

The Rise of Political Economy in the Scottish Enlightenment

**Edited by Tatsuya Sakamoto
and Hideo Tanaka**

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The Rise of Political Economy in the Scottish Enlightenment

This collection of essays provides a comprehensive view of the economic thought of the Scottish Enlightenment. Organized as a chronological account of the rise and progress of political economy in eighteenth-century Scotland, each chapter discusses the way in which the moral and economic improvement of the Scottish nation became a common concern.

Contributors not only explore the economic discourses of David Hume, James Steuart and Adam Smith but also consider the neglected economic writings of Andrew Fletcher, Robert Wallace, Francis Hutcheson, William Robertson, John Millar and Dugald Stewart. This book addresses the question of how these economic writings interacted with moral, political and historical arguments of the time and shows how contemporary issues related to the union with England, natural jurisprudence, classical republicanism, and manners and civilization all contained an economic dimension. Key chapters include:

- The ancient–modern controversy in the Scottish Enlightenment
- The ‘Scottish Triangle’ in the shaping of political economy: David Hume, Sir James Steuart and Adam Smith
- Civilization and history in Lord Kames and William Robertson
- Adam Smith in Japan

This view of the origin of economic science in Britain is markedly different from traditional accounts and will be of interest to economic, political and social historians.

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Tatsuya Sakamoto and Hideo Tanaka

July, 2002

Editors' Introduction

This book seeks to provide a comprehensive view of the rise and progress of political economy in eighteenth-century Scotland with a special emphasis upon its internal connections with the Scottish Enlightenment. Apart from numerous works written concerning eighteenth-century Scottish economists or from equally numerous histories of economic thought including accounts of Scottish thinkers of the same period, only a few works have been written on the same subject as the present volume's. A work of distinguished scholarly standard which easily comes to mind is *Wealth and Virtue: The Shaping of Political Economy in the Scottish Enlightenment* edited by I. Hont and M. Ignatieff (Cambridge University Press, 1983). The book gave rise to a number of substantial academic debates, which continue to be live and unresolved issues. The academic excellence of the book has guaranteed its land-mark status in the literature which remains unchallenged to this day. However, the specific subject matter itself, the ambiguous relationships between wealth and virtue in *the shaping of political economy* in the Scottish Enlightenment, seems to have curiously faded away from the centre of Scottish Enlightenment studies in the West over the past two decades. We venture to assert that the original point of issue has gradually been stripped of its economic content and its central focus has completely shifted to purely political and philosophical issues centring around the simple dichotomy between wealth and virtue.

It is not difficult to explain the reason this has happened. In the first place, the contributors to *Wealth and Virtue* were, with just a few exceptions, historians of political, and not of economic, thought. The disciplinary bias undoubtedly had an essential bearing upon the overall problem setting of the book. Notwithstanding the methodological caution with which some contributors like Nicholas Phillipson, John Robertson, Donald Winch and, above all, John Pocock treated the subject, there is a sense in which we can safely claim that a danger of simplistic dichotomy, an either/or approach, between wealth and virtue or between natural jurisprudence and classical republican traditions crept in to the book. This initial methodological limitation of the scope and perspective inevitably determined the way in which all ensuing works addressing the same issue have discussed the tension between wealth and virtue in the Scottish Enlightenment. Indeed we should not forget the

outstanding works by John Dwyer, Roger Emerson, Richard B. Sher and others that have greatly helped to redress this bias and limitation. But their eminence as social historians of eighteenth-century Scotland did not permit them effectively to resolve both historical and theoretical complexities specifically related to the province of political economy.

However, historians of political thought are not solely responsible for the relative decline of the original concern. A no less significant circumstance that we ought to remember is *the state of the art* in the history of economics in the English-speaking world. Due to high level of specialization and the general demand for analytical exactness, it has been made increasingly difficult for professional historians of economic thought in the West to delve into details and particulars of the infant state of the science, mainly in the pre-Smithian stage of development. Viewed in this light, the series of influential works directed to this very stage by Terence Hutchison, Andrew Skinner and Donald Winch ever since the 1960s and in particular in the 1980s naturally emerge as rather exceptional achievements quite apart from how distinguished and indispensable they are. It is true that the recent upsurge since the late 1990s in the sheer amount and quality of English-language studies on James Steuart, David Hume and Adam Smith is genuinely impressive, and almost overwhelming in the case of the last. Nevertheless very few of them are seriously concerned with the question of the rise and progress of political economy in the Scottish Enlightenment. It is likely that the implicitly assumed scientific autonomy of economics has prevented it from being included within the more general issues of morals and politics of the Scottish Enlightenment.

Be that as it may, it is certainly difficult to avoid the impression that very little more than a scattered and occasional attention has been paid by historians of economic thought in the West to our subject; the interaction between the general historical forces that formed the Scottish Enlightenment and the disciplinary development of political economy as a science. The present volume is intended to fill this curious gap in the Western literature by collecting papers written entirely by historians of economic and social thought. We define the main objective of the book as a chronological examination of the way in which economic discourses were manifesting themselves in a variety of forms and styles in eighteenth-century Scotland. The term 'economic' here used will cover the widest possible areas bordering upon history, morals and politics. Our efforts to make the choice of thinkers as extensive as possible are realized in the contents starting from Andrew Fletcher and ending with Dugald Stewart. Past books of similar kind were restricted in their historical scope because they rested upon the traditional notion that the history of economics ought naturally to be divided by the change of perspective from pre-Smithian mercantilism to the emergence of the *Wealth of Nations*.

By contrast we present detailed discussions of as many as twelve thinkers including not only such 'great' thinkers as Hume, Steuart, and Smith, but also many lesser-known figures — 'lesser known' in this context meaning figures not normally treated in the history of economic thought notwithstanding their

acknowledged importance in other kinds of history. Indeed although such people have been known for their serious interest in economic subjects, they have tended to be seen as mere precursors of Hume and Smith. On the contrary, we attempt to consider their economic thought in its own right, with some essential bearings on their extra-economic arguments. All the contributors to this volume know well of the heated debates in the West that followed the publication of *Wealth and Virtue*. But they also maintain a high level of methodological caution against excessive simplification or dichotomization. This is true not only of their treatments of the lesser figures, but also of the central figures. Contributors are keenly aware that their subjects more or less shared a common set of problems in their economic thinking and that in attempting to solve these problems they respectively relied upon and used for their purposes traditionally given categories and patterns of discourse related to wealth and/or virtue and to classical republicanism and/or natural jurisprudence. Their common problems and corresponding objectives ultimately derived from the national need to *civilize* Scotland in all conceivable human and material terms and were all intended to promote moral, political and economic improvements of the nation.

Chapter 1 by Shigemi Muramatsu sheds a new light on the famous Union debate as an opportunity for Scottish thinkers to reconsider the nature of commercial civilization. An incorporating union with England was expected by William Seton to liberate the commons and their industry from feudal bondage and enable them to fully modernize themselves. William Black, who proposed a second option of maintaining Scotland's political independence, believed that the preservation of feudal and hereditary serfdom would prove indispensable for competing with England's privileged trading companies. The third alternative was proposed by Andrew Fletcher. Believing that commercial civilization would cause a corruption of manners and conflicts among nations, he proposed a national economy based on agriculture and a federal government on republican principles.

Genaro Seki in chapter 2 traces the aftermath of the Union debate as a consistent series of arguments geared to propose a most realistic policy prescription for Scotland's economic prosperity. Twenty-three years after the Union, Sir John Clerk was disappointed to see that the Scottish economy was still underdeveloped because of an economic inequality between Scotland and England. P. Lindsay's work of 1733 tried to explain these particular 'circumstances of business' theoretically. T. Melvill criticized Lindsay for dismissing the possibility of improving woollen manufacturing, which was seen as the English staple. In 1744 D. Forbes argued that Scottish landlords ought to take the lead in transforming their people's manners and customs. Though the debates remained unsolved even in 1740s, Seki holds that the policy debate's substantial contribution toward Scottish economic development is clear.

Toshiaki Ogose in chapter 3 examines Francis Hutcheson's status as the 'father' of the Scottish Enlightenment chiefly, but not exclusively, from an economic point of view. Hutcheson accepted Shaftesbury's view that human beings were naturally endowed with the 'moral sense' to establish that human

beings and the universe are made to harmonize with each other as divine creatures. The same view characterizes his jurisprudence in the sense that human right is to be construed as part of man's duty of promoting the public good. For instance, Hutcheson argued for the quasi-absolute nature of private property by making it ultimately subject to limitation by the standard of public interest. In the same vein, he showed favour for the agrarian law and severely criticized the Scottish entail. Hutcheson's philosophy is based on his clear awareness of the vital importance of virtuous citizens' morality for economic development and of its practical decline in his own times. His urgent demand for the central role of government to promote morals in society was one with his desperate hope for realizing justice in the midst of economic improvement.

Chapters 4 and 5 by Yoshio Nagai and Yasuo Amoh combine to form interesting and original reassessments of the thought of Robert Wallace. Notwithstanding the gross underestimation of Wallace in the literature (except as one of the pioneering theorists in the history of population theory), he actually held a pivotal social and intellectual position among the Moderate Literati of Edinburgh during the formative years of the Scottish Enlightenment. Nagai examines Wallace's overall view of modern civilized society as a complex amalgam of modernist and anti-modernist tendencies. In particular, he places Wallace's thought not just in the usual context of population controversy with Hume, but also in a broader context of the morals and politics of the British Enlightenment. A so-far neglected similarity between Wallace and George Berkeley is brought to light by detailed analysis. By contrast, Amoh's comparative study of Wallace's and Hume's discourses on ancient and modern population produces a number of interesting observations by its unprecedented closeness. The nature of his utopian vision of the future of mankind will also be discussed in this connection. In addition, Amoh examines Wallace's unpublished manuscripts. The two chapters, written in contrasting perspectives, nevertheless reveal the profound extent to which Wallace's thought can be seen as a contradictory but fruitful mixture of contemporary views and ideologies.

Tatsuya Sakamoto in chapter 6 seeks to show that the turning point in the genesis of Hume's economic thought was his experience of a European tour that triggered a new departure in his thinking about the prime engine of modern civilized society. As the occasion coincided with the publication of Montesquieu's *The Spirit of the Laws (L'Esprit des lois)* in 1748, Hume developed his economic thought as an act of fundamental criticism of the climatic theory of national characters. In particular the concept of 'manners' will be shown to have played a vital role in shaping his economic views. Sakamoto traces enduring results of the idea throughout his ensuing works and confirms the concept's formative role not just as the theoretical framework, but also as a body of specific analyses in his economic discourse. In particular, it will be demonstrated that the long-debated ambiguity or tension between Hume's so-called quantity theory of money and his inflationist view can be resolved by an interpretative strategy focusing upon the 'manners'.

Ikuo Omori in chapter 7 provides a comprehensive picture of the so - called

'Scottish Triangle' of political economy comprised by Hume, Steuart and Smith. Steuart proposed a new science of political economy in order to digest and overcome Hume's idea of free economic society. Smith wrote the *Wealth of Nations* with a strong but carefully covered intention of attacking Steuart's political economy. The three did, nevertheless, face the common unsettled issue concerning the conflict between Scottish economic development and their perception of its resulting moral corruption of the people, which was a target of fierce criticism by civic humanists. In conclusion, the author situates Steuart and Smith not as a relationship of theoretical progress, but as constituting the same camp of modified economic liberalism that was inspired by largely similar historical views but entailing sharply differing policy proposals.

Chapter 8 by Keiichi Watanabe re-examines Adam Smith's view of the economic structure of civilized society as seen in his theory of taxation. Smith developed a critical analysis of the taxation system under English mercantilism and suggested his original proposals for reform. His view of excise as being imposed for reducing land tax but ultimately resulting in a tax on the rent of land, was unique and sensational in the historical context of his days. Smith proposed a reform plan for the fixed-rate land-tax introduced after the Glorious Revolution (1688) and demanded a higher land-tax be paid by the landed classes. Watanabe draws from this Smith's affirmative view of social and economic hegemony of the land-owning classes and seeks to revise the common view of Smith as a champion of industrial capitalism. By so doing he attempts to grasp the idea of Smith as a major proponent of 'agrarian capitalism', which was closely similar to but not necessarily the same as the classical republican version of agrarianism.

Shoji Tanaka in chapter 9 presents a chronological inquiry into the consistency and change in Adam Smith's fundamental vision of a civilized society. In particular Tanaka grasps the essential features of Smith's moral theory in the *Theory of Moral Sentiments* as constituted by two seemingly contradictory principles of providential and empirical naturalism. Notably enough Tanaka searches for the precise manner in which Smith's metaphysical concept of Nature in the *Theory* grew into his economic idea of the system of natural liberty in the *Wealth of Nations*. In this connection a particular emphasis is placed upon the vital significance of Smith's encounter with James Steuart's *Principles*. The work as establishing a demand-side and quasi-Keynesian system of market control provided Smith with a decisive step with which to develop his own supply-side system of natural liberty founded upon the autonomy of market forces and particularly upon his view of individuals' motive to better their living conditions.

The place of history in the Scottish Enlightenment continues to be a blind spot even in recent studies. This is curious considering that the term 'Scottish Historical School' was once used by scholars to mean what was later to be seen as an essential element of the Scottish Enlightenment. Chapters 10 and 11 attempt to fill this gap. Kimihiro Koyanagi in chapter 10 provides a comparative analysis of the views on human history and civilization of Lord Kames and William Robertson. Kames regarded human history as a series of conflicts between progress and decay. This dual mode of historical analysis was closely combined

with the four-stage theory which led him to understand human history as a progress from industry to civil society on the one hand and a degradation from avarice to luxury on the other. Robertson's works were infused with his firm belief in Christianity. Nevertheless he was free from any religious or ideological biases and dogmas and rather developed a comparative and scientific method of historical analysis. In consequence Robertson idealized the state of a society founded upon the principle of Christianity as civil religion and upon the rule of law as nearly realized by the British constitution after the Union of England with Scotland in 1707.

Differently from Robertson, John Millar has been recognized less as a historian *per se* than as a historically minded theoretician. This might have stemmed from the fact that his *Origin of the Distinction of Ranks*, rather than the posthumously completed *Historical View of the English Government*, has long been considered his seminal work. Hideo Tanaka, in chapter 11, seeks to redress the imbalance by a close reading of the latter book. Tanaka reveals an original character of Millar's constitutional history by examining Millar's arguments of the growth of English liberty extending from the Anglo-Saxon era to the Revolution of 1688. While Millar placed a particular emphasis upon the vital role of commerce in realizing the principle of equality, Tanaka points out that in this Humean exercise Millar revived the Hutchesonian legacy of political radicalism in a way suggesting an intellectual development from the Scottish Enlightenment to Utilitarian radicalism.

Hisashi Shinohara in chapter 12 treats Dugald Stewart as a so-far neglected but infinitely significant figure at the close of the Scottish Enlightenment. This chapter attempts to sketch the overall character and content of his economic system by investigating the *Dissertation* published in 1816. Stewart systematized Thomas Reid's abstruse philosophy in a way more approachable for the succeeding generation. At the same time he succeeded Adam Smith's political economy. Stewart had an ambition to search for the universal principles of justice and expediency, and this meant an indirect criticism of Smith's system of natural justice that Smith assumed to be logically separable from the principles of politics. Stewart believed in the need for the full realization of the moral and intellectual powers of the human mind attainable only through the improvement and accomplishment of political society. Shinohara suggests not only that this belief was firmly rooted in the Scottish tradition of moral philosophy but also that as such it pointed toward a possible utilitarian reconstruction of Smith's system.

The book closes by a chapter by Hiroshi Mizuta. He explains the reason, both historical and rational, why Japanese scholars have devoted such tremendous energy to studies of Adam Smith for more than a century, and, more recently, to subjects related to the Scottish Enlightenment. As he vividly describes with personal recollections, after the late-nineteenth century, Japanese intellectuals were desperately seeking to modernize their own society according to the Western model. Smith, as the father of the modern social science of economics, was naturally understood to be the core of the model. At the same time they sought for something that would function as a weapon in the fundamental criticism of those

negative aspects of modernization that were already apparent in the contemporary Western world. This explains why Smith has been so seriously studied in Japan by generations of scholars, almost always in comparison with Marx. Not necessarily with hindsight one might argue from Mizuta's narrative that this clear awareness of the ambiguous nature of modernization as commercialization just happened to coincide with the similar awareness generally shared by eighteenth-century Scottish intellectuals.

This is also the reason why Smith as the author of the *Moral Sentiments* has attracted such special attention from Japanese scholars. Even as the author of the *Wealth of Nations*, a different view of Smith from the stereotypes of the classical and the neo-classical economics has constantly been more influential in this tradition. Though in former times the alternative reading was solely represented by Marxist versions of Smith's economics, it has now come to be more diversified and complicated to include even the question of the tension between virtue and commerce in commercial society. Apart from whether or not it is appropriate to grasp the nature of the Scottish tradition of economic thought as 'philosophical' and 'sociological' as A.L. Macfie once did, it is certain that those approaches also overlap in some significant ways with Japan's established tradition, first of aspiring to civilization and commercialization in the Western fashion, and second of having, at the same time, some sceptical doubts about the final moral validity of the attempt.

Thus, even including the perceived inevitability of commercial civilization, the modern Japanese and eighteenth-century Scottish intellectuals' profound concerns are found to converge on the same issues and concerns in this unexpected manner. This might explain the aforementioned fact that, differently from the West, Japan is a country where issues related to the *Wealth and Virtue* and ensuing debates in their various aspects have most seriously been studied by historians of economic thought. The editors and contributors are all active members of the Japanese Society for the History of Economic Thought at the time of writing. In one profound sense, they represent the country's long and unique tradition of the unparalleled seriousness with which study in the history of the western economic thought in general has been consistently pursued.

