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ADAM SMITH'S OPTIMISTIC, TELEOLOGICAL VIEW OF HISTORY

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ADAM SMITH'S OPTIMISTIC, TELEOLOGICAL VIEW OF HISTORY

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ABSTRACT

Adam Smith's four-stage theory provides the framework for his writings on history. The fourth stage is the commercial epoch; the culmination of history in this stage is a key component in the conventional interpretation of Adam Smith as a prophet of commercialism. In two historical case studies Smith shows the capacity of commercial society to regenerate itself. This potent capacity suggests that commercial society is inevitable. At a certain point in time it also overcomes the major obstacles to its permanence. Smith's philosophy of history anticipates the end of history views of Kant and Hegel.

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1. INTRODUCTION

Adam Smith is primarily known as an economist but he actually worked in many fields. In this paper we are primarily interested in him as an historian. More specifically, we piece together from his various writings the end of history strand in his thought.

In the second section we review some key points in Smith's theory of human nature. In the third section we sketch his four-stage theory, which culminates in commercial society. In the fourth section we discuss the apparent detours in history caused by the collapse of the ancient Greek and Roman societies. In the fifth and sixth sections we summarize two historical case studies given by Smith that show the capacity of commercial society to regenerate itself; commercial society seems to be inevitable. In the seventh section we show that, at a certain point in time, commercial society becomes permanent. Finally, we place Smith's end of history thesis in the evolution of this concept from ancient times to the present.

Some caveats are needed before proceeding. In this paper we will review the general tone of Smith's historical views, largely ignoring his occasional pessimistic asides.² As noted above, we will draw some linkages between his historical views and his view of human nature; we do not propose, however, to test the validity of Smith's views.³ Finally, we should warn that, despite some obvious similarities, the commercial society that Smith spoke about is not the same as what we call capitalism.⁴ With these constraints in mind, let us turn to Smith's view of human nature.

2. TELEOLOGY IN HUMAN NATURE AND HUMAN HISTORY

This section addresses two topics. First, we discuss Smith's teleological view of human nature. For Smith, the construction of the human passions, or instincts, shows design toward the achievement of several ends (see Kleer 1992; Kleer 1995; Kleer 2000; Alvey 1996). What are these ends? How do the passions work to achieve them? Second, in the light of his view of nature we discuss Smith's view of history. Are the instincts active in the path of human history? Does a parallel to the teleology immanent in human nature exist in human history? Let us begin with Smith's view of human nature.

² This is not Smith's only account; for his pessimistic side see Alvey 1996 Chs 5-6 and Alvey 1998. Smith argues that climatic and other preconditions apply to reaching the commercial stage (WN I.iii throughout; Skinner 1979, 75). Textual references are to Smith unless otherwise noted. My citations from him follow the practice of the editors of *The Glasgow Edition of the Works and Correspondence of Adam Smith*, citing not the page number but the relevant Book, Chapter, Section and paragraph (i.e. WN I.x.b.3 = *The Wealth of Nations* Bk. I, Chap. X, Sect. b, para. 3). References to other philosophers usually follow this pattern. Abbreviations of Smith's works: *Corr* = *Correspondence of Adam Smith*; *HA* = "History of Astronomy" in *Essays on Philosophical Subjects*; *LJ* = *Lectures on Jurisprudence*; *TMS* = *Theory of Moral Sentiments*; *WN* = *Wealth of Nations*.

³ Shapiro says that "much of Smith's history is legendary or mythic" (1993, 56). Rashid (1992) claims that Smith made inadequate use of historical fact and misinterpreted the available data. On this point see Shapiro 1993, throughout; Veblen 1919, 122-4; cf. Hollander 1987, 310-2.

⁴ By the time that Smith wrote, the commercial epoch had been reached by England, France, Flanders, Holland, Genoa and perhaps others (WN IV.i.5-6; I.xi.o.14; I.xi.e.38).

Smith explicitly states that self-preservation, procreation of the species, order, happiness and perfection of the species are the natural ends for human beings (*TMS* II.i.5.10; III.v.7, 9). In addition, given his stress on the concept, it seems reasonable to add freedom as an implicit sixth end. As a sort of summary, Smith says that “the great and ultimate objects of all of our desires” are “ease and tranquillity” (*TMS* VII.ii.2.11). The primary means to these human ends, he argues, are instincts, implanted by a providential “Author of nature” (*TMS* II.i.5.10). The “Author,” or God, could have left the discovery of the means to human reasoning but did not do so (see *TMS* II.i.5.10). Whilst not impotent, human reasoning is weak in Smith’s view. Fortunately, the teleology immanent in human nature compensates for this weakness. Sometimes nature arranges the passions so that the private and the public good are harmonized; at other times it “deceives” us into achieving the public good (*TMS* IV.i.10). Let us discuss these in turn.

