, which focused on accessibility. To wit: short sentences and precise, consistent and clear language.

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