Tatsuya Sakamoto and Hideo Tanaka

1 Andrew Fletcher's criticism of commercial civilization and his plan for European federal union

Shigemi Muramatsu

Andrew Fletcher (1653–1716) published several discourses over a period of seven years from 1697 to 1704. Those discourses whose authorship is securely attributed to him at present are *A Discourse of Government with Relation to Militias* (1697, the revised edition in 1698a *Militias* hereafter), *Two Discourses Concerning the Affairs of Scotland* (1698b *Two Discourses*), *A Discourse Concerning the Affairs of Spain* (1698c *Spain*), and *An Account of a Conversation for the Common Good of Mankind* (1704; *Account*), excepting his several speeches and letters (Robertson 1997: xxxv). John Robertson suggests that all of Fletcher's writings had 'a definite intellectual identity' on civic principles. But, even so, it seems that a comparison of his writings in the 1690s and the *Account* shows some development in his understanding of commercial civilization and trade. Certainly, in the *Militias*, Fletcher argued about the negative effects of commercial civilization such as the replacement of the frugal and military way of living with a luxurious one and the introduction of a standing army and tyranny. Despite this, all he proposed was the establishment of a new militia system in Scotland and England. The aims of the *Two Discourses* were to seek government support for Scotland's Darien scheme, and to propose some social reforms in Scotland. His proposals were, however, based on his understanding of Scotland's 'backwardness' in trade and agriculture, not on his understanding of the nature of commercial civilization based on trade. The intention of the *Spain* was to warn his readers against the threat of universal monarchy through showing them some measures or actions which 'pretenders to the crown of Spain' could take, namely through showing, as it were, 'the State's first Law of Motion' (Meinecke 1998: 1). Trade was just treated as a basis of universal monarchy without arguing about any of the possible evils it may cause by itself. We may say that his treatment of trade in the works of the 1690s was decided by the differences in their themes. Even taking this into account, we must say that we can find the first argument about the nature of commercial civilization in the *Account*, not in these others. According to the *Account*, the gravest evil of commercial civilization was that it caused a concentration of wealth and population, leading to the 'corruption of manners' and conflict among nations. In other words, the content of the *Account* shows us that he was finally able to grasp the structural problems in the formation of a national economy based on trade.

What, then, made it possible for him to do so? In my view, his involvement in the controversy preceding the Union of 1707 provided him with an opportunity to give a critical reconsideration to the nature of commercial civilization. The controversy was as to what relation Scotland should have with England and what course of economic development Scotland should follow in order to defend her national interest. Unionist William Seton (1673–1744), and anti-unionist William Black (dates unknown), who looked upon economic development through trade and manufacture as the national interest, highly estimated England's, especially Charles Davenant's, political arithmetic (Seton 1705:16; Black 1707:15). On account of the situation, it is most probable that Fletcher felt the need to study England's political arithmetic. His critical study of it gave him a deeper understanding of commercial civilization and the theory of the concentration. But it did not mean that he jettisoned such issues as 'the freedom of government and militia', 'social reforms for Scotland's economic development', 'limitations', and 'reason of state', as argued in his writings and speeches preceding the *Account*. Rather, the deeper understanding made it possible for him to reorganize those issues and give them each a place in his plan for peace among nations.

In this chapter, through examining how Fletcher could obtain a deeper understanding of commercial civilization and what place the above-mentioned issues were given in his plan, I will attempt to shed a light on the characteristic features of his criticism of the civilization and his plan for a European constitution. In doing so, I shall begin with a brief discussion of the militia issue.

The Freedom of government and the militia system

Since the union of crowns of 1603 the Parliament of Scotland had always been subordinated to the interests of England. Some of those who thought that the subordination created Scotland's economic crisis at the turn of the eighteenth century emphasized Scotland's long history of 'freedom and independence', and attempted to put limitations on the crown and win the Parliament's independence from England. Even so, they disagreed on how the 'freedom of government' of Scotland had been preserved in the past, or should be so in the future. George Ridpath (1660?–1726) defended the 'freedom' in the ancient constitution with a Fergus myth and a political maxim. According to Ridpath, the Fergus myth proved that Scotland's monarchy had been elective. The maxim was as follows, by which he claimed that dominion ought to follow property:

the Estates of Scotland ... being the hereditary proprietors of the country before

ever we had anything like a King, it followed by necessary consequence, that your ancestors were our hereditary sovereigns and legislators, and our Kings had their power and authority from them, as an office of trust, but not of property.

(Ridpath 1703: 3)

The introduction of feudalism into Scotland, in his view, did not change the fact that the original proprietors of land were the Estates.¹ On the contrary, Fletcher found ‘freedom’ in the government of the barbarian invaders of antiquity. He traced the rise and alteration of the government of Europe since the fifth century in the *Militias*. Fletcher explained that the Goths, the Vandals, and other warlike nations who overran the western parts of the Roman empire introduced the following form of government into all the nations they subdued. The general of the army became king of the conquered country, and he divided the lands among the great officers of his army (afterwards called barons). The officers again parcelled out their territories in smaller portions to the inferior soldiers that had followed them in the wars. The soldiers then became their vassals enjoying those lands for military service. This constitution of government put the sword into the hands of the subjects, which effectually secured the freedom of governments. This was because the vassals depended more immediately on the barons than on the king. However, the penetration of commercial civilization since the sixteenth century introduced a luxurious way of living, and the barons substituted payments of money from their vassals for military service, in order to maintain their own expensive lifestyles. In this way the militias came to an end, and military power came to be concentrated in the king’s hands. Consequently, the Gothic government, which was a limited monarchy, transformed itself into a tyranny (Fletcher 1698a: 3–7).

According to Fletcher, the ‘freedom’ in the Gothic government was secured by the balance between the military power of the king and that of the barons, and that this freedom was lost with the upsetting of that balance. He had no concern for the issue of who ‘the original proprietors of land’ were. Whoever ‘the original proprietors of land’ might be, or whether Scotland’s monarchy was elective or hereditary, it was of no importance to him. Whoever the prince or king might be, whether a protestant or a catholic, wise or not, if he could get control of a standing army, the ‘freedom of government’ would be lost. Fletcher always represented the prince or king as the personification of the ‘reason of state’ aspiring to increase his rule. As John Robertson suggests, the concept of ‘reason of state’ played a crucial role in Fletcher’s argument (Robertson 1997: xxiii–xxvi). The nature itself of the ‘reason of state’ defined his line of argument to defend the freedom of government against it. According to Fletcher, ‘reason of state’ could take any action or measure, without regard for rights such as property rights or the right of succession, if it were necessary for the increase of its power. He described this nature of the ‘reason of state’ in the *Spain*. He, therefore, did not think any argument based on right effective against the ‘reason of state’. Sir George Mackenzie (1636–91) argued in his *Institutions of the Law of Scotland* (1684) that the location of sovereignty depended on who the original proprietors of the land were (Mackenzie 1722: 281). Ridpath also developed the same argument, though his conclusion was the opposite of Mackenzie’s. According to Fletcher, the argument should be left ‘to the Doctor of laws’ (Fletcher 1698c: 99). As ‘the State’s first Law of Motion’ was based on necessity, rather than on right, Fletcher gave preference to the argument based on neces-

sity to that based on right.² For example, as shown later, he argued for the necessity of Scotland's improvement to landownership in the *Two Discourses*. Further, in the *Militias*, on account of the necessity of the freedom of government, he advocated a new system of militias based on the model of the militias of ancient Greece. The new militia system, according to Fletcher, should be composed mainly of landowners and tenants, with one camp in Scotland and three camps in England. All young men were obliged to stay in the camp for one or two years when they reached the age of eighteen. The objectives of the camp were to not only give military discipline to them, but also to cultivate their sense of honour, for it was the sense of honour that restrained private desires of humankind and led them to accomplishing public duties.

Furthermore, in the *Account*, the 'reason of state' would be redefined as pursuing commercial wealth limitlessly, and even as justifying the nation's unjust deprivation of such wealth from other nations as her national interest. In the *Account*, he imagined an English Tory justifying this position, saying that 'if any profitable trade be in the possession of our neighbours, we may endeavour to dispossess them of that advantage for the good of our own society ... things just in themselves, are not always so in relation to government' (Fletcher 1704: 201–02). This redefinition was made possible by his deeper understanding of commercial civilization and trade as shown later. In a world where each nation's 'reason of state' conflicts with every other, the militia system is not sufficient to maintain freedom, independence, and peace among nations. Accordingly, an economy and constitution must be planned in addition to the militia system.

Social reforms of Scotland

In the 1690s, when he had not yet gained a deeper understanding of the nature of commercial civilization and trade, Fletcher's estimate of England was rather positive.³ For example, Fletcher attributed England's economic development to the 'freedom of government' in the *Militias*, stating that England was an island that had neither threat of invasion nor overseas possessions, with only a few exceptions. The circumstances gave her kings no pretext to have a standing army, and made it possible for her to keep the 'freedom of government' through which, according to Fletcher, England was 'cultivated and improved by the industry of rich husbandmen; her rivers and harbours filled with ships; her cities, towns, and villages, enriched with manufactures' (Fletcher 1698a: 30). On the contrary, he clearly understood the economic backwardness of Scotland in contrast with England.

Due to her backwardness, an urgent problem of vagabonds within Scotland could neither be solved by economic development based upon trade, nor by public workhouses which were impracticable except in those countries which had a vast market for their manufactured goods and 'an extraordinary police'. So he proposed, following the practice of the ancients, that 'for some present remedy of so great a mischief every man of a certain estate in this nation should be obliged to take a proportionable number of those vagabonds, and either employ

them in hedging and ditching his grounds, or any other sort of work in town and country' (Fletcher 1698b: 68).

His proposal was to be criticized as a revival of slavery by William Paterson (1658–1719; Paterson 1701: 89). But Fletcher himself never regarded his proposal as a revival, and argued that 'a slave properly is one, who is absolutely subjected to the will of another man without any remedy' (Fletcher 1698b: 61). He argued, the French and Turkish nations should properly be called slaves. On the contrary, the slaves in ancient Greece and the 'vagabonds taken by every man of a certain estate' should more correctly be named servants, for their masters can have no power to mutilate or torture them. Further, the servants, their wives and children should be not only provided with clothes, food and lodging, but also taught 'the principles of morality and religion' and reading. Besides, 'in every thing, except their duty as servants, they should not be under the will of their masters, but the protection of the law' (Fletcher 1698b: 62). Fletcher's proposal of 'domestic slavery' should not be looked upon as a temporary emergency measure for the starving poor, though he himself referred to it as being 'for some present remedy'. As his sharp contrast between domestic servants who served their masters with 'an extraordinary affection, care, and fidelity' and hired servants who always attempted to cheat their masters of their stocks showed, his 'domestic slavery' was proposed as the only system to set the poor to work and cultivate them, in a backward Scotland that had neither trade nor 'extraordinary police'.

According to Fletcher, Scotland's economic distress was caused by the absence of kings and their court since the union of crowns (after which few monarchs of the joint kingdoms had spent much time in Scotland), and by her agricultural system in his day. On account of this absence, many laws were not executed for Scotland, and her nobility and gentry were compelled to attend the court in London for place and pension, expend money there, and betray their country's national interest. In order to correct those evils, the parliament in Scotland needed to gain the power to give place and pension. As shown later, this problem would be solved by putting limitations on the crown. Concerning Scotland's agricultural system, he proposed an agrarian reformation in the *Two Discourses* in order to remove the difficulties under which men of estates as well as the commons suffered. He argued that 'the principal and original source of our poverty' was not the neglect of trade and fishing, but 'the letting of our lands at so excessive a rate as makes the tenant poorer even than his servant' (Fletcher 1698b: 71). The conditions of 'the lesser freeholders or heritors' were no better than those of the tenants. They had no stock to improve their lands, and thus made no contribution to the development of agriculture.

This problem was compounded by a 'rent in corn' system prevalent in 'the countries cultivated by tillage'. According to Fletcher, 'money rent has a yearly balance in it; for if the year be scarce, all sorts of grain yield the greater price; and if the year be plentiful, there is the greater quantity of them to make money'. On the contrary, 'a rent paid in corn has neither a yearly, nor any balance at all' (Fletcher 1698b: 72–73). The 'rent in corn' was disadvantageous

not only to tenants but also to landlords, who could not favourably change the corn into money, and as a result, ran into debt. In order to overcome such a situation, Fletcher advocated the transformation of rent in corn to money rent, which only became possible when the 'tenants of substance' were formed and involved in the money economy. He wrote:

All interest of money [is] to be forbidden. No man [is] to possess more land than he cultivates by servants. Every man cultivating land under the value of two hundred pounds sterling clear profits a year, [is] to pay yearly the half of the clear profits to some other man who shall buy that rent at twenty years purchase; and for his security shall be preferred to all other creditors. No man [is] to buy or possess those rents, unless he cultivate land to the value at least of two hundred pounds sterling clear profits yearly. Minors, women unmarried, and persons absent upon a public account, may buy or possess such rents, though they cultivate no lands.

(Fletcher 1698b: 76).

His proposals can be interpreted as follows. The proper size of landownership is that of land of 'two hundred pounds' sterling clear profits yearly'. The size is also that of land which is required to be cultivated by the landowner himself with his servants. The landowner who possesses the land above the proper size and cannot cultivate all of his land with his servants is forced to sell that part of land in excess of it. Money from the sale must be directed to improvement of land and agriculture. On the other hand, a landowner who possesses the land below the proper size is forced to sell all his land, transform himself into a tenant, and pay half of the clear profit yearly as rent to 'some other man who shall buy that rent at twenty years' purchase'. In doing so, money rent and 'tenants of substance' come into being.

Who, then, is this 'some other man who shall buy that rent ...' that Fletcher writes about? First, the 'some other man' refers to 'minors, women unmarried, and persons absent upon a public account'. This case was an exception to the 'general rule', where no man was allowed to buy or possess such rents unless he cultivated the land. The reason why Fletcher allowed such an exception was that it was unreasonable to oblige minors and single women to 'venture their small stocks in trade or husbandry'. The 'persons absent upon a public account' might be thought to be statesmen or others who were employed in the public sector, and were also allowed to own land without cultivating it.

Secondly, the landowners who had money through selling the part of land above the proper size of land were admitted to buy that rent. Furthermore, Fletcher seems to have expected merchants to buy that rent, though William Seton deplored this as an obstacle to development of trade, in that some of the merchants who accumulated four or five thousands pounds sterling in trade invested this into the land to make their sons lairds (Seton 1700: 75). Accordingly, it is clear that his proposals were intended not to realize an equal distribution of land and wealth, but to shift money from other sectors to the agri-

cultural sector, to form the ‘tenants of substance’ and to encourage the landlords to concern themselves with agricultural improvement and production.

Realization of those proposals presupposed the freedom of selling and buying land. This only became possible when land was transformed to ‘allodial land’, for land under the complicated system of feudal tenure of the time could not easily become the object of selling and buying. He claimed, therefore, that ‘all teinds (or tithes) and all sorts of superiorities, must be transacted for, and sold’, and that ‘the tenures of all lands must be made allodial, to the end that every man may be upon an equal foot with another’ (Fletcher 1698b: 79).

Political arithmetic and some views on trade

Among some writers who planned economic development on the basis of trade, there was widespread recognition that Davenant’s political arithmetic was of immense use to this development. It is possible that Fletcher made a critical study of the political arithmetic in the Union controversy. What significance, then, did political arithmetic have to them? According to Davenant, political arithmetic was ‘the art of reasoning by figures, upon things relating to government’.⁴ The use of it was to provide statesmen with the knowledge of ‘the exact posture’ of their own country, allies and enemies (Davenant 1698: 131). In other words, political arithmetic was the art of government for statesmen who made efforts to defend and promote the interests of their own country in the international conflicts among nations. By the ‘exact posture’ Davenant means ‘the law, constitution, humour and manner’, the number of inhabitants, its annual expenses and income from the land, and its product from trade, manufacture and the other business of the kingdom. In other words, his political arithmetic included almost all fields of human social activity, and all the fields of political arithmetic had a mutual relation with each other. For example, in his view, law and constitution which did not secure the freedom of religion and property never failed to reduce the number of people and to decay trade and industry.

On account of such uses and qualities of Davenant’s political arithmetic, Seton and Black, who planned Scotland’s economic development based on trade, held it in high regard. And they also sought social relations and institutions to develop trade and industry. Both of them proposed the establishment of a council of trade superior to the political arithmetic in its function. Furthermore, Seton advocated the release of the commons from the oppression by the lairds through the incorporating union with England. By contrast, Black proposed the preservation of a system of serfdom and feudalistic privileges to put Scottish trade and industry on an equal footing with those of English companies which kept all their privileges (such as monopolies of trade with certain parts of the world) after the Union (Seton 1700: 86–87; Black 1707: 7). By contrast, in the *Account*, Fletcher attached great importance to an economy based on agriculture and proposed a federal union with England.

The difference between their plans reflected their respective views on trade. Regarding the origin of trade, Davenant explained it from the viewpoint that

great numbers of people under the threat of invasion had been compelled to live together in a small place. According to Davenant,

when great numbers were thus confined to a narrow space, their necessities could not be all answered, by what was near them, and at hand; so that they were compelled to seek for remoter helps, and thus gave rise to what we call Trade, which, at first, was only permutation of commerce ... Trade was first entertained, cultivated, and put into regular methods, by little states that were surrounded by neighbours, in strength much superior to them.

(Davenant 1698: 349)

Seton explained the origin of trade in a different way. He argued that the 'original constitution of every regulate government' gave its subjects the right to own property obtained by labour or industry, which produced a great inequality in possessions, and occasioned a necessity to barter for supplying everyone's wants. When a society of people was confined to a small area insufficient for their sustenance, they were obliged to search for necessities in their neighbouring countries. This resulted in 'communication of trade', which in time extended itself over almost the whole world (Seton 1705: 6). Notwithstanding the apparently striking similarities, Seton's and Davenant's views are essentially different from each other. Davenant thought of the origin of trade as between neighbouring societies — trade was, as it were, accidental to a society. Seton, by contrast, considered 'barter' by each member within a society as the origin. According to Seton, trade came into existence as the wants of mankind increased, and trade — or at least its origin — was placed in the 'original constitution of every regulate government'. Trade was natural and essential to any society. Davenant's view of the origin of trade was accepted by Fletcher in the *Account*. Fletcher also thought that people who escaped from the violence of tyranny came to barren and inaccessible places where they were forced to depend on trade and manufacture. But, he argued, this situation held true only of people in such circumstances. Fletcher felt that if all the world were well governed, people would naturally disperse themselves to extensive land and live on agriculture. For that purpose, he believed, God gave mankind the earth. If trade and commerce were preferred to agriculture in the absence of special circumstances, it would mean that conditions were not natural in that society (Fletcher 1704: 200–01).

The relation between Davenant and Fletcher is, however, not quite so simple in their views of trade. The former, it is true, believes as much as the latter that while trade introduces material comfort, it erodes the moral fibre of society. According to Davenant,

Trade, without doubt, is in its nature a pernicious thing: it brings in that wealth which introduces luxury; it gives rise to fraud and avarice, and extinguishes virtue and simplicity of manners ... But, the posture and condition of other countries considered, it is become with us a necessary evil.