The harmony view is widespread in Smith’s work, even in his political economy. Consider his mildly Physiocratic theory of capital (see Hollander 1987, 40,156,175). In terms of its contribution to the annual production of the society, the most productive investment is in agriculture; in descending order of productivity then come manufacturing, wholesale trade and finally retail trade (*WN* II.v throughout; IV.ix.30). The public good is served by investing at home in agriculture. Investment in other activities should be undertaken only to the extent needed by agriculture and, in the “natural course of things,” the growth of towns should be “consequential, and in proportion to the improvement... of the territory” (*WN* III.i.4). Will the investor’s priorities match those of nature? Fortunately, the least risky investment is in land under your own scrutiny at home (*WN* III.i.3). In addition to this happy coincidence, the “beauty,” “tranquillity” and independence offered by farming point to the same priority (*WN* III.i.3). Once again, the instincts lead us to promote the public good. By investing at home in land, the investor is led by an “invisible hand” to promote the public good (*WN* IV.ii.9). For Davis, Smith’s “invisible hand” has the same character as Hegel’s “cunning of reason” (1989; Hegel 1953, 44).

Now let us turn to the second scenario: nature “deceives” us into achieving the public good. Let us consider Smith’s example of the poor man’s ambitious son. The young man sees wealth as a means to acquiring leisure. He understands that acquiring wealth will require frugality, prudence and hard work but having done so he will be able to “sit still contentedly... enjoying ... happiness and tranquillity”; labour is only a means to ease and happiness (*TMS* IV.i.8). What happens, however, is that he works obsessively, publicizing his talents and subordinating himself to those whom he despises. Only at the end of his life does he discern his failure to achieve his initial goals. What makes him lead this frantic life? It is the natural admiration of the well-crafted possessions of the rich; they show a nice adjustment of means to ends. While the “real satisfaction” from possessing them is trivial, such gadgets strike us as “beautiful and noble” (*TMS* IV.i.9). Smith praises this effect of nature: “It is this *deception* which rouses and keeps in continual motion the industry of mankind”; it leads people “to cultivate the ground... to found cities... to invent and improve all the sciences and the arts, which ennoble and embellish human life” (*TMS* IV.i.10 emphasis added). In

this context another reference to the “invisible hand” appears; it shows that, through a trickle-down process, the wealthy unintentionally promote the prosperity of the poor (*TMS* IV.i.10). In his life-destroying attempt to improve his condition, the ambitious man more successfully promotes the public welfare than his own. Following Davis, Dennis (1999, 82) says that this view anticipates Hegel’s “cunning of reason.” We will show other “deceptions” later in the paper.

From Smith’s teleological view of human nature we turn to his theory of history. What follows is assertion at this point, anticipating some of the subsequent argument. Human actions can have effects, which are planned and immediate or gradual and long-term (see *WN* I.ii.1; II.iv.17). When the latter occur imperceptibly, the effects are often not intended by human action. Human history primarily reflects the unintended consequences of several human instincts--the desire for security, the desire to “truck, barter, and exchange,” the fascination with finely-crafted objects, the desire to “better one’s condition” (usually manifested as cupidity, the desire to accumulate wealth) and vanity (*WN* IV.ix.28; I.ii.1-3; II.iii.28).⁵ Instincts are the *efficient* causes, and are stressed by Smith, but their unintended beneficial effects, the *final* causes, are not neglected. The beneficial effects, not of human rationality or farsightedness but of the instincts, help to realize the divine (not human) “plan” or “course of nature” (*TMS* III.v.7; *WN* III.i.4; see also II.ii.3.5). After vast historical evolution, the divine “plan” is revealed in the emergence of commercial society; only this society can potentially fulfil all of the ends of human nature.

In what follows we will develop Smith’s teleological view of history: history is not blind. Our synoptic account builds on the conventional four-stage interpretation of Smith’s theory but it goes beyond it by suggesting that commercial society is both inevitable and permanent.

3. THE LINEAR PATH: THE FOUR-STAGE THEORY

For some commentators Smith’s four-stage theory of history was the central organizing principle of his writings (Meek 1971, 12; cf. Winch 1978, 57). This theory was similar to that adopted by several other contemporary British historians (including Kames, Ferguson, Robertson and Millar) but it seems to have been invented by him (Meek 1971). As Smith is well-known for this theory, only a few remarks will be made here in order to provide some essential background.

In Smith’s view, human societies pass through four stages: the hunting, the shepherding, the farming and the commercial epochs (*LJ* (A)i.27; *LJ* (B)25,27,149,233; *WN* V.i.a.1-8). Each epoch tends to be dominated by a particular means of self-preservation or what Robertson, Smith’s contemporary, called a particular “mode of subsistence” (Robertson *History of America* IV.iv 1; see also Meek 1971, 10).⁶ Whilst detailed descriptions of each stage cannot be provided here, we should note that government begins in the second epoch and towns begin to be built half way through the third epoch (*LJ* (A)iv.7,21,74; *WN* III.i.1-2; see Skinner 1975).

⁵ Vanity is attacked by Smith. In a strange twist, Smith claims that “bettering our condition” is, at least partly, based on vanity (*TMS* I.iii.2.1). Perhaps vanity can manifest itself in various forms, only some of which are proper.

⁶ Marxist, or materialist, interpreters of Smith’s work frequently use this phrase (see Meek 1971, 10; Skinner 1979, 72,79).

Our purpose is to show the causes and the consequences of moving through the epochs. The pattern of epochal change is consistent with what was later called progress. The stages are like steps on a vertical ladder. This analogy is only partly true, however, because--as societies move through the stages--earlier modes of subsistence remain.⁷ Hence, in the commercial stage there are actually four modes of subsistence/production. Whilst one can have four economic sectors operating at one time, one cannot have four feet on a ladder simultaneously. Also, “commercial” stage/step is a misleading title; whilst the scale of the towns and the commercial activities are much greater than in the third stage, in Smith’s pre-capitalist view of the fourth stage, if things follow the “natural course,” commerce remains subordinate to that of agriculture and the growth of the towns is parasitic on the prosperity of the hinterland (*WN* III.i.1-2).

As one moves through the four epochs there is the establishment and gradual growth of the division of labour, government and towns; and along with these followed the increase of industry, wealth, order, civil justice, the number of laws, the extent and variety of property, humanity, philosophy, and the arts and sciences.⁸ These are the *effects* of epochal change. What are the *causes* of the progress from one epoch to another? The need to feed a growing population seems to lie at the root of the development of new means of subsistence (*LJ* (A)i.29). Order also plays a key role in this linear progress.

By “order” Smith generally means external security (defence) and internal security (a system providing justice or what we would nowadays call law and order).⁹ As shown by the duties assigned to it in the “system of natural liberty,” government is primarily responsible for providing order (*WN* IV.ix.51). The simultaneous advance in government and order underpins the advance in the capacity to provide for the lower ends of self-preservation (as well as comfortable preservation) and procreation (*TMS* II.ii.3.4,12; *WN* II.i.30-1; III.iii.12). The “natural desire to better one’s condition” will bring about industry and wealth, provided there is the “encouragement” of “tolerable security” (*WN* V.i.a.15; II.iii.12; II.i.30; see also Harpham 1999). Order is both a natural end in its own right and a fundamental means to securing opulence and the satisfaction of other, higher ends.

Despite stressing the lower ends, Smith does not forget the higher ends. Opulence, for him, is a prerequisite for happiness and various aspects of perfection; philosophy, for example, only arises after opulence weakens superstition (*TMS* V.ii.8; *WN* I.viii.36; *HA* III.2). Happiness, perfection, self-preservation and procreation require wealth, which in turn requires security provided by government, which increases throughout history. Human freedom in general, happiness and perfection are greatest in the commercial age. Hence, it is not surprising that only commercial society is called “civilized” by Smith (see *WN* V.i.a.44-i.b.7; Cropsey 1957, 57,63).

⁷ In addition, the consequence of epochal change is not always improvement. Unlike the general progressive pattern, freedom follows a cyclical pattern. It is great in the first epoch; it decreases in the second and third epochs; and then increases again in the fourth epoch (*WN* III.iv.11-12,14; V.i.b.7; *LJ* (B)20-1; *HA* III.5).

⁸ See *TMS* I.i.1.2; I.i.3.1-4; I.i.5.5; III.iii.4; III.iv.7-8; V.ii.8-10,15-6; VII.iv.36-7; *WN* I.ii.1-4; III.iii.12; V.i.b.7; *LJ* (A)i.50-3; iv.21,60-1; *LJ* (B) 20; *HA* III.1-3.

⁹ Sometimes, he means by “order” a class system (*TMS* I.iii.2.3; VI.ii.1.20; VI.iii.30; *HA* III.5).

In the process of moving to higher stages of economic development there must be economic growth. The latter is the norm, as suggested by Smith's usage of expressions like the "natural progress of improvement" and the "natural course of things" (*WN* V.i.a.43; II.i.4). Two of "the natural inclinations [instincts] of man" (*WN* III.i.3) underpin economic growth. In Smith's economic theory the key causes of growth are the division of labour and capital accumulation.¹⁰ The division of labour did not originally arise from "human wisdom, which foresees and intends that general opulence to which it gives occasion"; it arises imperceptibly from the "propensity in human nature ...to truck, barter, and exchange one thing for another" (*WN* I.ii.1). Capital accumulation arose from the desire to "better one's condition" (*WN* Intro.1-3; II.iii.5,16). At the root of the "progress of opulence," therefore, is human instinct (*WN* III.i.title). Providing they do not suppress the "natural inclinations," all nations are capable of becoming commercial (see Fukuyama 1992, 223): it is the plan of nature.

In Smith's theory each epoch is a "more advanced state of society" than the previous one and each new epoch "naturally succeeds" its predecessor (*WN* V.i.a.3,6,8; *LJ* (B)150; see also *LJ* (A)iv.93; Bharadwaj 1978, 86). Unlike some proponents of progress, Smith does not imagine any stage beyond the commercial epoch. Our interpretation of the movement through the epochs as teleological or progressive is not entirely new. For Justman, Smith's four-stage theory assumes "a linear model of the progress of human society from the hunting stage to the commercial stage" (1993, 128). Similarly, Shapiro refers to the "teleological, naturalizing tendency" in Smith's historical writings and to his "linear historical narratives" (1993, 48, 55; see also 32-3,82).