(Davenant 1699: 275)

This view is very similar to Fletcher's in *Militias*, but a closer examination of their views shows some subtle differences, and raises two important questions. First, though he admitted that trade introduced luxury, Davenant could not help relying on trade for England's prosperity and defence. This was due to the fact that, he argued, we could not return back to our ancestors' way of living, and our defence against invasion did not depend on the natural produce and income of the country, but on trade and industry. Furthermore, he went so far as to say that 'A wealthy nation may be jealous of its rights, and watch any invasions upon its freedom' (Davenant 1699: 309). Fletcher, on the other hand, while he sought government support for the Darien scheme in the *Two Discourses*, refused to endorse trade and commerce even as 'a necessary evil' in the *Account*, as will be shown later. Secondly, Davenant knew about the concentration of wealth in England, but he could not link the fact with the development of trade, and nor could Fletcher in the late 1690s.

This raises two important questions. Why did Fletcher not endorse trade in the *Account*, and why was he able to link the concentration of wealth with the development of trade in it? Solving these two questions will clarify what significance William Petty's political arithmetic had in the development of Fletcher's economic thought.

System of agriculture and a 'Citizen of the World'

In his *Political Arithmetick* (1690), William Petty attempted to explain how far England surpassed Holland and France in wealth and power, and to prove through 'numbers, weights, or measures' the possibility that England would have of taking over world trade. According to Petty, land has the potential to increase its own productivity by adding a small amount of labour. If the population increases, the additional population is maintained by only a small addition of labour. The surplus can then be freed from agriculture to engage in manufacture, commerce and navigation, which bring gold and silver into the country. On such a basis, Petty proposed the transportation of the wealth and population of Ireland and the Highlands of Scotland to England (Petty 1690: 285–86). It was said rhetorically in those days that Ireland should be sunk into the sea on account of the heavy burden of maintaining peace there. Indeed, he believed that without Ireland, England would be able to cut expenditure, and also increase its own population and land rent. He also believed the entire Irish population should be transported to England, and only 300,000 people should be left behind in Ireland, who should be, in Petty's words, 'all Servants to those who live in England, having no Property of their own, in Land or Stock, and their only business is the cattle-trade. And Nor indeed will there be any Peers, or Freeholders, at all in Ireland, where to make a Parliament'. With no parliament, 'Controversies concerning Estates in Ireland, may be determined in England' (Petty 1687: 568–69).

In the *Account*, Fletcher criticized Petty's theory on the formation of a national economy as giving a theoretical basis to English policy towards Ireland. If Petty's

theory was accepted, according to Fletcher, it followed that the exclusion of Ireland from trade made England prosper by the amount that Ireland then possessed. Besides trade, the transportation of the whole Irish people to England would also make her prosper by the presence of the additional people. But this transportation gave the chance to other nations to conquer Ireland, so he assumed for the sake of argument that Ireland would be 'sunk into the sea'. Such reasoning led to a further conclusion that the transportation of the wealth and people not only of Ireland, but also the whole of England apart from the London area, and the sinking of the whole except this area, made it possible for the London area to increase its own trade and wealth. Thus, Fletcher himself developed Petty's theory on the formation of a national economy and led to the conclusion implied in the theory. The conclusion was that the trade, wealth, and population of the world became concentrated in a big city, and that the whole population in the world came to live in the city or adjacent areas. It was this concentration that caused the so-called 'corruption of manners'.⁵

The formation of a national economy, according to Petty's theory, also caused a conflict of interests among nations. It was these conflicts that violated the rights of people who settled in Ireland, in Fletcher's words, 'upon the faith of rights declared and ratified by both houses of parliament, confirmed by the decision of all your courts, and affirmed by the Lord chief Justice Coke in the most hyperbolic terms' (Fletcher 1704: 195). Even if the rights of the Scottish people were 'ratified, confirmed and affirmed' by the Treaty of Union, the conflict of interests in trade would soon violate the rights of the Scottish people. The union system, according to Fletcher, would put Scotland in the same position as that of Ireland. What he learned from the Anglo-Irish relation was that the rights and interests of the weak were violated by the strong when they conflicted in the interests of trade.

Through his critical examination of Petty's economic theory, Fletcher could finally realize that the formation of a national economy based on trade never failed to cause a conflict among nations and that an economy that depended too heavily on trade inevitably gave rise to the concentration of wealth and population, and the 'corruption of manners'. As a result, Fletcher could never be considered 'a dyspeptic student of political economy', as he has been called (Armitage 2000: 161). He could not only detect the above-mentioned problems more clearly than anyone else at that time, but also connect England's policy toward Ireland to them. What Fletcher lacked was an economic logic to link the unlimited pursuit of wealth by an individual or by a nation with the general good of mankind. Petty himself had no such logical argument either and, accordingly, just pursued the national interest of England. How, then, could Fletcher plan for securing the national interest and the general good of mankind at the same time without the logic in the *Account*?

Fletcher thought it honourable for 'freemen' to devote themselves to the public good of their country. But this patriotism ought not to be insular. A patriot is required to be a friend of mankind, and must be a 'citizen of the world'. An aim of the *Account* is to plan an economy and constitution which

make it possible for a patriot to be a ‘citizen of the world’, and which overcome a situation in which each ‘reason of state’ conflicts with another. Fletcher contrasted the art of government for a ‘citizen of the world’ with the current art of government. The latter, as England’s political arithmetic shows, had given the interest of a ‘particular nation’ precedence over the ‘rest of mankind’, and had been ‘framed for conquest’, that is, to ‘disturb the peace of mankind’. The former, however, should consider not only the interest of a ‘particular nation’ but also the ‘general good and interest of mankind’. This ‘general good’ referred to ‘the peace of mankind’ and ‘the freedom and independence’ of nations. Europe once had the freedom of government secured by the Gothic constitution. The penetration of commercial civilization gave rise to a standing army and transformed the Gothic government to tyranny. But the restoration of the militia system alone could not secure peace and freedom. England, though still having a limited monarchy (‘freedom of government’), justified the violation of other nations’ rights and interest by her own interest in monopolizing commercial wealth, as shown by her hindrance of Scotland’s Darien scheme and her oppression of Ireland’s industry. The ‘limited monarchy’ as a Gothic inheritance cannot defend ‘the rights and interests’ of nations in commercial civilization.⁶ In order to place commercial civilization in a framework fitted to defend ‘the rights and interests’, therefore, Fletcher planned an international constitution after the model of ancient Greece’s Achaean League, which was considered as the ‘art of government’ for a ‘citizen of the world’. If humankind had a nature which pursued wealth and power without limit, human nature must be led not to conquest and war, but to the ‘general good of mankind’ by an institutional framework which supplemented the lack of the above-mentioned logic. It was his republican constitution which realized peace among nations and the decentralization of wealth and power. Furthermore, in the constitution a new relation between Scotland and England would be established.

The constitution of international peace was planned by Fletcher on the agricultural economy which had ‘tenants of substance’ and was based on a money economy, as shown in the *Two Discourses*. In the *Account* the economy assumes a new significance as a restraint on the excessive unequal distribution of wealth. Furthermore, he believed that several governments equal in strength and authority should be established. In the same way as an unequal distribution of wealth led men to its boundless pursuit, an inequality in power and strength among governments led to a limitless pursuit of power, and consequently caused international conflicts among governments. He therefore proposed to divide Europe into ten governments, ‘Britain and Ireland’,⁷ ‘Spain and Portugal’, ‘France’, ‘Italy’, ‘Netherlands’ and so forth. If these governments formed an ally to maintain common safety, mankind could enjoy more peace. Fletcher believed in the original identity of interests among nations and argued that conflicts and the resulting injustice among neighbouring nations are caused by mistaking their true interests. Even if a nation could deprive her neighbouring nations of any advantage, it would lead to a concentration of wealth and power and the corruption of manners in that nation. Accordingly, the equal distribution of wealth and

power was the true interest of every nation.

Fletcher proposed that each state should have ten or eleven sovereign cities, and possess and govern the adjacent districts. These sovereign cities should form a state through federal union. The role of the prince should be confined to wartime leadership. In contrast, the parliament of a city that is mainly composed of the nobility and gentry holds, as his 'limitations' claimed, a strong power and authority so that it can give 'place, office and pension'. The militia then gains independence from the king and his court, and plays a role as a balance against the king's power. Furthermore, instead of betraying the interest of their country to the court in the metropolis (London) to get 'place, office and pension', and of expending money there, ambitious politicians would stay in their own country to expend their money there, and come to serve the interest of their own country from the parliament. Under such a constitution, money spent by them in each sovereign city circulates to enable each district to develop in moderate and equal proportions. In other words, expenditures of the nobility and gentry determine the development and type of commercial civilization. In such a manner, Fletcher argues, evils which normally arise from the development of civilization such as the concentration of wealth and population, the 'corruption of manners', and international conflicts among nations are restrained by a national economy based on agriculture, a system of militia, a republican constitution and an alliance among nations.

Fletcher's plan for a federal union was criticized by Seton as a continuation of the evils arising from the absence of a Crown 'as long as we are two Bodies under one Head, or two Kingdoms with different Interests' (Seton 1706: 8). Furthermore, Clerk (1676–1755) criticised Fletcher's European constitution on the grounds that 'A plurality of small states is relatively weak, for although they may permit a more even distribution of wealth and commerce, they tend to encourage animosities and rivalries which undermine social stability' (Clerk 1993: 33). Fletcher himself had some apprehensions about his readers looking upon his plans as 'visionary'. Still, the 'visionary' character of his plans was the expression of his desperate attempt to maintain 'good manners' and to achieve international peace in a commercial civilization which by nature tended towards the 'corruption of manners' and conflict among nations. His plans, even though visionary, raised in the Scottish Enlightenment the fundamental issue of how it is possible to maintain 'good manners' and realize peace among nations in a commercial civilization.

Notes

- 1 For Ridpath's theory of the ancient constitution, see Kidd (1993).
- 2 The relation of 'necessity' and 'rights' in Fletcher requires further investigation
- 3 Fletcher's estimation of England changed from positive to negative in the *Account*, in which he wrote that

'trade is now become the golden ball, for which all nations of the whole world are contending, and the occasion of so great partialities, that not only every nation is endeavouring to possess the trade of the world, but every city to draw

all to itself; and that the English are no less guilty of these partialities than any other trading nation’.

(Fletcher 1704: 193)

This negative estimate reflects his deeper understanding of commercial civilization.

- 4 For Davenant’s economic thought and his vision of trade, see Hont (1990) and Pocock (1975: 423-61).
- 5 For the relation between Fletcher and Petty, see Muramatsu (1996) and Robertson’s note to the *Account* (1997: 199n).
- 6 For Fletcher’s attitude to the Gothic inheritance, Kidd says that ‘Fletcher, who should not be pigeonholed as a straightforward defender of Scottish independence, recognized a basis for Britishness in the preservation of a shared Gothic inheritance’ (Kidd 1998: 341). In my view, Fletcher’s attitude to the mixed constitution such as the Gothic inheritance should be examined in relation to his understanding of the ‘reason of state’.
- 7 It should be noted that Britain and Ireland were under one government in Fletcher’s plan, and that three sovereign cities were to be granted to Ireland. This was his reply to Petty’s argument on Ireland, but it should also be noted that the Ireland to which he gave those cities, was not, in his vision, inhabited by the native Irish, but settled by the English. He only says in his writings that the native Irish and their society had been conquered.

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2 Policy debate on economic development in Scotland: the 1720s to the 1730s

Gentaro Seki

In 1707 Scotland became united with England, and this was motivated mainly by the idea that the parliamentary Union would promote its economic development (Whatley 1994; Whyte 1995: 296–97; Whyte 1997: 157–59).¹ In fact, the Treaty of the Union proves that England made economic and financial concessions to Scotland in exchange for political advantages that such a union would provide (Whatley 2000: 50–51). But after a few decades, it was increasingly clear that the new Union had fallen short of Scottish expectations of being able to develop Scotland's economy with the assistance of the Union regime. On the contrary, as shown in the Jacobite expedition in 1708, the Jacobite Rebellions of 1715, the Malt Tax Riots in 1725, the Porteous Riots in 1736 and so on, the Union regime can be argued not to have worked particularly well (Devine 1999: 17–24). In reality the economic effects of the Union were hardly able to manifest themselves in the eyes of the Scottish people.

In the meantime, the Scottish political class devoted their efforts to economic progress: they founded the Society of Improvers in the Knowledge of Agriculture in Scotland in 1723 and the Board of Trustees for Fisheries and Manufacture in Scotland in 1727. However, as historical evidence shows, no substantial economic development took place until the middle decades of the eighteenth century (for example see Devine 1999: 58; Whyte 1995: 299–300; Whyte 1997: 160–65). Nevertheless, we should not underrate the importance of the 1720s and 1730s, during which there arose among Scottish writers a debate as to what policies the Board of Trustees should propose and implement, and on what grounds.² In particular, the writers had to face the fact that the economic agents of Scotland had not yet acquired the ethics and ethos of a market economy, despite the Union regime. In order to develop the Scottish economy, it seemed to be essential to solve this problem because it was supposedly the Scottish people themselves who could turn the possibility of economic growth triggered by the Union into a substantial reality (Whyte 1995: 300, and an earlier work, Campbell 1974). In this sense a shaping of adequate economic agents could have meant that the Scottish economy changed in terms of quality during this period.

This chapter will review the policy debate from the 1720s to the 1730s in Scotland, focusing on how the debaters dealt with this problem and how they

improved their understanding of the theory and vision of Scottish economic development. Finally I will ascertain the historical significance of this policy debate itself.

Sir John Clerk's proposals

In his pamphlet of 1706 Sir John Clerk of Penicuik, as one of the Scottish Commissioners for the Union, argued that the Union would make the Scottish economy more prosperous. This pamphlet, as shown in the title of *A Letter to a Friend, Giving an Account how the Treaty of Union Has been Received here*, takes the form of replies to criticism and questions concerning the Union from various spheres of Scottish society, and its tone is quite passive. However, when we focus on his arguments about how the Union would contribute to the development of Scottish economy, we may summarize his arguments in four points.

First, he argued that the Union would secure the stable markets of England and its colonies for Scottish linen manufacture and the cattle trade (Clerk 1706: 16). In light of the historical fact that in 1705, the Alien Act — intended to prohibit the import of linen and cattle from Scotland — was passed in the English parliament, his argument seems to be that once Scotland was united with England, such a danger would disappear completely. If this is the case, then Clerk's argument suggests that the Union would indeed contribute to maintaining and expanding Scottish trade with England. His pamphlet seems only to aim to remove the prevailing concern about the issue. However, when Clerk said that '[b]y this Union, we have Liberty to carry our Linen directly to the Plantations; which besides other Advantages, will serve to keep in a vast Sum, which we now send out to bring us in Tobacco' (Clerk 1706: 20), he was probably hinting at the re-exportation of tobacco, which would be more constructive in improving the Scottish balance of trade.

Second, he argued that after the Union Scottish products such as linen and coal would be exempted from 'all duties' when these products were imported to England and that 'the present English Drawbacks and other Encouragements would be applied to 'all sorts of grain' in Scotland too, and that Scottish exports would increase (Clerk 1706: 20–21). Thus, he expected that the problem of Scotland's lack of money would be resolved by the Union.

This problem of the lack of capital is also related to the third point. The lack of capital was one of the several serious problems in Scotland during this period. Clerk contended that the Union would be very useful for resolving this problem particularly in the fishery because England would invest its own money in the fishery in the Scottish sea areas with the aim of exporting marine products such as herring to the Scandinavian countries in order to better their trade balance with those countries (Clerk 1706: 21). Then why was it that England had never previously invested in the Scottish fishery? Clerk had already answered this question himself. With regard to the fishery in previous times, Clerk argued that due to the complicated relationship among Scotland, England, and Holland, political stability between Scotland and England would be absolutely indispensable for

England to be able to invest its own money into these fisheries freely and without worry. In his opinion, the Union would remove ‘all jealousies among [the Scottish and the English]’ and create political stability between the two nations (Clerk 1706: 23). Thus, Clerk predicted that the Union would encourage English investment in the Scottish fishery.

Fourth, Clerk argued that the quality of Scottish workers would improve in response to the increased exchange of goods and capital in the common market created by the Union. He noted that Scotland lacked ‘hearts and hands’, as well as capital, with which to start a new economic project. He expressed his wish that the Union would effectively remove such obstacles in the following terms.

... after the Union we come to be one Kingdom and one People, and by consequence will have all sorts of things made as well amongst ourselves as at London: So that in that Case there will be no more difference made between our Workmen and these of England, than there is between these of Newcastle and these of London ... after the Union, when we fall into more Business, there will be an Intercourse of Workmen as well as other things, which will be found to tend both for the Honour and Improvement of these who now live amongst us.

(Clerk 1706: 18–9)

However, 23 years after the Union, Clerk felt no hesitation in describing the behaviour of Scottish merchants in the following terms:

These and many more [of imported goods] are burdened with high duties in order to preserve the balance of the British trade with foreign countries and to encourage our own manufactories, yet our merchants are so far from following the rules and regulations that are so just and necessary to us that they not only import such goods in great quantities but run most of them without payment of duties to the great damage of our, the oppressing and starving the poor, and the ruin of the fair traders.’

(Clerk 1729: 200)

Clerk was disappointed to realize that Scottish merchants failed to understand the meanings of the new rules and regulations that had been provided by the Union. Immediately before the Union he had wished that Scottish merchants would assimilate themselves to their English counterparts due to vigorously increased communication between the Scottish and English nations under the common market. Contrary to his expectation that the Union and the newly created common market would introduce the English mercantile system into Scotland, Scottish economic agents were not transformed in a proper way under this system. In the same vein Clerk reproached the smuggling of luxury goods (such as French wine and brandy) and raw materials (such as wool) and the importation of manufactured goods that competed with domestic goods; he also

blamed these practices for discrediting Scottish goods such as linen and salted herring in overseas markets.

Again, Clerk regarded the Scottish economic agents as responsible for the underdevelopment of the Scottish economy. He saw that the Scottish merchants preferred private to public interests without a due regard to the good of the whole, and that the Scottish manufacturers blindly followed their traditional ways of doing things disregarding 'the good regulations and laws'. Clerk stressed the need for them to acknowledge and correct such faults by themselves. About the recent activities of the justices of the peace, the gentlemen, and especially the Board of Trustees, he wrote as follows:

Our linen manufactures were improven in proportion to the care that was taken of them. The justices of peace and other gentlemen in the several counties where these manufactures are most in use began to consider at last that it was their interest not to protect their tenants and coaters in the bad practices which formerly took place in the working and whitening our linen cloths. But what begins now to give them the greatest credit is a late appointment by His Majesty of some Trustees who without fee or rewards, and with a regard only to the interest of their country, make it their business to put the several good laws we have in execution against all transgressors.