If the general pattern of history described by Smith is linear, why is it so? The usual line of interpretation is the Marxist/materialist view, which stresses efficient causation and the blindness of history.¹¹ Our disagreement with it is its failure to take seriously Smith's references to the "Author of nature" who causes the beneficial effects, the final cause. The efficient causes are part of a scheme designed to bring about a providential, final end; the elaborate set of causes shows evidence of the divine "plan" mentioned earlier. We suggest that the movement through the four epochs is indeed compatible with Smith's teleological references to "the intention of Nature" and "the plan of Providence" (*TMS* I.ii.3.6; III.v.7). Some earlier commentators also concluded that the beneficial results of the natural course observed by Smith reflected divine design or natural theology (Veblen 1919, 114-5; Shapiro 1993, 55,68,82,109,131).

¹⁰ Further, capital must employ "productive," not "unproductive," labour (*WN* Intro.1-3).

¹¹ Shapiro's and Veblen's interpretations of Smith's view of history are exceptions to the mainstream materialist interpretation. On the latter see Meek 1971; Skinner 1975; Skinner 1979; Bharadwaj 1978; see also Cropsey 1957, 57-9, 63.

Smith is commonly regarded as a great optimist concerning the benefits of the commercial stage and the prospects of economic development and growth. As the ends of nature are best satisfied in the fourth stage, the conventional view of Smith as a prophet of commercialism has been confirmed above. The culmination of history in the fourth stage suggests that Smith has a teleological or whig view of history with the commercial epoch as the end of history. In the conventional view, commercial society arises in history not from human plan but as a “blind” result of the playing out of human passions over long periods of time. We differ from this view because of our stress on the role of divine “design” in the historical transformation.

4. THE DETOURS: THE FAILED CLASSICAL GREEK AND ROMAN COMMERCIAL SOCIETIES

The classical Greek and Roman societies should be mentioned because Smith treats them as commercial in character and they are the only ones, other than modern European societies, that he calls “civilized” rather than “barbarian” or “savage” (*WN* V.i.a.11,35; *TMS* V.ii.15; *LJ* (A)iv.93).¹² Veblen probably had in mind the collapse of these societies when he observed in Smith some “perverse departure[s] from the direct path” of history (Veblen 1919, 116).¹³ Our remarks on these detours will have to be brief, concentrating on the failure of the classical societies to provide external security, because a discussion of them is not our primary purpose in this paper.

As societies become more commercial, the people become more industrious and lack the “leisure” to undertake military exercises (*WN* V.i.a.4,6,15). The bulk of the population loses martial virtue and seeks to avoid warfare (*WN* V.i.a.15; V.i.f.50). On the other hand, the surrounding societies are usually pre-commercial, where a militaristic character prevails and these potential invaders see the wealth of commercial societies as easily-won booty (*WN* V.i.a.15). The result is military conquest by neighbouring “barbarian” societies.¹⁴

The threat is clear but is there a solution? In this discussion of external security Smith took the view that a standing army is always superior to a militia (*WN* V.i.a.29,39).¹⁵ Human wisdom, however, would not discover for a long time the benefits of extending the division of labour to military affairs. In the meantime, there was an almost universal reliance on a part-time militia. This institution in the commercial epoch is doubly dangerous when the people have neither the time

¹² “Barbarism” covers the first three epochs; “savage” society often means hunting society (*WN* V.i.f.51; *HA* III.1; see also *WN* III.i.1; V.i.a.35; *HA* III.4; Ferguson *An Essay on the History of Civil Society* II.ii 2; II.iii 9).

¹³ Shapiro (1993) and Justman (1993) seem unaware of these detours in Smith’s view of history.

¹⁴ The great shepherding nations are the Tartars and the Arabs. When either is united, as the latter were under Mohammed, they present a great military threat even to “civilized nations” in the neighbourhood (*WN* V.i.a.5). See Section 5 below.

¹⁵ His advocacy of a standing army was denounced by civic humanists, like Ferguson, as a threat to martial virtue and ultimately liberty itself (*Corr* 194; Winch 1978, 106).

nor the inclination for the training required. Smith says that at this stage in history the creation of a full-time standing army becomes essential. The Greeks did not have the Smithian “wisdom” to adopt this institution (WN V.i.a.14). Even the prudent adoption of this device was not sufficient to prevent Rome being conquered.¹⁶

The demise of the classical commercial societies, therefore, represents a major challenge to Smith’s teleological history. Their collapse suggests that commercial societies are ephemeral. Could we be back to the classical cyclical view? In order to properly address this question we need to retrace our steps a little. In classical times the societies that are civilized and commercial are actually quite rare. Their rareness suggests that such societies are not inevitable at all. In the course of his writings Smith actually provides us with two case studies in European history that shed light on these issues. These case studies are developed in turn in the next two sections.

5. TELEOLOGICAL CASE STUDY I: PROGRESS OF EUROPE AFTER THE FALL OF ROME (5TH-18TH CENTURY)¹⁷

After presenting his economic theory in Books I and II, in Book III of the *Wealth of Nations* Smith discusses the collapse of the Roman Empire and the long struggle in the centuries that followed to restore good government, order, freedom and the commercial character to Europe. We have called it a teleological case study because in it Smith shows how the human passions, not human reasoning, work imperceptibly and deceptively over time to restore commercial society even under the difficult circumstances following the Fall of Rome (410AD).

After the “barbarian” conquest, the allodial form of government arose, thus commencing several centuries of anarchy, poverty, “barbarism” and violence (WN III.ii.1; III.ii.7; III.iv.10; V.ii.g.6; V.ii.k.20; V.iii.1; see also Hobbes *Leviathan* XIII 9). Security was entirely absent and the symbiosis of town and country withered. This continued be largely true when it was replaced, in the ninth century A.D., by the slightly better feudal system (*LJ* (A)iv.15; *LJ* (B)52). The lack of security in these times was doubly significant due to its pivotal role in satisfying other ends.

The conquering “barbarians” did not understand commerce or the need for “tolerable security” for economic growth. They were essentially a shepherding people who were just beginning to enter the third historical epoch (WN V.i.b.16; *LJ* (A)iv.114, 124). The terror wrought by their invasion on the enfeebled commercial Romans dragged Europe from the fourth back to the third epoch. After the “barbarian” leaders “usurped” virtually all of the lands that they invaded, they introduced laws typical of the second epoch--which based the power of the leader, and his family, upon his economic position (WN III.ii.1; V.i.b.7).

¹⁶ Smith says that Rome collapsed because of special circumstances: it allowed its standing army to degenerate into what was essentially a militia (WN V.i.a.36).

¹⁷ The writing of this section benefited greatly from the work of Richard Kleer. See Kleer 1992, 162-72; Kleer 2000.

The “evil” of the “barbarian” invasion and usurpation persisted for two reasons: one was essentially political and the other essentially legal (WN III.ii.2). First, the king had too little power relative to the lords. Those lords in remote regions had virtually free reign and could make “war according to their own discretion” against other lords and even the king (*LJ* (A)i.127-8; WN III.ii.3; III.iv.9). In these circumstances external security vanished. Second, once the lords had secured ownership of the land, this title became the basis of not only subsistence but “power” (WN III.ii.3); they sought to entrench this power by enacting the laws of primogeniture and entail. These civil laws, Smith says, breached the “natural law” (WN III.ii.3). As the lords were not improvers of the land, the “progress of opulence” was thwarted by such “human institutions” (WN III.i title; III.i.3; III.ii.7). It was this combination of factors that caused the long term damage.

Under the lords were a range of classes and the majority of the population were enslaved (WN III.ii.8). Even the tenants, who were nominally free and paid low rents, had no security of tenure. In these circumstances the desire to “better one’s condition” was checked; the “progress” of the country was stalled (WN III.ii.8-9). Even with such low incentives, however, there was a huge surplus of food which the lord used in “rustic hospitality” to feed vast numbers of his “retainers” (WN III.iv.5,6). In return for the low rent or being fed, the lord required the tenants and the villains to serve him, especially in his frequent military campaigns (WN III.iv.6; see also II.iii.9).¹⁸ The lord could always fill a considerable army at short notice.

The lord’s potential conscripts excluded the class of itinerant traders who lived outside of his protection in the remnants of the towns (WN III.iii.1-2). These traders, or burghers, provided manufacturing goods for the rural areas and, through frugality and prudence, they gradually acquired wealth and independence. The city leaders usually aligned themselves politically and militarily with the king against the neighbouring lords and, in return, the king provided privileges to the cities including, eventually, the right of self-government (WN III.iii.8). By establishing “regular government,” and raising militias, the cities were able to defend themselves against the neighbouring lords and even provide military support to the king (WN III.iii.8).¹⁹ Merely by seeking to “better their condition,” the traders brought “[o]rder and good government, and along with them the liberty and security of individuals” to the cities (WN III.iii.12).

In these more secure circumstances the burghers were prepared to import “improved manufactures and expensive luxuries” (WN III.iii.15). “[F]rivolous and useless” things, such as “a pair of diamond [shoe] buckles,” could be ostentatiously displayed and the lords became the great purchasers of such finely-crafted items (WN III.iv.10). The lords could now spend the entire agricultural surplus on themselves rather than sharing it with their retainers or tenants. Their fascination with these objects was intense and the vanity of wanting to display them led to vast expenses. In order to keep acquiring, the lords were forced to dismiss their dependents and raise the rents of their tenants (WN III.iii.15; III.iv.13). Soon the rents were such that the tenants could

¹⁸ This is *the* test of dependency according to Smith.