(Clerk 1965: 195–6)

While pointing out how far the Scottish economic agents really were from perfection, Clerk drew attention to the prominent role of the justices of the peace and other gentlemen who tried to correct 'the former bad practice' in linen manufacture, and also to the establishment of the Board of Trustees, one of whose purposes was to 'put the good laws in execution against all transgressors' in linen manufacture. He found in such recent events the key to a resolution of the economic agents problem. Clerk concludes that the development of the Scottish economy required the enlightened gentry and the Board of Trustees to transform the economic agent's in such a way as to be suitable for the Union regime. His emphasis upon the importance of their role may be related to the change of his view of the leading industry from manufacture and commerce in his *Letter* to agriculture in his *Observations*. As Clerk explains that 'this rule will hold true for ever, that the rents of a country must rise in proportion to the increase of its people and business' (Clerk 1706: 19), he understood that agriculture would develop together with the progress of commerce and trade in his *Letter*. On the other hand, elsewhere in his *Observations* Clerk wrote as follows.

A third cause of our want of money may be ascribed to many of this country who, without business either at Court or in the Parliament, live in London and draw off their rents for supporting them there. If this way of living was general, all manner of improvements here would be neglected,

and there wou'd scare remain a sufficiency even of country folks to labour the ground.

(Clerk 1965: 207–8)

Clerk criticized many gentlemen for not using their rents for improving their agricultural business and for dissipating them in London for pleasures. He suggests that if such a lifestyle becomes an established custom for them the rural district would inevitably go to ruin. Clerk evidently demanded that they ought to invest their rents in expanding their business such as agriculture and coal mining. At the same time, he argued that 'if the people of this country, and especially our gentry, would encourage our own products and wear our own manufactures we should very quickly see a great alteration in our circumstances' (Clerk 1965: 207). As he believed, the gentry's rents should be seen as the funds not only for improving their agricultural business but also for creating a demand for manufactured goods such as cloth. Then he made an additional emphasis upon the importance of the gentry making efforts to increase agricultural production. Though not in the clearest terms, Clerk held that if their efforts result in an increased agricultural production, the prices of food and raw materials for manufacturing, and therefore the production costs of manufacturers, would equally fall. Thus, he asserted the vital importance of the role of the gentry in the development of the Scottish economy as the vital link in the circular flow of the economic system. Thus he wished that the gentry would keep Scottish manufacturers, merchants, and consumers under a close observation, to encourage them to change into 'suitable' economic agents, and contribute their rents to the progress of Scottish agriculture. Clerk identified two roles for the gentry. One was to create economic agents and the other to accelerate economic circulation. Only by doing so did he feel some confidence in entrusting the Scottish economic future to the gentry.

An anonymous author's proposals

Shortly before the establishment of the Board of Trustees, an anonymous pamphlet, *Reasons for Improving the Fisheries and Linen Manufactures of Scotland*, was published. This pamphlet may be characterized by its eagerness for increased export, rather than reduced import, for supporting an affluent mode of consumption. The author of the pamphlet certainly recognized that the increased import of luxurious goods had an adverse effect upon the Scottish balance of trade since the Union. But at the same time he found a slump in export industries such as linen manufacture equally responsible for the unfavourable balance. He went on to say that if only Scotland could successfully improve its linen manufacture through 'proper care and encouragement' it would be able to pay its import debts adequately by exporting linen to England because of its great demand (Anon. 1727: 25–26). However, why had Scottish linen manufacturing declined in the first place? He argued for a proper encouragement of the Scottish linen manufacturing as follows.

The private Manufactures being thus left to themselves, many Frauds and Abuses in the making of our Linen were committed ... For although a few Gentlemen of public Spirit, foreseeing the hurtful Consequences of those pernicious Practices, did now and then endeavour to enforce the Execution of the Laws we had; yet for want of a general Measure, these partial Resolutions served to little purpose ... And the Demand for our Linen of consequence failed gradually, until the Trade was reduced to the low and Languishing State, in which it now is.

(Anon. 1727: 15)

First, after pointing out that linen manufacture had been left to private citizens, the author went on to say that they had deviated from market ethics through committing ‘many frauds and abuses’ in manufacturing linen cloth (that is, in the commercial transactions surrounding the manufacture) and that these business practices had undermined the reputation and credit of Scottish linen cloth in overseas markets and caused the decline of Scottish linen manufactures. It was private citizens’ ‘frauds and abuses’ that had been the cause for the decay of Scottish linen manufacture. He said that these harmful practices had spoiled a tradition and the natural advantage in manufacturing linen cloth that Scotland had originally enjoyed. On the other hand he remarked that ‘a few gentlemen of public spirit’ had made efforts to prevent the harmful practice but failed because of their efforts being not ‘general’ but ‘partial’. He suggested that the private citizens’ self-interests were more forceful than the gentlemen’s concern for the public.

Furthermore the anonymous author characterized the Scottish privy council (which was increasingly important after the Union of Crowns in 1603) by its decisions of ‘partiality and caprice’. In such a circumstance the Scottish privy council could hardly function as the country’s executive authority. For him Scottish linen manufacturing and fisheries were ‘the only Means for increasing our Wealth and Numbers, the sole Fund for employing and subsisting the Poor, and our only Stock for Foreign Trade’, as ‘a poor destitute Orphan, that is deprived of the provident Care and Protection of its Parents, and is turned out to the wide World to shift for itself, before it is capable to earn its Bread’ (Anon. 1727: 11–12).

The author also points out, however, through analysing the Scottish past and present, that since the Union, which freed Scotland from ‘the absolute court’, some gentlemen of public spirit had tried to deal with the private citizens’ ‘frauds and abuses’. In this sense he may have held the same opinion as Clerk, though we should remember that by favouring a moderate consumption he allowed the encouragement of export industries. However, the author noted that their efforts did not bear any fruit because their measures were not general but, again, partial. While highly appraising the Scottish gentlemen’s individual or private initiatives to promote linen manufacture, the author emphasized the need to extend them to the general or public level. This means that he drew an essen-

tial distinction between the general or public and the individual or private upon the basis of his own view of human beings.

The author placed more emphasis on the artificial than the natural conditions for economic development. He was especially concerned with manners and customs, saying that 'labour and industry', 'frugality and economy' and 'honesty and probity' all promote economic development. However the natural attributes of mankind were not these qualities but idleness and irregularity of living. He says,

Some judicious Writers affirm, That all Mankind are naturally bad, and that Laws only make us good. If this Observation is just, then Industry, and Regularity of Life and Manners, cannot be said to be peculiar to any one Nation or Society more than another; but the same Disposition to Idleness and Irregularity must be common to all: So that Industry, Diligence and Assiduity in Business, Regularity of Life and Manners, Frugality and Economy in the Management of one's private Affairs, strict Honesty and Probity in Dealing with Strangers, and a just Regard for, and Submission to the Laws, must only be the Effect of good Habits, acquired by the impartial and steady Execution of good Laws and proper Rules of Life, justly adapted to the Circumstances of the Society.

(Anon. 1727: 2-3)

The author regards it as of vital importance for mankind to acquire the good habits required to develop the economy by 'the impartial and steady execution of good laws and proper rules of life'. This task presumably belongs to public affairs. We have to examine the contents of both private affairs or business, and public affairs or politics, respectively. He dealt with business in connection with foreign trade. It is domestic products that compose the stock for foreign trade. The increase of domestic products is indicated by the difference between the value of manufactured goods and the value of materials required to make them. By their labour the poor produce this difference, which is, in turn, divided into their income and their employers' income. Both incomes are used for purchasing domestic goods that have already been produced. The remaining goods are exported to overseas countries, from which some goods are imported in exchange for them. He clearly wrote about these imported goods as follows.

... we not only bring in those Commodities which are really wanted, or which are at least by the boundless Appetites of human Nature, said to be so, but likewise the neglected Product of other Countries, is imported, as a further Subject of Manufacture amongst us. So that the Industrious profit even of the Idleness of the Slothful.

(Anon. 1727: 7)

The imported goods consist of both consumer goods and production goods. He analysed domestic production in connection with foreign trade in this manner

and concluded that an increase in domestic production and export would lead to a further increase in domestic production through making full use of some production goods imported in exchange for exported goods. We should pay attention to his phrase ‘the industrious profit even of the idleness of the slothful’ because he seems to have designed a plan to develop the economy through reinforcing domestic production and strengthening the competitive power of manufactured goods in overseas markets, though we should also take notice of the important role of his own view of human beings in his plan to develop the economy.

Meanwhile, how did the anonymous author explain the public affairs, or politics? First, he claimed that the government had to make the common people acquire ‘good habits’ by laws and regulations. Second, he said that it was imperative that the government establish and manage a system of private property and freedom of business that was indispensable to the expansion of a market economy. Third, as he put it,

About the Time when this Practice [of a Standing Army] was introduced into Europe, England had the good Fortune to be under a just and wise Administration, which made the Happiness of the Nation the chief End of its Government; then was the Woollen Manufacture, and many other beneficial Branches of Business introduced: These, by the Public Care and Encouragement, were at first carried on to Perfection, and have been ever since carefully cherished by the Public; not only by the steady and impartial Execution of proper Laws and Regulations for ascertaining the Goodness and Reputation of the Commodities, at a Foreign Market; but also by the Help of such other proper Encouragements, as the Circumstances of the Business from Time to Time required.

(Anon. 1727: 6)

He admired English government for what it had done during the period when standing armies had been introduced into Europe, in the sixteenth and seventeenth centuries. Rather than focusing money and effort on creating such an army, in his view, successive English governments had instead encouraged various branches of industry with the goal of making the English people happy. In so doing it had not only regulated the manufacturers to preserve their commodities’ reputations but it had also taken suitable measures for the changing circumstances of business. He seems to have included in his proposals a suggestion that the government should fully understand ‘the circumstances of the business’ before implementing practical measures. In other words, it was required, he argued, in the field of public affairs or politics, to observe closely the business trends underlying the economic circumstances such as overseas markets, and introduce effective policies for developing the economy in the light of such observations.

Thus, discussing the same problems as Clerk did, the anonymous author undoubtedly tackled them on the basis of his own view of human beings and

inquired into the difference and relationship between private affairs, or business, and public affairs, or politics. Then, in accordance with these two categories, he clearly distinguished the agents involved according to two types: the policy-makers, who were to transform the ordinary people, such as producers of trade goods, into suitable economic agents, and the ordinary people themselves, who were to be transformed. Further, he insisted that the former should correct the latter's 'frauds and abuses' by law on the one hand and execute a suitable policy for the particular 'circumstances of the business' on the other. His proposal seems to have implied the importance of constructing a credible theory of economic development on the basis of which the policy-makers would run the economy successfully. It was exactly this task that was to be undertaken by Patrick Lindsay.

Patrick Lindsay's proposal

Lindsay's *The Interest of Scotland Consider'd*, published in 1733, is somewhat more informative than the anonymous author's *Reasons*, just as it was at the time. However, it is striking that Lindsay shared the same prospect of economic development under the leadership of the export of linen cloth as described by the anonymous author. Lindsay's proposal was equally based on his own view of human beings. He described them as not idle but industrious, because man, who unlike the animals has a delicate body, has to subsist by his labour. Once human beings have secured the necessary food, clothes and accommodation for their simple life, they come to feel a new need for something beyond them and become more industrious in order to satisfy this need.

When one has by his Industry abundantly supplied himself with the indispensable Necessities of Life, Food, Raiment, and Lodging, he rests not there, but goes on to Luxury, the Destroyer of Wealth, to create and invent new Wants, which are so far real, as they prompt and excite us to Industry, and without it Life would be comfortless, and a heavy Burden.

(Lindsay 1733: 62–3)

The expression 'new wants, which are so far real' has two meanings. As Lindsay realized that the Scottish national economy was connected with various parts of the world by its network of foreign trade, he thought that it was easy for the Scottish people to be captured by new wants on the one hand and to satisfy them by using this network on the other (Lindsay 1733: 62).

Lindsay regards human beings as naturally highly industrious, contrary to the anonymous author's view of human beings as naturally idle. While Lindsay argued for a life of liberal consumption just as the anonymous author did, Lindsay's characteristic defence for liberal consumption was grounded in his view of industry and human beings. Though nearly conscious of the autonomous development of industry, he confined himself within a general explanation of human nature, and thus needed to specify his argument. Plainly

speaking, Lindsay described an important specific form of industry as a staple industry for the national economy and thus advocated the linen industry as the Scottish staple. Lindsay outlined the development of industry as follows: the poor display their abilities of industry and produce goods for the rich. The rich are able to enjoy their life of liberal consumption and the poor are able to obtain their subsistence from the rich. In other words, the rich people's consumption helps industry progress, and as long as consumption is sustained, the industry will grow in correspondence with the growth of wants.

However, Lindsay warned of a possible emergence of the tendency for the people to pay excessive respect for luxury and to view industry with contempt when the economic circulation depended too heavily upon rich people's consumption. Under such a social trend the industrious economic agents, namely the lower and middle classes of people, would lose interest in honest industry and finally be driven out of the world of business.

But where Luxury is in Esteem, Vanity, the prevailing Passion of all Mankind, will diffuse it amongst Persons of all Ranks and Conditions. Men of ordinary Fortunes will live above their Estates, not from Taste or Choice, but out of Vanity, to be as well esteemed as their Superiors.... Persons liable to this egregious Folly mistake their Measures exceedingly, and fail of their End: Their Vanity serves only to make them the Objects of Scorn and Derision, and they reap Contempt and Envy in place of Esteem ... But it is an Error of Complexion, a natural Weakness, an Infirmity more than a Fault, and cannot be cured, so long as Poverty and Parsimony are despised, and Men valued on account of their Wealth and Expence ... It throws out of the Circle of Business many Men of middling Condition, who are the most useful and beneficial to Society ...

(Lindsay 1733: 65–6)

Lindsay argued that though it would be impossible to confine luxury to rich people, such legal regulations as sumptuary laws might make this confinement possible. However, after a careful investigation of this issue, he concluded against the prohibitive laws because they contradict the logic of a market economy. Instead he maintained that 'The sole Remedy depends upon the natural Sagacity and Discretion of Individuals, to regulate their Expence, by their Profits and Income' (Lindsay 1733: 66). He clearly preferred the logic of commerce and market economy to legal regulations. In addition he highly respected the analysis of 'the circumstances of the business', the importance of which the anonymous author had already emphasized. Lindsay warned against relying too heavily upon rich people's consumption to foster industry, but felt compelled to search for a more adequate source of consumption that would revitalize the economy.

The only Way to cure this national Evil, is to bring to Perfection, by public Care and proper Encouragements, the Knowledge and Skill in the making and finishing for Sale some manufactured Commodity of universal Use,

that may be sold in Foreign Parts, as well as for Home Consumption. Those Nations who have had the Wisdom to put this sovereign Remedy in Practice, have reaped great and manifold Advantages by so doing. Their People are thereby increased, and all their spare Hands maintained at the Expence of Foreigners. A Stock for foreign Trade is thereby likewise created, whereby the Individuals who deal in it are enrich'd, and the publik Wealth greatly advanced.

(Lindsay 1735: 8–9)

Although the quotation mentions the importance of governmental encouragement of industry in general, it also proves that Lindsay had a plan to develop the economy through the growth of industry that would be made possible by increased exports. Originally he wrote, in the preface to *The Interests of Scotland Consider'd* as well, that Scotland was still so outstripped by its rivals in manufacturing that it was forced to import manufactured goods from them, and that this resulted in 'our Poverty, and the Decay of our Trade' and 'the Decrease of our People for want of Business to employ and subsist them' (Lindsay 1733: preface, 1). These show that he was designing his plan in the midst of the highly competitive or hostile relations among mercantile nations. In this context he proposed an export-oriented economic development. In accordance with his theory of economic development he urged the public to encourage export industries not only to meet the existing demand but also to generate a new demand in the overseas markets.

Indeed Lindsay's view of linen cloth as the only staple in Scotland was much influenced by his view of wool cloth as the English staple (Lindsay 1733: 77: 144). However, as he said,

Linen is our Staple, &c. but it has been woefully neglected. We are not however in so bad Situation, with regard to this Trades, as the French were in the Reign of King Henry IV [1589–1610] or the Irish at the Revolution [of 1688], (where, by the Force of public Encouragement, it has come to a great Length) we have it not to begin, we want only to improve and extend it.

(Lindsay 1733: 143–44)

Though it was obvious that Lindsay made an additional demand that the Board of Trustees would promote linen manufacture, it was different both from Clerk's and the anonymous author's proposals in that while they commonly advocated a rigorous and impartial execution of good laws, Lindsay advocated an introduction and diffusion of various sorts of technologies from raising flax and lint to finishing of goods in linen production (Lindsay 1733: 147ff.), or training of the poor in the skills to spin or weave as well (Lindsay 1733: 18–36). It would be wrong if we only attribute the reason for such explanation, analysis, and advocacy to his experience as one of the Trustees.³ He elucidated the foundation of economic development in light of his own view of the reality of the worldwide

market economy. Furthermore, his suggestion that the Board of Trustees should promote linen manufacture rested upon his own theory of economic development. In other words, on the acceptance of Clerk's and the anonymous author's proposals for creating suitable economic agents in Scotland, Lindsay went beyond them to make a further attempt to complete this task by his theory of economic development.⁴ Meanwhile, some other pamphlets appeared, which discussed in a different manner from Lindsay's the way in which the Scottish economy should develop.

Thomas Melvill's proposals

One year after Lindsay published *The Interests of Scotland Consider'd*, Thomas Melvill published *The True Caledonian*. Though acknowledging the significance of the establishment of the Board of Trustees, Melvill questioned whether the Board's activities had been truly effective. He took particular issue with the Board having made more effort to promote linen than wool manufacturing. The issue cannot have escaped the attention of Melvill, who called himself a weaver. Lindsay, as one of the trustees, demanded that the Board of Trustees should concentrate on encouraging linen rather than woollen manufacturing to resolve the Scottish economic problem. Not surprisingly Melvill found it necessary to refute Lindsay's argument and attempted to advise the Board of Trustees to encourage more woollen manufacturing.

Melvill had serious doubt about Lindsay's view that Scottish wool manufacturing was and would be so inferior to that of England in material, skill, the diligence of labourers, and capital, that it could not be improved. Melvill pointed out that Lindsay did not correctly understand these problems, except that of material, and indicated that the problems would be resolved in time if the Board of Trustees were determined seriously to promote woollen manufacturing (Melvill 1734: 17–30.). Here I would like to draw special attention to his insight into the productive impact of a more prosperous woollen manufacturing industry upon the national economy. Melvill argued that the effect would be to save money. He criticized the Board of Trustees for restricting its encouragement to coarse wool manufacturing in accordance with the dictates of the Royal Charter.

But, there is nothing more ridiculous than to say, That no Wool, except the coarse shall be manufactured by public Encouragement; just as if the Manufacturing of fine Wool, was no as great an Advantage to the Nation. If we can make Broad-Cloths, Camlets, Kilemankos, Stuffs, &c. of our best Wool, do we not save Money to the Nation: And when we manufacture our coarse Wool what do we more?

(Melvill 1734: 16)

Melvill forcefully asserted that there was no difference in outcome for the national economy between manufacturing cloth of fine and of coarse wool; the

common effect was to ‘save money’. It is most likely that a country without sufficient manufacturing base will import a lot of manufactured goods so that its trade deficit will accumulate to cause a draining out of money. The anonymous author concluded that the Scottish economy had reached such a dangerous point. But, considering that his claim was not that a reduction of import was needed but an increase of export, we can appreciate the difference between Melvill’s argument and the anonymous author’s. A comparison of Melvill’s argument with Lindsay’s will show a clearer contrast.

Lindsay, sharing some ideas with the anonymous author, had a confidence in the growth of the Scottish industries, linen manufacturing and fisheries in particular, for overseas markets on the basis of his theory of industrial development. On the other hand, what Melvill meant by growth of the woollen manufacturing was ‘to save money’ which the Scottish would waste by spending on foreign woollen clothes when the native woollen industry is not securely established. Melvill’s proposal was clearly intended exclusively to promote manufacturing for the domestic market. Though Melville and Lindsay demanded the encouragement of manufacturing, their respective visions of economic development were completely different. The conflict between the two over the priority to be given to domestic and overseas markets derives from their difference concerning which industry the Board of Trustees ought to prioritize, the linen or the wool. In other words, their different strategies for economic development were reflected in their individual understandings of the market economy and of the shaping of economic agents.

Melvill’s proposal, which attached more importance to domestic markets, included his own criticism of the plans and activities of the Board of Trustees. At that time the Board was under the powerful sway of Lord Islay, who had a strong connection with Robert Walpole (Shaw 1983), the prime minister. The Board, therefore, was compelled to reflect Walpole’s influence and advocate the interests of England, whose staple was woollen cloth. In addition, the Board was established on a fund, the major part of which was provided, in article 14 of the Treaty of Union and the Royal Charter, to be employed for promoting coarse woollen manufacturing. In these contexts the Board of Trustees was conducting its business in favour of linen manufacturing and the fisheries. Melvill commented on such business conduct as follows.

As it seems plain that no Nation in Europe has kept to their only Staple, so we will find they have a very good Reason for it, if we only consider, that the Tempers and Inclinations of Mankind are as different as their Features ... What is it that makes the Jesuits so considerable among the Roman Clergy? Only that they consider the different Inclinations and Abilities of their Novices, and apply them to that Business they seem to take most Delight in. And what is the Reason that we have so many bad Tradesmen among us? Is it not because they are acting contrary to their Natures, in following a Business God never intended they should follow? And, if we would go in to our Author’s Scheme, should we not see many Butchers at Linen weaving,

who, had they been employed in some other Branch of Manufacture, had made very good Workmen?

(Melvill 1734: 32)

Melvill had completely abandoned the strategy of promoting the staple industry as well as that of regarding linen manufacture as the only staple. He insisted instead that an adherence to a single staple was in contradiction to 'our Author's Scheme', according to which people had to make use of their particular abilities in their own business that God had assigned to each of them. The task imposed upon them by God was, Melvill argued, to sufficiently display their different abilities at their different works. Therefore, he regretted that 'many botchers at linen weaving' were being encouraged by the Board of Trustees that had exclusively promoted linen manufacturing, and stated that because 'so many tradesmen' were doing jobs not assigned to them by God, their work was 'bad'. Obviously Melvill vehemently demanded the Board of Trustees to realize 'our Author's Scheme'.

What did Melvill envisage would happen, then, if 'our Author's Scheme' was brought to fruition? He argued that 'to save money' was one of the greatest achievements that the Board of Trustees had produced by promoting manufacturing, and as we noted, he proposed encouraging manufacturing as a means of import substitution. Melville's idea of 'our Author's Scheme' was founded upon this theoretical basis because the complete realization of 'our Author's Scheme' would mean both saving money and the consequent establishment of such structures of market and industry as are independent of any foreign market and which would eventually organize the autonomous structure of the Scottish market and industry. Indeed, he was against the idea of a staple. Melvill believed that the Scottish structures of market and industry were heavily dependent on foreign markets and he attributed this to the false understanding of these structures by both the Board of Trustees and Lindsay. If so, what caused their mistake?

Self-Interest seems now to influence the Actions of Mankind more than in former Ages. Blazing Stars are, at Present, more often seen, than Patriots who serve their Country only with a View to its Good; they may pretend to what they please, but 'tis too often with a View to make them be trusted, and when they have got what they were wanting, they become as odious as their Predecessors in Office.

(Melvill 1734: 39)

While Melvill accepted that human conduct was increasingly dependent on 'self-interest' in reality, he suggested that 'blazing stars', who could succeed in swimming with such a current of the times, tended to neglect 'the good of their country'. He urged patriotic conduct from statesmen and policy-makers, whose task was to make a profound contribution to 'the good of their country'. Melvill's

conviction that those ‘who prefer[ed] private before public Good’ would vigorously oppose his proposals (Melvill 1734: 12) made him regard the Board of Trustees as unpatriotic. The Board of Trustees, he argued, had adhered to particular interests, preferred private to public good, and neglected the principle of the national economy demonstrated in ‘our Author’s Scheme’ in the form of the independent structures of market and industry, by means of its oppressive policy against the woollen industry in favour of the linen industry.

Melvill’s proposal is truly remarkable in that it did severely criticize the Board of Trustees for not fulfilling its role as a leader while never attacking the Scottish ordinary people. He had more serious concern about those who led the ordinary people to suitable economic agents than about those who were exclusively engaged in manufacture and commerce. He might have detected the ordinary people’s potentialities for transforming themselves into suitable economic agents in ‘our Author’s Scheme’. Thus it is not surprising that he found the root cause of the problem in the Scottish leading agents, that is, the Board of Trustees. Melvill, as well as Lindsay, succeeded in addressing the set of problems centring around the shaping of economic agents. However, he did this in a very different way from Lindsay’s. Although both of them urged the Board of Trustees to encourage manufacturing, Melvill revised Lindsay’s policy of selective encouragement of linen manufacture in such a way as to treat all industries on equal terms.

Conclusion

Even during the period of the Union controversy Scottish writers were grappling with the problem of shaping adequate economic agents (for example, see Seton 1706 as a pro-Unionist’s argument and Black 1706 as an anti-Unionist’s). Twenty-four years after Clerk argued that this problem was to be resolved by an increased communication of workmen between Scotland and England after the Union, he was disappointed to realize the inequality in terms of the maturity of economic agents between the two nations. He wished at last that the Board of Trustees would take effective measures to remedy Scottish economic agents. An anonymous pamphlet of 1727, likewise endorsing the Board of Trustees as a policy-maker, recommended that the Board of Trustees investigate the particular ‘circumstances of the business’ to formulate and implement suitable measures.

It was Lindsay’s work of 1733 that made an attempt to explain ‘the circumstances of the business’ theoretically. Convinced of people’s natural capability to become more industrious, he insisted on the theoretical priority of overseas demand as the engine of economic growth in Scotland because an increased domestic demand would result in the corruption of people’s manners and eventually cause the collapse of the national economy. Therefore, he wished the Board of Trustees to encourage more linen manufacturing, as the Scottish staple. In 1734 Melvill criticized Lindsay for dismissing the possibility of improving woollen manufacturing (the English staple) in Scotland and demanded that the Board of Trustees revise its protective policy for the linen industry.

Ever since the Union controversy all the major issues more or less concerned the way to create proper economic agents. However, in the 1730s Lindsay and Melvill investigated what circumstances would realize the full potential of economic agents as producers and what the Board of Trustees as a policy-maker had to do to help create such circumstances. By this time, though the Union regime had transplanted the English mercantile system into Scotland, in reality Scottish economic agents had not yet acquired the habits of industry, saving, and honesty. This was the primary reason why these writers were prompted to present different kinds of proposals to address the situation. However, this problem remained unsolved throughout the 1740s.⁵ Nevertheless, considering that steady economic growth only started as late as the second half of the century, we should recognize the policy debate's substantial contribution to Scottish economic development.

Notes

- 1 However, it is quite true that what pushed the Union forward were political and personal causes as well as economic ones. This issue has always provoked a heated debate. For the history of the debate see Whatley (1994).
- 2 Campbell evaluated the Board of Trustees as follows:
Since the Board was unattached to any particular vested interests, though its members were generally the more enlightened landowners, it was more able than the Convention [of Royal Burghs] to venture into new areas. Its willingness to pioneer new methods rendered a contribution to the renovation of the linen industry as important as the limited financial aid it could provide.
(Campbell 1965:59)

This remark is helpful in understanding the background of the policy debate. For another historical evaluation of the Board of Trustees' work in promoting linen manufacture, see Durie (1979: 162–65)

- 3 Shaw pointed out that '... although a work believed to be his [Lindsay's], *The Interest of Scotland Consider'd* ... was a sophisticated tract, it could only have been inspired by his experience as a Trustee for Manufactures, not by any great experience of trade' (Shaw 1983: 75).
- 4 However, Lindsay also acknowledged the importance of the legal regulations of linen cloth (Lindsay 1733: 181–84).
- 5 In 1744 Forbes requested the Scottish landlords to assume the leadership in transforming their people's manner of life in order to make the Board of Trustees more effective (Forbes 1744).

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3 **Morality, polity and economy in Francis Hutcheson**

Toshiaki Ogose

This chapter aims to reinterpret Francis Hutcheson (1694–1746) from the perspective of the Modern Order Problem — that is, how to construct a harmonious order in the functional interrelationships between members of a society. This problem was a common theme among eighteenth-century British thinkers, and it is still challenging for us today. We can also call this ‘the Hobbesian order problem’ because Thomas Hobbes explicitly claimed the necessity of state power to solve the problem of conflict between private and public interests. John Locke tried to solve it by emphasizing the power of self-control (liberty to strive to accomplish the highest good) in human nature. This view was followed by Lord Shaftesbury (Anthony Ashley Cooper, 3rd Earl of Shaftesbury, 1671–1713), who regarded self-interest as part of the human mind incorporated into a pre-established harmony of the universe. However, he had to admit that it was possible only for a small number of virtuous men (whom he dubbed *virtuosi*) to harmonize their own self-interests with public interests. In contrast, Bernard Mandeville paradoxically demonstrated that the pursuit of private interests could lead to public interests, but he eventually had to ask for the help of a ‘cunning politician’ in order to resolve this paradox. Following Shaftesbury and criticizing Mandeville, Hutcheson managed to construct a system of harmonious order among all the members of society. Considering this historical process, and trying to account for the way in which Hutcheson was able to establish his system of harmonious order, I will examine the main structure of his system as it relates to the main fields of moral philosophy: morality, polity, and economy, with special attention to how he accepted or criticized the thoughts of his contemporaries in his system.

Two strands in Hutcheson’s thought

To begin with, it is important to examine the thinking Hutcheson developed in his adolescence, and how he incorporated it into his system.¹ We should first note that Hutcheson learned the Continental tradition of jurisprudence based on natural law, especially in its Pufendorffian version, probably from Gershom Carmichael (1672?–1729) at Glasgow University. Carmichael, following Leibniz’s criticism that Pufendorffian theory lacked sufficient theological founda-

tions, emphasized that we could realize not only our own happiness but also the common good of society as long as we fulfil our proper obligations in a spirit of love and reverence for the Supreme Being.² Hutcheson had been influenced by Carmichael's principle of founding moral philosophy on natural theology, but promptly noticed its defect of *a priori* arguments derived from Scholastic theology, in that it appealed to the authority of the deity without providing empirical evidence. The same kind of question presumably made him write a letter to Dr Samuel Clarke (1675–1729) in 1717, expressing his objections and asking for further explanations of Clarke's book. This early opposition to *a priori* rationalism was the starting point for the empirical-inductive approach of Hutcheson's philosophy (Haakonssen 1996: 72).

Upon leaving the university, Hutcheson returned to Ireland in 1718, received a licence to preach, and within a year or two opened his own private academy in Dublin. He then became personally acquainted with Robert Molesworth (1656–1725), who, as a friend and correspondent of Lord Shaftesbury, assisted him with advice and criticism of Shaftesbury's aesthetic and philosophical works and other thinkers' writings. With Molesworth's encouragement, Hutcheson anonymously published his first book: *An Inquiry into the Original of Our Ideas of Beauty and Virtue in Two Treatises* (*Inquiry* hereafter) in 1725, and contributed some essays to the *London Journal* and the *Dublin Weekly Journal* in the 1720s. In 1728 he published a work including two treatises, entitled *An Essay on the Nature and Conduct of the Passions and Affections*. In these treatises Hutcheson criticized the egoistic theories of Hobbes and Mandeville and presented the moral sense theory taken from Shaftesbury arguing that one could internally perceive the moral qualities of intentions and actions. Hutcheson's earlier project was to prove that our ideas of beauty and virtue were real ideas, and not the dependent and contingent sensations of external senses. Hutcheson's criticism is indirectly aimed at Locke's notion of ideas in which the idea of morality derives from the relationship between actions and rules or laws (Locke 1690: xxviii, §6–16).³

Thus two streams — the natural-law tradition and Shaftesburian humanistic realism — influenced the original ideas of Hutcheson's moral philosophy. These streams, however, are based on different ways of thinking. In the natural-law tradition, the rules for human actions are presupposed as the law of nature by God's voluntary will. Men gain the knowledge of the law of nature by reason and obey God's order by overcoming their instinctive egoism. The moral realm is also imposed by God's will in the form of natural law. In contrast, in Shaftesburian humanism men can discover their particular path of moral actions for themselves without being forced by God's order or natural law. This idea comes from the optimistic faith in man's natural possession of a special moral sense.

In his early writings Hutcheson enthusiastically supported the principles advocated by Shaftesbury condemning Mandeville. However, it is probable that he gradually shifted his concern to considering moral philosophy based on a broader perspective of natural law theory.⁴ After he was appointed to Glasgow University as Professor of Moral Philosophy, succeeding Carmichael in 1730, he

wrote some Latin texts to make up a pedagogical system. His later intellectual concern can be gathered from *A Short Introduction to Moral Philosophy* (*Short Introduction* hereafter) (1747), the posthumously published English translation of his original Latin text, and from the posthumously published *System of Moral Philosophy* (1755, *System* hereafter). In these writings he was inclined to emphasize the public interest while expounding the law of nature, natural rights and obligations, and the origins of civil society. However, it appears difficult to conclude that Hutcheson succeeded in integrating the two strands into a unified system. It is easy to find these two strands ambiguously entangled in all of his writings. What follows will reconfirm his ambivalence in each field of morality, polity, and economy.⁵

The infallibility of morality

At the beginning of *System*, Hutcheson writes as follows:

the intention of moral philosophy is to direct men to that course of action which tends most effectual to promote their greatest happiness and perfection; as far as it can be done by observations and conclusions discoverable from the constitution of nature, without any aids of supernatural revelation.
(Hutcheson 1755: 5, 1)

This remark suggests two features of his philosophy. The first is that the moral criterion of human actions must be empirically demonstrated as a matter of facts, free from the *a priori* injunctions of religious doctrines. Hutcheson claims that ‘these maxims, or rules of conduct are reputed as laws of nature, and the system or collection of them is called the Law of Nature’ (Hutcheson 1755: 5, 1). The second is his utilitarian view that the ultimate goal of human actions is to achieve the greatest happiness and perfection of all members of society. As he clearly stated, ‘human happiness’ is ‘the end of this art [moral philosophy]’ (Hutcheson 1755: 5, 1). This implies that he presupposed every man had an ability to measure the greatest happiness. As will be shown below, his utilitarian view derives from his natural theology.

Following his empirical approach, Hutcheson claims that men are motivated by ‘two forces compelling the same body to motion’ (Hutcheson 1725: 1, 195). The first is an invariable impulse towards one’s own perfection and happiness of the highest kind, namely self-love. The other is a determinant toward the happiness of others, namely benevolent affection (Hutcheson 1755: 5, 9–10). Self-love causes us to pursue the objects that give pleasure, and avoid those that give pain. Benevolence is a natural desire of the happiness of others, societies, or systems, and a public affection ‘without reference to any sort of happiness of our own’ (Hutcheson 1755: 5, 10). Hutcheson characteristically asserts that benevolence is one of man’s natural qualities, which prompts us to benefit others when there are no hidden motives of self-interest at work because the happiness of others will lead to our joy.

On the assumption of these two human motivations, Hutcheson tried to demonstrate that they could ultimately be harmonized. Indeed it is agreed that self-love and benevolence may easily conflict and self-love is usually stronger, but he claimed that ‘we can discover a perfect consistency of all the generous motions of the soul with private interest’ (Hutcheson 1755: 5, 78). He believed that we could make benevolence overwhelm self-love. This optimism derived from his belief in the human ability of self-control and the benevolence of God. Self-control is dependent on ‘our powers of reasoning and reflection’, by which we know that our highest individual happiness consists in public happiness (Hutcheson 1755: 5, 78). These powers teach us that our own happiness is greatest when public happiness is achieved. Hutcheson was convinced that man’s natural faculties were capable of recognizing the highest happiness as given and supported by the affectionate God.

Hutcheson further considered how man could judge the moral quality of one’s own conduct. He says that ‘our mind is directed to perceive beauty or excellence in the kind affections of rational agents and to admire and love such characters and persons’ (Hutcheson 1725: 1, 108). Hutcheson called this faculty ‘moral sense’. Moral sense directly makes us feel pleasure or displeasure, which is a moral approbation and disapprobation respectively. Moral sense makes us feel pleasure towards altruistic conduct with benevolent intentions. He criticized Mandeville by comparing altruistic conduct in the parent–child relationship with a business partnership. He regarded the former as the foundation of other, weaker kinds of love, such as love of neighbours, of one’s own country and of mankind (Hutcheson 1725: 1, 145–148). Hutcheson regarded the benevolent intention of good conduct as ultimately promoting the interests of the whole or at least a part of society.