¹⁹ The militias of the cities often “had the advantage” in battles with the local lords and, in the case of various Swiss and Italian cities, they actually conquered the nobility in the neighbourhood to become independent republics (WN III.iii.10). Hence, at this point, Smith’s presentation narrows to a history of England and France (see WN III.iii.11).

only pay if the land's productivity was increased; they refused to make the necessary investments until greater security was provided in the form of long leases. The "vanity of the landlord made him willing to accept" their demand (WN III.iv.13). The result was that the tenants became "altogether independent" of the lord and the latter could no longer demand anything beyond that stipulated in the lease; the lord could not interfere with the administration of justice or disturb the peace by sending his subjects off to war (WN III.iv.14).

As the economic superiority of the lords declined with the advent of foreign manufactures and luxury, so did their political and military power.²⁰ Finally, the balance of power between the lords and king could shift in the right direction and "regular government" could be established in the country (WN III.iv.15). Internal security in the European countryside was restored because of the developments in the towns. The effect of commerce and manufacturing was that "order and good government, and with them, the liberty and security of individuals, among the inhabitants of the country" was gradually introduced (WN III.iv.4)

The providential historical process was not caused by human calculation²¹ but by the centuries-long effects of human passions: vanity, and the fascination with finely crafted objects, on the part of the lords; and cupidity and the desire for security on the part of the merchants.²² For mere trinkets the lords "gradually bartered away their whole power and authority" (WN III.iv.10). While their actions are irrational in terms of preserving their own wealth, status, and political and juridical power, the unintended outcome is good in ultimately bringing about order; like the poor man's son, the lords were undone by a "deception" of nature (TMS IV.i.10).

"A revolution of the greatest importance to the *public happiness*, was in this manner brought about by two different orders of people, who had not the least intention to serve the public" (WN III.iv.17 emphasis added). The unintended revolution brought about rationally perceivable and quantitatively large public benefits. The commercial societies, which result from the revolution accord with reason. This Smithian case study appears to anticipate Burke's "divine tactic" of history and Hegel's "cunning of reason" (see Sabine 1951, 519; Hegel 1953, 44).

Before concluding this section we should say something about the slowness of the revolution. Recall that there were two factors that caused the persistence of the "evil" of the invasion. The imbalance between the power of the lords and the king has been addressed above. The other factor was the imposition of unnatural property laws. Primogeniture and entail continued to exist even in Smith's own time in Europe and their existence acted as a brake on economic growth (WN III.iv.19). Smith calls for these laws to be overturned (WN III.ii.4,6).

²⁰ The king was usually alone in withstanding the effects of luxury (*LJ* (A)iv.161-2; (B)60). Germany became an exception because the German lords had such vast wealth that they survived these effects (*LJ* (A)iv.162-6; *LJ* (B)60-1).

²¹ There was calculation in the political alliance between the king and the burghers. The same can be said of the behaviour of the burghers in seeking wealth (see Kleer 1992, 170-1).

²² One can add to this list the sovereign's desire for personal security.

Overall, we saw above that the threat posed by the secular feudal lords to “good government” and commercial society was overcome, albeit by a slow and indirect course; the “progress of opulence” was restored by an “inverted” path relying on the progress of the towns and even this progress was restrained by anachronistic property laws in the hinterland (*WN* III.i.title; III.i.9). The theme of Book III of the *Wealth of Nations* seems to be that, one way or another, the passions driving history will set things right. Commercial government regenerates itself. This theme is repeated in Book V and it is to this account that we now turn.

6. TELEOLOGICAL CASE STUDY II: THE POWER OF THE CLERGY (10TH-15TH CENTURY)

In the second teleological case study Smith again addresses a major obstacle to the emergence of commercial government; this time it is the Catholic clergy during the feudal period. The “progress of opulence” can also be thwarted by superstition (*WN* III.i title). This is primarily a barrier in the early stages of history (*LJ* (B)133) but it can become a problem even in the third stage, as Smith’s brief history of the clergy demonstrates.

In this account Smith adopts a neo-Machiavellian analysis. The heart of the Catholic Church was not spirituality but politics. Like the secular lords, the clergy formed a power independent of the king. Not only were they independent of the influence of the king but they were “a detachment” of the “spiritual army” under the control of a “foreign sovereign,” the Pope (*WN* V.i.g.21). The arms of the local detachment could be supplemented by those of “all the other detachments quartered in the different countries round about” (*WN* V.i.g.21). Further, these arms “were the most formidable that can be imagined” (*WN* V.i.g.22). In short, the sovereign was confronted by an occupying army whose local captains were clergymen.²³

The economic position of the clergy was similar to that of the lay lords in that they acquired vast estates (albeit through “mistaken piety”) and were able to provide the same sort of rustic hospitality for large numbers of retainers (*WN* V.i.g.22). Their retainers and the tenants could be called out for military duty as the clergy saw fit. The clergy also benefited from tithes, which put them in a stronger economic position than the lay lords.