The moral sense runs the risk of being subjective or relative because it is based on our individual feelings or pleasures and different individuals may have different feelings and moral judgements towards the same object or conduct. However Hutcheson viewed man as a rational agent, integral to the eternal programme of an affectionate God. He wrote,

... as the Author of *Nature* has determin’d us to receive, by our *external Senses*, pleasant or disagreeable Ideas of Objects, according as they are useful or hurtful to our Bodies; and to receive from *uniform Objects* the Pleasures of *Beauty* and *Harmony*, — so he has given us a MORAL SENSE, to direct our Actions, and to give us still *nobler Pleasures*, so that while we are only intending the Good of others, we undesignedly promote our own greatest private Good.

(Hutcheson 1725: 1, 123–124)

Therefore the moral sense is determined as an infallible God-given faculty by which we are directed to promote, even unintentionally, our own private good as well as the public good. ‘Every *moral Agent* justly considers himself as a part of this *rational system*, which may be useful to the *Whole*’ (Hutcheson 1725: 1, 161).

As a result, Hutcheson's philosophy of morality derives from his Calvinist view of a pre-established harmony of the universe.⁶

The formation of civil society

Hutcheson developed his theory of law in the scheme of natural-law jurisprudence which derived from Grotius and Pufendorf. In *System* (Hutcheson 1755: 5, 257), he classified human rights into perfect and imperfect rights, following Grotius. The former is the absolute right indispensable to the subsistence of society and this right must be protected by some compelling power. The latter depends on the goodness of other men's hearts, spontaneous will and conscience. This is 'the right of every good man to proper services', including 'the rights of the indigent to be relieved by the wealthy' (Hutcheson 1755: 5, 258). This distinction would lead to the separation of law from morality in other authors and shows the process by which the legitimate exercise of political power will finally be restricted to the realm of law. Hutcheson himself, however, admitting two conceptions of right, continued to deal with judicial and moral issues within the same realm of law.

Hutcheson defined perfect rights as 'such as every innocent man has to his life, to a good name, to the integrity and soundness of his body; to the acquisitions of his honest industry; to act according to his own choice within the limits of the law of nature'. He called them 'natural liberty, of which liberty of conscience is not only an essential but an unalienable branch' (Hutcheson 1755: 5, 257).⁷ Concerning natural rights, he distinguished between alienable and inalienable rights. 'Our right to our goods and labours is naturally alienable', whereas the right of 'the private judgment' or 'liberty of conscience' is inalienable (Hutcheson 1755: 5, 261). His theory of inalienable rights was accepted as 'one of the prime sources of antislavery thought' in the America of Thomas Jefferson's age (Wills 1979: 213, and Davis 1975: 263).⁸

However, Hutcheson's notion of right is consistently limited to promoting public interests. For him, all rights should be sanctioned as long as they promote public interests. 'All rights and obligations are founded in some tendency either to the general happiness, or to that of individuals consistently with the general good, which must result from the happiness of individuals' (Hutcheson 1755: 5, 284). His logic is opposed to an individualistic claim that absolute individual rights must be sanctioned prior to establishing social and legal regulations. Hutcheson was critical of the individualistic inclinations in Pufendorf's emphasis on 'sociability' deriving from human voluntary will,⁹ and asserted the human duty of promoting the 'public good' imposed by God. Following Aristotle and Plato, Hutcheson emphasized that men were sociable and political by nature (Hutcheson 1755: 6, 212).

Hutcheson made another clear distinction between natural rights and adventitious rights. The former arises from 'the constitution of nature itself without the intention of any human contrivance, institution, compact or deed', while the latter from 'some human institution, compact, or action' (Hutcheson 1755: 6, 293).

Many of natural rights overlap with perfect rights including rights to life, self-judgement, private happiness, and property. Of these, a right to property is the key to understanding the characteristics of Hutcheson's social theory. He thought of an exclusive property right when he considered perfect rights as the unity of person and possessions, that is, 'the acquisition of his honest industry'. In considering natural rights, however, he defined property right as the mere right of using common property. 'Each one has a natural right to the use of such things as are in their nature fitted for the common use of all'. This is not an exclusive property right but only the original right of use, following Grotius's notion of natural rights and St Thomas Aquinas's *dominium utile*. In this regard, Hutcheson's notion differs from Locke's that a person can exclusively acquire private property by his own labour prior to social consent or contract.

Hutcheson asserts 'the natural equality of men' on the ground that these natural rights belong equally to all men. The laws of God and nature guarantee 'to all their rights, natural or acquired, to the weak and simple their small acquisitions, as well as their large ones to the strong and artful' (Hutcheson 1755: 5, 299). This suggests that his idea of 'natural equality' is 'equality of right' (*jus aequum* in the Roman term) in the sense that all men should be secured in 'their natural rights or innocent acquisitions' regardless of the difference in degree. For Hutcheson, the difference in the ownership of personal properties is naturally and rightfully attributed to the difference of individual efforts and abilities to acquire them. He admitted that 'Men differ much from each other in wisdom, virtue, beauty, and strength'. According to his concept of imperfect rights, the natural right of subsistence can only appeal to the charity of the wealthy. Therefore, the poor themselves are responsible for what they are and what they own. These arguments play a crucial part in justifying the existing different state of properties and riches.

Hutcheson tried to describe the social relationship as an interrelationship of individuals holding many kinds of rights. He began with assuming the state of nature in which men have benevolent affections and the moral sense. It is far from a state of war and hostility. Nevertheless, Hutcheson argues, 'T'is true that in the state of liberty where there are no civil laws with a visible power to execute their sanctions, men will often do injurious actions contrary to the laws of their nature' (Hutcheson 1755: 5, 281). The establishment of civil government, for Hutcheson, is a necessary evil because of the weak and corruptible nature of man, namely the imperfections of just and good men, not human wickedness (Hutcheson 1755: 6, 213). Hutcheson characteristically argues that in addition to the danger of the infringement of rights and disorder, 'the corruption of mankind' which is occasioned by 'ease, wealth, and luxury' necessitates the establishment of government (Hutcheson 1755: 6, 218). Therefore he indicated two main functions of government, first, the protection of rights and interests in civil society and the defence against foreign enemies, and second, the moral improvement of civil life through the punishment of injury or corruption. He viewed 'the general good' as the main purpose of civil government from a

moral viewpoint. 'Wise laws will civilize the manners and even improve the tempers of a people to virtue' (Hutcheson 1755: 6, 217).¹⁰

Hutcheson's emphasis on moral improvement and general good suggests that he tried to incorporate the civic tradition and natural-law theories into his view of society.¹¹ Dividing the forms of polity into monarchy, aristocracy and democracy, he declared 'that property, and that chiefly in lands, is the natural foundation upon which power must rest' (Hutcheson 1755: 6, 245). This statement reminds us of a famous argument by James Harrington (1611–77). Democracy is a form of government founded on the extensive distribution of property among people. 'Some suitable division of property' is required to keep democracy stable. Hutcheson presented agrarian laws, as a means to realize this appropriate division of property in land, in the following manner:

When the situation of the people, their manner and customs, their trade or arts, do not sufficiently of themselves cause such a diffusion of property among many as is requisite for the continuance of the Democrattick part in the constitution; there should be such Agrarian laws as will prevent any immoderate increase of wealth in the hands of a few.

(Hutcheson 1755: 6, 248)

As stated above, however, Hutcheson never advocated a complete equality of property, and showed a clear approval of the moderate wealth of the rich as a result of acquiring as much as necessary for any innocent enjoyments and pleasure in life. 'Different states may admit of different degrees of wealth without danger. If the law limits men to too small fortunes; it discourages the industry of the more able hands in trade or manufactures' (Hutcheson 1755: 6, 259). Concerning what kind of society can realize 'some suitable division of property' compatible with some degree of inequality, Hutcheson proposed a project of an agrarian society, having some degree of commerce and manufacture, founded on medium-sized land estates by small and middle landed classes: yeomanry and gentry.¹²

Hutcheson also identified democracy with a representative system through elections by ballot and scrutiny. He regarded the right to vote as subject to property qualifications which vary according to the size of landed property. 'In such assemblies the number of deputies from the several districts should be proportioned to the number of people and their wealth in the several districts' (Hutcheson 1755: 6, 260). Democracy can function most efficiently 'when men's votes are according to their fortunes; or when the assembly is made up of deputies elected by the people' (Hutcheson 1747: 4, 298). His conception of a property-based state was connected with the idea of a small state, where men of ability can obtain their own property by rightful means and their own efforts, attain the general interests of society, execute their political leadership, and make moral judgements. In smaller states, there is 'room for many men of finer genius and capacity, to exert their abilities, and improve them by exercise in the service

of mankind' (Hutcheson 1755: 6, 250). Therefore, the rightful means for acquiring property is the crucial point in a small, property-based state.

The origin and means of acquiring property

Hutcheson divided adventitious rights into 'real' and 'personal' rights. The right to property is the chief element of real rights and is defined as 'the general right which mankind has to the use of inanimate things and lower animals' (Hutcheson 1755: 5, 309). While emphasizing God's intention by saying 'It was the will of God that they should use the inanimate products of the earth for their support or more comfortable subsistence' (Hutcheson 1755: 5, 310), Hutcheson admitted that men do not care about the issue of right or the intention of God when their appetites and instincts urged them to acquire and use necessary things for self-preservation. He tries to make an empirical account of property, criticizing the abstract and rational logic of natural-law jurisprudence. Consisting of three elements — a right to the fullest use, a right to exclude others, and a right to alienate and transfer to others — property rights can justly be accepted so long as the natural desires and appetites are good-natured. In contrast, ill-natured desires lead to the state of helpless misery in which people struggle for more possessions — a desire which they should avoid, since it is the first rule of property to be established that 'things fit for present use the first occupier should enjoy undisturbed' (Hutcheson 1755: 5, 318). Regarding this rule, Hutcheson criticized 'some confused imagination that property is some physical quality or relation produced by some action of men' (Hutcheson 1755: 5, 318) clearly referring to Locke's labour theory of property. Hutcheson set an initial assumption of the state of abundant things where every man could use any common goods by his first occupation, leaving other goods in abundance for others. In such an affluent and mild society, people can use all conveniences 'without any uneasy labour' (Hutcheson 1755: 5, 319).

However, another rule had to be established when the early abundant state could no longer be maintained. 'As mankind are multiplied, the product of the earth, without great labour, is not sufficient to maintain one hundredth of them' (Hutcheson 1755: 5, 319). As a result, a rule emerges prescribing that everyone has the right to property based on the fruits of their own labour. Hutcheson placed far more emphasis upon the necessity of property for motivating people to hard labour than upon an unconditional approval of the idea that property rights result from labour. This may well be called the logic of prosperity, which would later be clarified in Hume's and Smith's theories of property and equally implies his divergence from Locke's theory grounded on the idea of the creative power of human labour to generate value. Hutcheson attributed the foundation of property not only to the fact of an individual's own labour, but also to different conditions in human relationships. He was eager to explain the legitimacy of property by human sentiments. 'From these strong feelings in our hearts we discover the right of property that each one has in the fruits of his own labour' (Hutcheson 1755: 5, 320).

Concerning these two rules, the means of acquiring property are classified as original and derived. The original means is the first occupation and labour (in other words, culture). In *System*, he said ‘any man could acquire property, and see his right to acquire any thing he first occupied, without consulting the rest of mankind’ even in positive community (Hutcheson 1755: 5, 331). Thus it is clearly declared here that only the first occupation is the original means of property. ‘Prescription’ and ‘accession’ belong to such ‘original means’ because they are directly tied to the first occupation or labour. Derived property or real right is acquired by derived means. Hutcheson enumerates a right of possession, a right of succession, mortgage or pledge, and servitude. In connection with the ‘right of succession’, Hutcheson favoured the abolition of ‘entails’ by saying that ‘Civil laws however may justly limit this power of entail as the interest of the state, or the necessity of encouraging industry may require’ (Hutcheson 1755: 5, 350). Hutcheson proposed agrarian law as a way to diminish excessively large land estates. However, it was impossible and unrealistic to implement such a law in the Scotland of his day. In this sense, his proposal of agrarian law turned out to be hypothetical or merely utopian. In contrast, the abolition of entails is far more realistic. He seems to expect that the abolition of entails could accomplish the same result as agrarian law. His practical proposal primarily intends to promote and encourage the small amount of property created by the labour and industry of farmers and small landowners, while criticizing the undeserved acquisition of great estates by privileged landlords.

The economic structure of civil society

Hutcheson’s social theory is ambivalent. On the one hand, he tried to justify and establish an individual’s innocent enjoyment of private property justly acquired by his own industry or labour. On the other hand, he was racked with the problem of how private property could be regulated and limited to a moderate degree from a moral point of view. The only possible solution available to him was the project of creating a small society consisting of small proprietors. Therefore, the typical population of such a society should be small and consist of middle landowners or freeholders (gentry and yeomanry).

These proprietors are obliged to exchange their goods as private property in order to maintain their own lives in a much more advanced state than primitive self-sufficiency.

The *Labour* of each Man, cannot furnish him with all Necessities, tho it may furnish him with a needless Plenty of one sort: Hence the *Right of Commerce*, and *alienating* our Goods; and also the *Rights* from *Contracts* and *Promises*, either to the *Goods* acquired by others or to their *Labours*.

(Hutcheson 1725: 1, 265)

This somewhat anticipates Smith’s theory of the division of labour.¹² Hutcheson supposes that the exchange of property should be founded on equal relationships

among independent proprietors in a commercial society. Therefore, both the rich and the poor are treated equally as independent owners of property and labour respectively. Every man should help the other by providing his own possessions in exchange for others' possessions. 'The most wealthy must need the goods and labours of the poor, nor ought they to expect them gratuitously' (Hutcheson 1747: 4, 178). 'The wealthy need more frequently the labours of the indigent, and the indigent must be supported by the compensations they get for them' (Hutcheson 1755: 6, 1). Contracts *per se* and faithfulness in contracts are vitally important in organizing such equal relationships in a commercial society. On this account, 'the violation of contracts' is apparently 'a greater crime' and must 'destroy all social commerce'. In emphasizing faithfulness in contracts, Hutcheson characteristically appealed to 'human social dispositions', 'a strong moral feeling in our hearts', or a 'human direct sense of beauty' (Hutcheson 1755: 6, 2–3).

Hutcheson was aware of the existence of a certain law of value and price in the exchange economy. He first inquired into the origin of value or price. 'The natural ground of all value or price is some sort of use which goods afford in life ... But the price or values in commerce do not at all follow the real use or importance of goods for the support, or natural pleasure of life' (Hutcheson 1755: 6, 53). In a real commercial society, Hutcheson argues, the actual determinant of price is the ratio between the demand for goods and the difficulty of acquiring or cultivating them for human use. When either one of these two factors is lacking, no price accrues. Therefore, fresh water or air cannot have a price. 'When the demand for two sorts of goods is equal, the prices are as the difficulty. When the difficulty is equal, the prices are as the demand' (Hutcheson 1755: 6, 54). This difficulty is a synonym for scarcity, while this definition of value is apparently similar to the subjective theory of value. However, Hutcheson emphasizes the significance of human labour as the prerequisite for acquiring goods. It shows his insight into 'labour embodied' as the source or cause of value. Therefore, we can see the original feature of a labour theory of value in Hutcheson's insight, although he never clearly indicated that labour was the source of exchange value.¹³

Hutcheson next attempted to search for a measure of value in common which can satisfy certain conditions: acceptability, portability, and divisibility and concluded that precious metals such as silver or gold are the most common measures. However, he went on to say that precious metals were replaced by coins over a long period of time in order to avoid 'two inconveniences; one the trouble of making exact divisions, the other the uncertainty as to the purity of the metal' (Hutcheson 1755: 6, 56–57). The most important element of coins are their stamps by state authority, since they are seen as 'the public faith of the state' officially guaranteeing the coin's value. Nevertheless, he did not adopt the state theory of money because a law or state can only fix or alter the legal denominations of coins. The value of coins must also follow the economic law of value in the same way as other goods. 'Commerce will always follow the natural value.' The value of coins is, however, really determined in proportion to the

rarity of metals because the demand for metals is universal and invariable. The rarity (scarcity) of metals is the only determinant of the value of coins. 'Tis a fundamental maxim about coin, that "its value in commerce cannot be varied by names", that prices of goods keep their proportion to the quantities of metal and not to the legal names' (Hutcheson 1755: 6, 60). Thus he clearly disapproved of monetary nominalism and adopted a quantity theory of money on the basis of monetary metalism.¹⁴ As to the value of coins, however, Hutcheson suggested the possibility of fluctuations depending on the increase or decrease of the quantities of metals (gold or silver). For this reason, the value of coins is easy to change, and thus the standard of value itself is always variable. In the next step, Hutcheson searched for a less variable measure of value, and he concluded that labour could provide the most invariable measure of value. That is because 'a days digging or ploughing was as uneasy to a man a thousand years ago as it is now' (Hutcheson 1755: 6, 58).¹⁵

Besides the demand and the difficulty of acquiring (labour) as the determinant of price, he considered how the price was fixed from the viewpoint of production costs.

In matters of commerce to fix the price we should not only compute the first cost, freights, duties, and all expenses made, along with the interest of money employed in trade, but the labours too, the care, attention, accounts, and correspondence about them; and in some cases take in also the condition of the person so employed, according to the custom of our country.

(Hutcheson 1755: 6, 63)

In addition to these factors of production costs, he included the profits of merchants. 'This additional price of their labours is the just foundation of the ordinary profit of merchants'. It is due to the merchants' own labours and efforts that they can sell at a higher price than total production costs. It means that 'their value here is augmented by those labours, as justly as by those of farmers or artisans' (Hutcheson 1755: 6, 63). Therefore, 'the constant profit is the just reward of their labours' and 'There is a natural gain in trade, viz. that additional price which the labour and attendance of the trader adds to the goods; and a contingent one, by the rising of prices' (Hutcheson 1755: 6, 63–64). Thus he regarded profit as a reward for an additional value created by the labour of merchants, which is no different from wage as a reward for labour. This resemblance confused him and prevented him from making a precise distinction between profit and wage.¹⁶

Hutcheson's confusion stems from his vague and inaccurate understanding of the labour–employment relationship. He gave an account of the process which the wealthy and the poor (labourer) are bound to enter into the master–servant relationship as follows:

As soon as mankind were considerably increased in numbers, and the more fertile clear lands occupied, many accidents would occasion that a great many would have no property, nor any opportunity of employing their labour or goods of their support: and many on the other hand who had much property would need the labours of others, be willing to support them on this account, and give them further compensation: this would introduce the relation of master and servant.