Unlike the lay lords who were divided, the clergy were under the “regular discipline and subordination to the papal authority” (*WN* V.i.g.22). The clergy were doubly formidable because their “hospitality and charity” gave them “great temporal force” which magnified their “spiritual weapons” (*WN* V.i.g.22). As the common people were either regularly or occasionally fed by the clergy, the people venerated them and the king could not enforce the law, even the criminal law,

²³ For Machiavelli “auxiliary” troops are always “harmful” (*The Prince* XII 1).

against the clergy (WN V.i.g.22-3). Hence the king's difficulty in resisting the lay lords was trivial compared to that of resisting the united clergy. From the tenth to the thirteenth century the Catholic Church constituted the greatest threat ever formed "against the authority and security of civil government, as well as against the liberty, reason, and happiness of mankind, which can flourish only where civil government is able to protect them" (WN V.i.g.24).

During this period "the grossest delusions of superstition were supported ...by the private interests of a great number of people" (WN V.i.g.24). This is a noxious combination for economic advance. Can human reasoning and virtue save the day? Smith says that:

Had this constitution been attacked by no other enemies but the *feeble efforts of human reason*, it must have endured forever. But that well-built fabric, which all the *wisdom and virtue of man could never have shaken*, much less overturned, was by the *natural course of things*, first weakened, and afterwards in part destroyed. (WN V.i.g.24 emphasis added)

No utilitarian calculus or great statesmanship will work in these circumstances. Only a divinely inspired set of passions embedded in the human constitution, working imperceptibly and deceptively over time, can overcome the monstrosities that human free will sometimes creates.

As Smith draws the parallel in this story, *at least eight times*, to the earlier, longer account of the lay lords, the principles are clearly the same. The spread of luxury items from the cities allowed the clergy to vainly splurge the agricultural surplus on well-crafted gadgets (WN V.i.g.25). The hospitality and charity of the clergy dwindled away and the tenants were forced to pay higher rents; in order for the tenants to pay, the clergy had to grant them greater independence (WN V.i.g.25). The temporal power of the clergy declined even faster than that of the lay lords; by the fifteenth century it had vanished (WN V.i.g.25). The "spiritual authority" declined because of the clergy's reduced hospitality and because the people became disgusted by the vanity and luxury of the richer clergy (WN V.i.g.25).

The sovereigns throughout Europe seized the power vacuum and gradually regained control over Church benefices. In response to the changed incentives, the clergy became more sympathetic to the civil sovereign: the occupying army went native. The clergy had "less power and less inclination to disturb the peace" (WN V.i.g.28); regular government was restored and commercialism could gain ground. By deceiving the clergy into giving up their power, another unintended, good result was achieved. The presumably Protestant hand of God moves in mysterious ways indeed.

Taken together, these two Smithian case studies show that the passions overcome the "barbarism" of feudal lordship and the even greater threat of the feudal clergy; the passions restore the "progress of opulence" and with it freedom, order (in all of its forms), independence, peace, regular government and public happiness. The potent capacity of commercial society to regenerate itself, even from the near-hopeless conditions that prevailed at times after the Fall of Rome, suggests that commercial society is inevitable. Next, we turn to its permanence.

7. THE ETERNAL END OF HISTORY

In this section we return to the concerns raised in Section 4 about the precariousness of classical commercial societies. In Smith's view, circumstances have changed for the better for commercial societies and the problems visible in classical times need no longer apply.

In modern times, commercial societies have some major military advantages over their classical counterparts. First, the recording of military history ensured that the need for a standing army was a lesson learnt by all and consequently this institution became the norm in "civilized" countries (*WN* V.i.a.37). Second, due to the apparently chance invention of gun-powder, a "revolution" in warfare followed; since the invention of firearms, bodily strength and agility declined in military importance (*WN* V.i.a.43).

Modern firearms allow commercial countries to overcome their lack of martial virtue: the cycle of growth and "barbarian" invasion could be broken once weaponry becomes decisive (see Haakonssen 1981, 179). The "great expense" of modern weaponry gives a great advantage to opulent nations who can "best afford" to pay (*WN* V.i.a.44). The apparently chance events of history have turned military power from a weakness for "opulent and civilized" countries into a decisive strength over "poor and barbarous nations" (*WN* V.i.a.44). At least in modern times, a nation's power is a function of its wealth (*WN* I.v.3; II.v.31). Smith concludes that the opulence of modern commercial societies permits the acquisition of new military technology, which "is certainly favourable both to the permanency and to the extension of civilization" (*WN* V.i.a.44). The mysterious "plan" of Providence has finally become palpably clear; after the thousand year detour following the Fall of Rome, the path of history has straightened.