(Hutcheson 1755: 6, 199)

He was clearly aware of two important points of modern employment contracts. First, labourers are compelled to make employment contracts because they have only their labour to sell and have no control of the means of production. Second, they are legally and personally free to make whatever contracts they like. However, Hutcheson described the relationship in terms of mutual cooperation maintained on the basis of their legal equality in spite of their economic inequality. He makes a consistent attempt to justify the humane and cooperative relationship between master and servant. His conception of the master–servant relationship comes from his understanding that a master is an independent producer who himself works with the help of the servant’s labour. Therefore, the profits of masters (merchants, farmers or artisans) should be the reward for their work. It is regarded as a relationship between independent producers, not as a modern capitalistic employment relationship.

It was probably the case that Hutcheson’s moral and legal viewpoint prevented him from turning to a detailed economic analysis of real employment relationships. Hutcheson’s moral and legal perspective is traceable in his attachment to the economic activity of a good man. ‘There is nothing more unworthy of a good man than, without necessity, to expose to uncertain hazard such a share of his goods, as the loss of it would distress his family; or to be catching at gain from the foolish rashness of others, so as to distress them’ (Hutcheson 1747: 4, 220). His consistent concern with the model of a good man was a theoretical reflection of his lack of interest in real men living in the real world (Presciarelli 1999: 530).

Conclusion

Let us summarize what we discussed in this chapter. Hutcheson’s comprehensive system of moral philosophy was characterized by such an optimistic view of society that people could pursue moral actions, assist and cooperate with each other, and establish a harmonious social order. His argument is forceful in his empirical analysis of concrete human sentiments. However, Hutcheson was not thoroughly engaged in a detailed analysis of many different features of a real society because he was consistently concerned with normative issues of human actions: morality and law. Hutcheson proposed two approaches with which to realize his model of the harmonious society: moral improvement and compulsory guidance. First, men are obliged and able to improve themselves to become

good and virtuous in character. Hutcheson believed in men's natural goodness, which makes them capable of judging morality and of observing it as long as they are properly directed. In other words, he thought men could improve their own moral sense through moral education and religious faith. Such an affirmative view of human nature underlay not only his pedagogic and religious activities but also his philosophical thinking. Second, Hutcheson found it of vital importance that people must be made or guided to observe their duties by legal coercion or state power. Hutcheson suggested that the state should play an important role in realizing justice for social peace and the protection of rights as well as in directing people toward morality and in preventing them from corruption. He made consistent attempts to solve normative problems by appealing to morality and legal obligations.

Hutcheson always tried to synthesize his idealism and logical consistency within his system of philosophy. Although he was occasionally inclined to practical radicalism such as anti-slavery and anti-entail proposals, he did not even begin to present a thorough empirical criticism of the actual state of morality and polity in the Scotland of his day. He did not thoroughly carry out a detailed analysis of social realities. Hutcheson devoted himself to the normative and abstract theory of moral philosophy. He could not take a step forward to a radical activism in order to realize his ideal model of society in the real world. In consequence, he failed to address seriously the problems being generated by the actual conflicts between his ideal and the realities. This challenge was to be taken over by the following generation, notably David Hume and Adam Smith.

Notes

- 1 Hutcheson has been called the 'father' of the Scottish Enlightenment (Bryson 1945: 8; Campbell 1982: 167). The name was coined by Scott, who wrote that Hutcheson 'borrows alike from Descartes, Locke, Wolff and Berkeley, so that the final result is an eclectic treatment' (Scott 1900: 261).
- 2 Concerning Carmichael, see Moore and Silverthorne (1983). The essence of his moral philosophy is expressed in Carmichael (1985).
- 3 There is a controversy concerning this 'moral realism' in Hutcheson, notably between Norton (1985: 392–418) and Winkler (1985: 179–94).
- 4 According to Mautner, it was as early as in the preface to the later editions of *Inquiry* that Hutcheson expressed regret at Shaftesbury's taking exception to some aspects of Christianity (Mautner 1993, 37–39). Hutcheson's main target was not Mandeville but the moral legalism of orthodox theology.
- 5 The existence of the two systems in Hutcheson was discussed by Moore (1990) and Haakonssen (1996) in different manners.
- 6 Ross holds that Hutcheson was a New Light Presbyterian and was also attracted by the natural theology of Stoics such as Cicero and Marcus Aurelius (Ross 2000: 340).
- 7 This term comes from Grotius's concept of *sum* as the unity of person and possessions, and also from Locke's concept of natural right: 'the Preservation of the Life, the Liberty, Health, Limb or Goods of another' (Grotius 1625: Book 1, chap. 1, p. 35). He also declared that 'Life, limbs and liberty' were 'the possessions belonging to each' (1, 2, 5, p. 54). See Olivecrona 1974: 213. Locke expressed the all-inclusive realm of person by 'property' (*Locke* 1690b: §6, 289).

- 8 Americans accepted Hutcheson's theory of inalienable rights because it was in compliance with the right of resistance against 'a monstrous tyrannical intention, or any such folly or wickedness of the rulers' (Hutcheson 1755: 6, 271). Hutcheson himself declared that 'the right of resistance may be less disputable', and 'the subjects must have a right of resistance' (Hutcheson 1755: 6, 270–71). According to Robbins (Robbins 1959: 190), a large part of the seventh chapter of the third book of *System* was reprinted in the fifteenth number of *The Massachusetts Spy* on 13 February 1772.
- 9 Moore argues that Hutcheson rejected Pufendorf's moral philosophy on two grounds in his early essays in the *London Journal* and the *Dublin Weekly Journal* (Moore 1990: 48). One was Pufendorf's conception of natural law as resting on the idea of God as a tyrant, and the other Pufendorf's understanding of human nature as selfish.
- 10 We should note, however, that Hutcheson had conceded in his *Short Introduction* that the power of a civil government should be 'expressly restricted to the care of the secular rights of men' (Hutcheson 1747: 4, 318). Nevertheless, this restriction was dismissed in *System*. His change of mind appears to have been attributed to his later emphasis on the role of Divine Providence and a future state (Moore 2000: 248).
- 11 Miller emphasizes that Hutcheson turned inward, positing an innate moral sense that operates in concert with the laws governing human nature and society, whereas civic humanism recommends the art of arguing and reasoning together in regard to practical political issues (Miller 1995: 51).
- 12 Hutcheson argued for gentlemen's right of patronage and proposed 'enlarging the power of the body of the Landed-Gentlemen' in *Considerations of Patronages* (Hutcheson 1735: 7, 469).
- 13 Meek says that many economists were beginning to look in the direction of a labour theory of value in that period (Meek 1956: 24).
- 14 This was probably taken from Locke's theory of money (Locke 1692: 304ff.). On the other hand, Skinner emphasizes the influences of Pufendorf and Carmichael in Hutcheson's treatment of value and money (Skinner 1995: 171–74).
- 15 If he had posited that the quantity of metals is equivalent to the quantity of miners' labour when miners dig metals, Hutcheson would have further approached a labour theory of value.
- 16 Smith distinguished between profit and wage by declaring that the profits of stock are never 'a different name for the wage of a particular sort of labour, the labour of inspection and direction', but the returns on 'the value of the stock employed' (Smith 1776: 66).

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4 Robert Wallace and the Irish and Scottish Enlightenment

Yoshio Nagai

Robert Wallace (1697–1771) was a prolific writer. The aim of this chapter is to try to answer the question as to what place Wallace should occupy in the history of the Scottish Enlightenment. His obituarist was his second son George, who published an article on his father in the *Scots Magazine* in 1771. Nearly 40 years later, the same journal sketched a life of Robert Wallace when the second edition of *Mankind*, one of his major works, was published (1809). This version was shorter than the first, though it contained some new information about Wallace, and it was on this second biography, I presume, that the entry in the first edition of the *Dictionary of National Biography*, the shortest of three versions of his biography, was based.¹

Robert Wallace was one of the 19 leading young intellectuals who became founding members of the Rankenian Club, which continued to exist for over 50 years until Wallace's death in 1771.² George asserted in the *Scots Magazine* that, thanks to the Rankenians, such principles as 'freedom of thought, boldness of disquisition, liberty of sentiment, accuracy of reasoning, decency of taste and interest in composition' were propagated all over Scotland. This assertion might not have been far from the truth. All of these are essential elements of the Enlightenment. It follows, therefore, that Wallace might well have been qualified from his youth to be ranked among the members of the Scottish Enlightenment. George gave us further information of decisive significance, which was that all the Rankenians were supporters of the Irish bishop and philosopher George Berkeley (1685–1753),³ whose influence on Wallace in particular I will argue later in detail.

The intellectual and political circumstances

In 1736, the Porteous riots⁴ took place in Edinburgh. In early 1737 parliament issued a proclamation declaring that anyone hiding convicts or helping them to escape should be sentenced to death, and also that this proclamation should be read in all the parish churches in Scotland on the first Sunday of every month from August 1737 onwards for a whole year. Wallace, who was a clergyman, refused to do so, because he thought that it was not the duty of those who had taken holy orders to read such a bloody proclamation from the pulpit. The polit-

ical stance taken by Wallace towards the Walpole administration was clearly shown in this decision. Wallace's patron was the fourth Marquis of Tweeddale, John Hay, Principal Secretary of State for Scotland under Lord Wilmington's administration from 1742 to 1746, who was one of the followers of the Earl of Granville, John Carteret,⁵ an unsuccessful staunch rival of Walpole for nearly 20 years. Wallace's refusal to read the proclamation came from his alliance with the opposition. The Porteous riots are said to have 'cost Walpole much Scottish support in Parliament, which played an important part in his downfall in 1742' (Cannon 1997: the entry for 'Porteous riots'). Following the change of ministry, Wallace recovered ecclesiastical influence and was entrusted with the management of church business for five years. The establishment of a ministers' widows' fund was a long-standing dream of the Scottish Church. Wallace succeeded, as a moderator, in getting the fund's approval by the general assembly of the Church of Scotland in 1743, and further in enacting it into law with the aid of Lord Hardwicke.⁶

The image of Wallace as a Berkeleyan as well as a Granville Whig emerges from the career outlined here. As Berkeley was not so much political as philosophic, Wallace could be said to have been a politically orientated Berkeleyan.⁷ It was Berkeley's social views rather than his philosophy or new theory of vision that attracted the Scottish youths of promise. As far as his *Querist* is concerned, Berkeley's basic positions can be summed up in several points. They are, first, a regard for Irish interests; second, a request for sumptuary laws; third, an antipathy towards France, and consequently demands for the regulation of trade; fourth, the idea of a nation as a family; fifth, the recognition of advantages as well as disadvantages of banks and paper money; and lastly, a proposal for the conversion of Catholics to Protestantism in Ireland. With the exception of the last point, Wallace shared these basic propositions with Berkeley.⁸ The Rankenians, however, were so scrupulous that none of them except George Turnbull followed Berkeley in his scheme to found a missionary college in Bermuda in 1728. The Rankenians seemed fully committed to the vision of improving, reforming and developing their own country to an extent bordering on the idealistic and unrealistic.

Wallace was not inclined towards rationalism. What Wallace pursued throughout his life was not only his own religious or theological arguments, but also Berkeley's social visions. On his return home from America after the failure of his scheme, Berkeley saw the South Sea Bubble in 1720 as symptomatic of the corruption produced by luxury and demanded a ban on stock-jobbing. He wrote, 'The South Sea Affair is but the natural effect of those principles which for many years have been propagated with great industry' (Berkeley 1721: 25). The causes of the evil 'principles' which gave birth to such a catastrophe were 'Vice and villainy', according to Berkeley, who wrote,

Vice and villainy have by degree grown reputable among us. Our infidels have passed for fine gentlemen, and our venal traitors for men of sense who knew the world. We have made a jest of public spirit, and cancelled all

respect for whatever our laws and religion repute sacred. In short, other nations have been wicked, but we are the first who have been wicked upon principle.

(Berkeley 1721: 26)

Berkeley recommended that the legislature take measures for ‘restoring and promoting religion, industry, frugality, and public spirit, which ever were, and ever will be, the only foundation of public happiness and prosperity’ (Berkeley 1721: 2). One of these legislative measures was the sumptuary laws (Berkeley 1721: 13), by which Berkeley expected the British nation would return to a simplicity of life so as to give an encouragement to art. Wallace followed this line of thinking.

Population theory

Samuel Clarke, a founder of the rationalist school of philosophy (the border of which seems to merge with that of deism, though his main disciples, William Wollaston and Richard Price,⁹ were not deists), was accused of an Arian inclination in his *Scripture Doctrine of Trinity* (1712), heralding the approaching time when an Arian such as Price, a deist like John Tolland, and the sceptic David Hume were all flourishing simultaneously. Berkeley stood for the defence of a rather protestant orthodoxy against Clarke. By 1730 Wallace seems to have established himself as a theologian of natural religion. His first publication was *The Regard due to Divine Revelation, and to Pretences to it, considered* (1731). Its preface contained a criticism of Matthew Tindal, whose *Christianity as Old as the Creation* was, soon after its publication in 1730, attacked by more than 30 other authors (according to citations in the British Library catalogue), among whom we find the name of Wallace. As far as Tindal was a tough opponent of High Churchmen and Jacobites at the time of Dr Henry Sacheverel, Wallace was on the same side. As a matter of fact, much later in 1754, when Wallace bitterly criticized Lord Dunn (David Erskin) on his theory of Passive Obedience and Non-resistance, he stated his support for the action parliament had taken with regard to the Sacheverel trial in 1709 (Wallace 1754: 6–7). When Walpole came back to power, Tindal defended and supported him, whom he once attacked, while Wallace, as noted above, remained with the opposition. Apparently political as well as religious differences between them persuaded Wallace to raise an objection towards Tindal.

Tindal, calling himself a Christian deist, stressed ‘the law of nature’, which he believed was so evident to everyone that it was unnecessary either to exhibit or to reveal it. According to Tindal, human beings must admit that the ‘law of nature’ is a ‘perfect law’ and that ‘the reason why the law of nature is immutable, is, because it is founded on the unalterable reason of things’ (Tindal 1732: 51). Wallace’s emphasis was also on humanity’s sense of reason, but he insisted on the necessity of ‘positive institutions’ created by human reason, which Tindal thought dispensable. (Wallace 1731: iv–vii) Wallace answered

Tindal by saying: 'I shall not deny that Christianity has been made an occasion of much mischief'. For those, however, who see impartially the first records of Christianity, 'it must appear evident, that making it the occasion of any mischief at all is a manifest abuse and perversion of it; not only foreign but grossly and obviously contrary, to its original design and genuine tendency' (Wallace 1731: xxiii–xxv). It was Wallace's orthodoxy that his first book on revelation discloses to us.

Berkeley was a predecessor of Wallace in population theory as well as in economic theory. Berkeley wrote that 'Industry is the natural sure way to wealth'. According to him, industry may be encouraged by money and credit unless they run about producing nothing. He added, 'The number of people is both means and motive to industry, it should therefore be of great use to encourage propagation to those who have a certain number of children' (Berkeley 1721: 5–7).¹⁰ These ideas were equally Wallace's, though Berkeley had no proper population theory.

Wallace's *Dissertation on the Numbers of Mankind in Antient and Modern Times* (*Mankind* hereafter)¹¹ was famous for its propagation ratio, which was recognized by Malthus to have had some influence on him.¹² According to Wallace, mankind can double in numbers in each period of $33 \frac{1}{3}$ years (Wallace 1753: 1–9). There was evidently no such population growth in his day, and no nation was as populous as it might have been. Hence his attack on the policies of modern times, which, Wallace believed, encouraged refinement and fostered luxury by means of industry and commerce, and at the same time lost sight of the significance of agriculture. It may be more meaningful, therefore, to understand that this proposition was raised mainly against the arguments for encouraging luxury, not against the Humean arguments for civilized society, though Hume was a potential antagonist (Wallace 1753: 14).¹³

Wallace did not propose the increasing ratio of provisions, as he believed that nature is always prepared to supply the increasing population with food, and the inhabitants know no limitation due to food shortage. Originally Wallace aimed to prove that it was not divine but human error that the population of the earth was much less than it might have been. Wallace begins by asserting, based on this ratio, that in ancient times, and particularly before the establishment of the Roman Empire, the population of the earth had been at its greatest (Wallace 1753: 32).¹⁴ He then presented his arguments to explain why ancient times had, and modern times had not, had circumstances favourable to population increase (these arguments are the subject of chapter 5). It was to luxury that Wallace attributed the most important cause of depopulation in modern times since the beginning of the Roman Empire.¹⁵ Slavery in ancient times, in contrast with the beggars and servants in modern times, was, according to Wallace, favourable to population increase. The target of Wallace's criticism is hinted at in the conclusion of *Mankind*:

... that private vices are far from being, what a notable writer has employed the whole force of his genius to demonstrate them to be, public benefits.

Indeed 'tis ridiculous to condemn elegance and refinement of every kind ... but if displayed in every the least trifle in private life, elegance and refinement must contribute in a great degree to diminish the number of mankind, as the constant labour, great expense, and vast number of hands, must make the necessaryies of life scarce and dear.

(Wallace 1753: 160)

It may be proper to say that Wallace had argued against Mandeville rather than Hume. It was Hume, however, who argued, against Wallace, that slavery was not compatible with civilized society in any respect. Wallace's argument in regard to the population controversy appeared in the Appendix of *Mankind*,¹⁶ where he repeated the position he expounded in the text. Regarding the fact that the real problem was not slavery itself, but rather the nature of employment of the lower classes in modern times, Hume was an optimist, while Wallace seemed a pessimist. In truth, Wallace was trying to infuse a spirit of industry among people by encouraging frugality. In a sense Wallace walked along with Hume on the way of 'oeconomics'.¹⁷ He wrote:

as there are still many idle hands among us, notwithstanding a grown spirit of industry unknown to our ancestors, it would greatly promote agriculture, and contribute much to the value and improvement of lands, if the most useful manufactures were erected in the village, and supported by rich men of all ranks. Thus manufacturers would encourage agriculture, by providing markets for the produce of lands; the husbandmen would encourage manufactures, by purchasing their commodities; and both together would conspire, by united endeavour, to make the lands fertile, the country populous, and society flourish.

(Wallace 1753:153)

Wallace attached a footnote to these sentences, which suggests that 'It may perhaps be thought, that I have lost sight of preceding reasoning'. He already anticipated doubt or wonder on the part of the scrupulous reader, continuing to write, 'But tho' I am of opinion, that too great a variety of manufactures are disadvantageous, some must always be allowed to be necessary' (Wallace 1753: 153 ff).