It appears that, once the military vulnerability is overcome, at a certain point in time the historical process becomes simply progressive. Indeed, in his eulogy of England, one of the most advanced commercial countries, Smith not only refers to its impressive past economic growth but he adds that it is hoped that this will continue "in *all* future times" (*WN* II.iii.36 emphasis added).²⁴ Even though the overthrowing of outdated property laws will take "many centuries," providing that there is "tolerable security," economic growth now seems to be limitless (*WN* III.ii.4; see Thweatt 1957). Ignatief says that "the cycle of expansion and decline" could now be overcome; "permanent economic expansion" was now possible "for the first time in human history. The fourth stage--commercial society--was thus the last stage of historical time, the apotheosis of a history of progress" (1990, 124).

²⁴ This glosses over Smith's reference to a possible, future stationary state (*WN* I.vii.1; I.viii.24-7; I.ix.14,20). Such a possibility has received considerable attention in the history of economic thought literature (see Hollander 1987, 66,84,163,176).

Even without military conquest (consider WN V.i.a.44), because commerce is cosmopolitan, the “barbarians” will be increasingly exposed to commercial practices: non-commercial societies will be unable to remain isolated from the global economy. Eventually, the remaining “barbaric” countries will become commercial. For Smith, what is now called globalization was inevitable and brought with it many great, unintended advantages.

There is an even more important cause for optimism according to Smith. The greatest threat to security ever seen was the Catholic Church, yet he predicts that this “superstition” will “in the course of a few centuries more, crumble into ruins altogether” (WN V.i.g.24). For McNamara at least, this prediction is conclusive evidence that Smith had reached the sanguine conclusion that another of the great threats to “civilized society” will be overcome (1998, 51).

We have shown above that there is a strong strand in Smith’s writings that is consistent with a whig or teleological view of history. At least in this strand of his thinking, Smith argues that, at a recent point in history, commercial society became both inevitable and permanent and that a particular type of commercial society--the free trade (rather than the mercantile)²⁵ variety--holds out the prospect of satisfying the ends of human nature. The fact that commercial society only occurs after considerable historical evolution, and some apparent wrong turns, does not affect its teleological status.

8. CONCLUSION: SMITH AS A PROTO-HEGELIAN

Before closing we will say a little about the development of the end of history thesis itself. A useful survey of the development of this thesis is presented by Fukuyama and from which I draw below (see Fukuyama 1992, 55-70). The end of history view began with the eschatological views in the Bible, was developed by Christian writers such as Augustine and, according to Meek, “up to the middle of the eighteenth century was more or less orthodox in France” and its “best-known example was Bossuet’s *Histoire Universelle*” (Meek 1971, 26). Theological interpretations of history were evident also in Smith’s contemporary Burke. A secular version of universal history emerged in proponents of progress like Bacon and various Enlightenment thinkers. Some of these writers suggest that there may be future stages in history beyond present imagination (Fukuyama 1992, 57) and may not actually have a true end of history view.

Perhaps the most profound attempts at universal histories are those of Kant and Hegel. Like Burke, Kant was a contemporary of Smith’s. For Kant, human history is “the realization of Nature’s secret plan to bring forth a perfectly constituted state” (Kant 1963, 21). History often follows a crooked path on the way to achieving this “secret plan.” Kant only sketched a universal history and left it for a future genius to complete the work. Hegel undertook the task in his *Philosophy of Right* (341-60) and in his lectures on the philosophy of history. He says that his

²⁵ Protectionism and trading monopolies are the basis of mercantilism (see WN Bk IV throughout). Smith emphasizes that, unlike the free trade variety, the mercantile type of commercial society is unnatural (WN IV.ii.11-5; IV.iii.c.9; IV.vii.b.44; cf. IV.i.31).

approach to history is a theodicy (1953, 18). For Hegel, “divine Providence,” not chance “presides over the events of the world”; reason is an attribute of God evident in “the plan of Providence”; and thus “in world history things have come about rationally” (1953, 11,15). God uses “need, instinct, passion, even opinion” as “tools and means” to achieve “a higher and broader purpose”; this is “the cunning of reason” (1953, 31,44). Reason needs freedom to work and “history is the progress of the consciousness of [universal human] freedom” (see Hegel 1953, 24). Rather than a pre-social state of nature, “[s]ociety and the state are... the conditions in which freedom is realized” (Hegel 1953, 55). Societies develop through stages, perhaps assisted in this advance by conflict and war, but the ultimate achievement of history is the constitutional state, or what Fukuyama calls liberal democracy (1992, 61; Hegel 1953, 60; *Philosophy of Right* 273,351). Hegel’s work, which was no doubt aided by a study of Smith and Kant, represents the peak in the development of teleological history.

Hegel’s view, in turn, was transformed by Marx. Teleological history was attacked and lost support. The Hegelian end of history thesis was revived in recent times by Fukuyama in his writings, especially *The End of History and the Last Man*.

Smith’s writings can be seen as a part of the long evolution of the idea of a universal human history that reached its peak in German idealism. Neither Smith’s end of history views, nor Smith’s general similarity to Hegel, have attracted much comment in the secondary literature.²⁶ It is hoped that this paper contributes to developing these themes.

²⁶ The complexity of Smith’s philosophy of history may constitute a possible explanation: he combines cyclical, progressive and end of history views.

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