Why were these contradictory statements made in the same book? I presume that it was because Wallace had other antagonists, whom Berkeley had never had. They were Jacobites, whose main base was the Highlands, which were in a state of poverty and underdevelopment. Wallace believed that the Highlands should be enlightened so as to root out the superstition of Jacobite thinking.

The late unprovoked rebellion, raised by the rude inhabitants of these wilds, in order to dethrone the best of kings, to overturn the best of governments, and to undo the liberty of Britain, has produced some excellent laws, by which the liberty of the whole country is better secured, manufactures and

other kinds of labour are encouraged and promoted in Scotland, and the inhabitants of the highlands may be brought from a state of barbarity and slavery, to a state of civility and independence.

(Wallace 1753: 155–56)¹⁸

If Wallace may be allowed to have a place in the history of the ‘Scottish Enlightenment’, it may be because of his promotion of the concepts of ‘civility and independence’. Wallace asserted, in short (following Berkeley and opposing Mandeville and possibly Hume), that Britain at large should be more strictly frugal for industry to be fostered, while at the same time holding that in order to civilize Highlanders, ‘opulence and industry’ would be needed (Wallace 1753:156). It was for this reason that Wallace proposed the Highlands development scheme, consisting mainly of fisheries and pasturage (Wallace 1753: 155–59). Hume wrote to one of his acquaintances that ‘Lord Elibank says that I am a moderate Whig, and Mr. Wallace that I am a candid Tory’ (Burton, 1846: I, 387). This image of Hume seemed to have been entertained by Wallace throughout his life.

Discovery of ‘the middle ranks’

In the year following the publication of *Mankind*, Wallace published *The Doctrine of Passive Obedience and Non-resistance consider’d ...*, in which Tony Dunn was the object of his attack. Towards the end of this tract, too, Wallace paid much homage to the developments of his day, saying that ‘this island, and Scotland in particular, has greatly flourished’, and further that

the number of our people has increased; our fields and gardens are better cultivated, the pieces of our lands are greatly raised, our manufactures much increased, and our commerce more widely extended, our growing luxury so much and so justly complained of, is a manifest document of our superior wealth.

(Wallace 1754: 38)

It must be noted that even the ‘growing luxury’ is now recognized as symptomatic of prosperity. Theoretically speaking, the notion of luxury, in both Berkeley and Wallace, was ambiguous. It was the result and proof of industry as well as the evil influence weakening industry and leading to depopulation. There was much consternation that this brilliant and victorious Britain had been defeated by France at Minorca in 1758, in the early stages of the Seven Years War. Before this crisis, John Brown’s *The Estimate of the Manners and Principles of the Time* appeared, and its author cautioned against the fact that ‘our present effeminate manners and defects of principles have arisen from our exorbitant trade and wealth, left without check, to their natural operations and uncontrould influence’ (Brown 1757: 209–10). As a consequence, he felt, Britain had produced such a general debility as naturally leads to destruction.

Wallace did not fail to grasp the opportunity to counterattack this position. Part I of *Characteristics of the Present Political State in Great Britain* (*Characteristics* hereafter) dealt with monetary theory, which showed that Wallace agreed with the economic ideas then in fashion. He maintained that money was a means of exchange of commodities and a measure of value, and also he insisted, without the sense of contradiction, that money could increase industry and riches by its proper use, in contrast to the Humean theory of money, though he might have agreed with Hume in many ways concerning the real operations of money.

It was in Part II of *Characteristics*, especially its first section, that Berkeley and Montesquieu were discussed. Hume for the most part would have agreed with Wallace on the issue of national debt. Neither of them would have denied its usefulness and efficiency. It is of more importance that Wallace stressed the larger capacity of Britain to redeem its national debt than was popularly recognized. In the second section the author showed the typical Whiggish view of history in which the Glorious Revolution (1688–89) was regarded ‘as the great charter of their freedom’ (Wallace 1758: 98), though pointing out the mismanagement of public affairs, ‘frauds’ and ‘many deceitful arts’ employed in the management of stocks, such as in the South Sea Bubble (Wallace 1758: 76).

In Part III, I assume that Wallace followed Berkeley, especially his *Essay towards Preventing the Ruine of Great Britain*. Wallace’s arguments aimed, however, at refuting objections to the assertion of the increase of riches in Great Britain. Section II, dealing with the ‘Opulence of Great Britain’, and Section III, ‘Of the riches of North Britain’, described the economic growth in Great Britain, especially its rapidity in Scotland since the Revolution. Wallace refuted Matthew Decker, who insisted that the foreign trade of Britain was fast declining, though Wallace praised him for the ‘good advice of this worthy citizen’ (Wallace 1758: 173).¹⁹ Wallace was, in these arguments, remarkably a Berkeleian to the extent to which he firmly adhered to the Berkeleian principle that riches amount to luxury, and luxury leads to corruption and depopulation (Berkeley 1721: 10–11). After having proved the ample resources of Britain for redeeming the national debt in Part IV, which aimed at turning down the demand for a forced cancellation of national debts by the author of *Three Essays*, Wallace at last finished his preliminary observations and proceeded to Part V, in which, in contrast with the depressed tone of John Brown, Wallace highly estimated the British capacities for defence.

As a matter of fact, the distance between Wallace and Brown was not so great in terms of their political position. Wallace acknowledged that he and Brown shared important ideas. ‘The writer of the *Estimates* applauds the spirit of liberty, and the struggles it maintained formerly with the tyrants of the times. He allows the rebellion in the year 1745, to have been mischievous’ (Wallace 1758: 227–28). As far as their political stances are concerned, there was, I am sure, evidently little difference between them. According to Wallace, Brown’s chain of ideas was not far from his own. Wallace summarized Brown’s basic ideas as follows:

By the Revolution we have gained security and liberty: security and liberty have produced an exorbitant trade and wealth: this wealth hath very near destroyed the principles of religion, honour, and public spirit, and hath prodigiously corrupted our manners. Bad manners, where there is nothing sufficient to give check to their national consequences, must first enervate, and then ruin, a nation. One of these principal checks is *the despotic power of the king*.

(Wallace 1758: 225–26, my italics)

Wallace was of a different opinion from Brown on the last point. According to Brown, France had such power, but ‘we have not this advantage in Britain’. As a consequence, ‘we run the great risk of going to destruction’ (Wallace 1753: 226).²⁰

On the contrary, according to Wallace, ‘there are not any effectual resources in a state of corruption’ such as France (Wallace 1758: 231), and ‘on the whole, the councils of a despotic monarchy may be expected to be unstable and uncertain’ (Wallace 1758: 249). It may not be by accident that Wallace discovered ‘the middle ranks’ as guards of society and even prophesied the approach of the French Revolution. Wallace concurred with the Biblical proverb that ‘the love of money is the root of all evil’. (Wallace 1758: 232). It was characteristic that Wallace found this root of evil among the upper ranks, but never in the middle ranks, and this is where the vital difference between himself and Brown lay. He says:

in Britain the voice of the middle ranks among the people has a mighty influence. Those are always the least to be corrupted. In their integrity and activity there is a grand resource. When those in higher life are sunk in depravity and effeminacy, the cry and influence of this part of the people will often be able to find them out and bring them into play. Our constitution, therefore, having such a high mixture of freedom, is better fitted, than the despotism of France, to preserve us from destruction.

(Wallace 1758: 232–33)

It was, in reality, in France that danger to the prevailing order existed. There Wallace foresaw the ‘civil dissensions, which no despotic monarch can pacify’ (Wallace 1758: 252), that came about in the French Revolution. Thus he concluded that ‘it is not Britain, that ought to tremble for fear of France; but France, that ought to dread the bravery and the naval strength of the free Britons’. In these arguments his discovery of ‘the middle ranks’ was of greater importance, because it was the key idea in the Scottish Enlightenment, although I am not certain that Wallace was clear as to how the middle ranks related to the expansion of commerce and industry. As apprehension of a Jacobite rising faded, Wallace seemed to become more confident in the settlement brought about by the Glorious Revolution, and put less stress on the evils derived from luxury, though

that stress never faded away. We must bear in mind that the emergence of the middle ranks was due to their moral purity.

Morality and natural religion

It was Harold Laski who paid attention to Wallace's utopia described in his *Various Prospects of Mankind, Nature and Providence* (1761, *Prospects* hereafter). Laski called this book 'a series of essays which are at once an anticipation of the main thesis of Malthus and a plea for the integration of social forces by which alone the mass of men could be raised from misery'. Laski continues, 'Men are in the mass condemned to ignorance and toil. Wallace traces these evils to private property and the individualistic organization of work, and he sees no remedy save community of possessions and a renovated educational system'. According to Laski, 'He speculates upon the chances of the beneficent example of colonies upon the later Owenite model'. Thus Laski thinks that 'his book is contemporaneous with our own ideas rather than with the thoughts of his generation' (Laski 1920: 188–90).

It is true that Wallace's *Prospects* has a description of a version of utopia. Laski, however, seems to have overlooked an idiosyncrasy of Wallace's utopia, though Laski featured it paradoxically. In truth, Wallace's utopian scheme was well known for its characteristic logical flaw arising from its ideal nature itself, because the more suitable and ideal the community was to be formed, and consequently the more rapidly human beings were allowed to reproduce, the sooner it had to confront the natural limit to its increase represented by the available extent of arable land. It is certain that Wallace, like Owen, ascribed social evils to private property and individualism. We must, however, distinguish between criticism and calling for abolition. Wallace never insisted on the banning of private property. In *Prospect I* Wallace wrote that

Where individuals have private property, even when it is rendered as sacred, it is impossible to prevent many particular tracts of land from coming into the possession of poor, lazy, foolish, or obstinate proprietors, who hinder them from being properly cultivated. On these accounts it may well be doubted, whether property can be admitted where human society is supposed to be advancing towards the highest perfection.

(Wallace 1761: 27–28)

At the conclusion of *Prospect I*, Wallace declares that, in order to attain the 'highest of magnificence' in human affairs, 'we must suppose government to be greatly altered, and new maxims of education to be introduced'.

Wallace was quite well acquainted with a number of utopian writers, especially Thomas More. As a matter of fact, however, Wallace found it 'difficult indeed to form a perfect model of such a government or education'. He for that reason tried only 'to trace out some of its principal lines and characteristics', the speculation of which would not be 'disagreeable'. Hence the first utopian princi-

ples were described more for amusement than as criticisms of the real-life situation, since Wallace believed that ‘such a happy constitution, should at last be found impracticable’ (Wallace 1761: 29). Have there been any other utopian schemes that were declared dead before being given birth to? According to Wallace, ‘The model of a perfect government’ was as follows. Every body should work three to six hours a day; the leisure hours be devoted solely to study; the diameter of the community to be fifty to a hundred miles; all men be taught agriculture, and be encouraged at the busy farming season; some chosen to govern, e.g. to assign proper work to each member; men to get married between 24 and 26 with some exceptions; women banned from getting married before 20 (Wallace 1761: 41–45). In short, the fundamental maxims Wallace proposed were ‘That there should be no private property. That every one should work for the public and be supported by the public. That all should be on a level, and that the fruits of every one’s labour should be common. And lastly, that every one should be obliged to do something, yet none should be burdened with severe labour’ (Wallace 1761: 46). We must remember that these statements were made for amusement, not for their realization.

Prospect IV was misleading indeed. Here, after stating a brief criticism of Rousseau, Wallace passed the death sentence upon the perfect form of government. ‘Every thing become so favourable to populousness, that the earth would at last be overstocked, and become unable to support its numerous inhabitants’ (Wallace 1761: 113–14). He concluded, ‘Consequently, any perfect form of government, must end in the deepest perplexity, and in universal confusion’ (Wallace 1761: 114). For these evils Wallace never thought of legislative measures other than those so ‘unnatural and inhuman’ (Wallace 1761: 118) as various kinds of restraining of marriage, creation of a number of nuns and eunuchs, infanticide, and the shortening of the period of human life, which should invoke mankind in quarrels and battles. William Godwin did not see this catastrophe approaching in such a manner, but only in the furthest future. Rather it was Malthus who saw such a dark satanic future pressing.

We are so familiar with utopian thinking that we are apt to take this failed utopia for one of the usual utopias like Plato’s, More’s or Harrington’s. What Wallace truly meant to say was that the failed utopia proved that the idea of the perfect government was impossible and of no use. In other words, Wallace wanted to say that a utopia should not be proposed. He decidedly declared ‘how little can be expected from their most perfect systems’ (Wallace 1761: 123). Who, then, did he have in mind as his secret adversary in *Prospects*? Presumably it was David Hume, who wrote ‘Idea of a Perfect Commonwealth’ together with ‘Of the populousness of ancient Nations’ in his *Political Discourses*.

In other *Prospects* Wallace argued with melancholy Maupertuis, who was of the opinion that ‘there is more misery than happiness in human life’ (Wallace 1761: 188), with Kames and others (possibly including Hume), with Thomas Burnet, *Telluris Teoria Sacra* (1681–89),²¹ and with certain Freethinkers, as his main theme of this book. Wallace’s review of Kames’s *Essay on the Principles of Morality and Natural Religion* was that Kames was self-contradictory in his theory of

necessity, to which Wallace was consistently opposed throughout his life. It may be possible, in his discussion of 'After Death', that Shaftesbury might have been in mind as well as Hume.

We encounter the meaningful phrase towards the end of *Various Prospects* '... sympathy with the distressed, and all those generous affections which are deeply implanted in the human breast, ought, in virtue of these natural ties, and each of them would truly consult his own happiness, to join councils, and exert himself bravely for the common good' (Wallace 1761: 405–06). For Wallace sympathy was not a sole sense, with which people communicated with each other, but rather it was one of 'those generous affections' and was one of the 'natural ties' between people. It may be possible to discern in these statements a narrow link between Wallace and the moral sense school.

Conclusion

By leaving *A View of the Internal Policy of Great Britain* (1764) to be examined on another occasion, I consider the place of Wallace in the Scottish Enlightenment. If the term 'Scottish Enlightenment' means to give the legislators the science of politics (and laws) and its base, the political economy, it must be admitted that Wallace contributed very little. Though he used the words 'oeconomics' and 'oeconomist', and was sometimes called a political economist on account of his population theory as well as his monetary and financial theory, most of his fundamental economic and social ideas were of the current mercantilism, which still regarded the increase of population as a result of prosperity.

Wallace has also been regarded as one of the commonwealthmen — a man of republican ideas (Robbins 1959: 202–11; Hont 1983: 290). These approaches are of some significance, but they are suitable mainly to English liberal thoughts and lead one to ignore the Scottish peculiarity. Wallace surely belonged to the British liberal tradition, which was mainly connected, however loosely, with the opposition Whigs. The South Sea Bubble seemed, for Wallace, to be of vital importance, as an emblematically disgusting illustration of the kind of event that Scotland should not pursue or imitate. As Scotland's economic life grew, Wallace's caution against luxury seemed to be less strong, but he never ceased to be a firm opponent of luxury, which could be found among the corrupted people of great riches, so that he was led to have recourse to 'the middle ranks' as the remedy for vices and evils. Thirteen years after Wallace's *Characteristics*, John Millar's *The origin of the Distinction of Ranks* appeared in 1771, in which Wallace's cursory view of history, covered with divine providence, was to be refined.²² These ideas about 'the middle ranks' as well as 'a state of civility and independence' would arguably connect Wallace with the Scottish Enlightenment, though his participation in that movement is questioned on the basis of his antagonism to Hume. If we can propose a British Enlightenment to include Ireland, Wallace (together with George Berkeley) can surely be regarded as belonging to it in terms of his reservations about the beneficial nature of commercial development. Wallace might have advanced further in his social

welfare activity than the Scottish Enlightenment, for his successful establishment of the Widows' Fund could be regarded as a forerunner in this field, in which few members of the Scottish Enlightenment were his companions.

Notes

- 1 The second bibliography referred to only three works of Wallace, saying that it is unnecessary to describe the names of others. DNB also spoke of the three works, saying nothing about others, and it expressed doubt as to whether the most important of them, *Characteristics*, was in fact by Wallace. Its authorship by Wallace is now considered genuine. Incidentally, DNB says that 'some writers credit him [George] with the memoir prefixed to the 1809 edition of his father's *Dissertation*' (Cunningham 1859: II, 467). I must point out that both the London and Edinburgh versions of the second edition have no such memoir, and Cunningham never said such a thing. The second edition of *Mankind* modernized the first edition's spelling of 'antient'.
- 2 The list of this club can be found in Tytler 1807: I, Appendix VIII. Wallace belonged to the Select Society as well, as did George, and Hume and Smith were also members of it. Cf. Stewart 1817: I, 148.
- 3 Hont 1983. See also Davie 1965: 222–34, which refers little to Wallace.
- 4 The vivid description of the Porteous riots can be found in Scott: 1818.
- 5 For Carteret and Tweedale, see Mitchison: 1970, and Simpson: 1970.
- 6 See letter of Wallace to Lord Hardwicke, September 20, 1759. The British Library Hardwicke Papers, Vol. CI, Add. MSS 35449, f.197; also February 28, 1762, f. 290. The scheme needed the demographic data, which the Revd Alexander Webster collected and examined. Webster's data is held in high estimation by Flinn, 1977: 250–52. Richard Price took notice of the successful society in Scotland. See Price 1771: 88–89.
- 7 Berkeley was a Unionist. Cf. Berkeley 1735: I, 96, 97, 98, 100, 112, 114, 128, 130, 145 Qus. It is evident, however, that Berkeley stood for Ireland as far as Ireland was a separate country. See Berkeley 1735: 69, 75, 83, 84, 95 Qus.
- 8 Wallace gave homage to Berkeley as the 'no less ingenious than pious philosopher of Cloyn'. See Wallace 1758: xvii.
- 9 Price felt greatest affinity with Ralph Cudworth, a leader of Cambridge Platonists in the seventeenth century.
- 10 Later, on opening his *Principles of Political Economy*, James Steuart took the position that population can stimulate agriculture.
- 11 The text might first have been composed by 1746, when Lord Morton (James Douglas, 14th Earl of Morton) took its first draft to Paris. See La. II, 963. Wallace MSS, in Edinburgh University Library.
- 12 I gather that *Mankind* had some effects on Price as well as Malthus. See Price 1769: 36 f. n.
- 13 Wallace reflected on the population theory when he said it was a political controversy. See Wallace 1761: 6–8. We should distinguish between the text and the appendix of *Mankind*. The Appendix was a counterattack on Hume, who first criticized Wallace in his 'Of the Populousness of Ancient Nations' in *Political Discourses*. For more details, see chapter 7 by Yasuo Amoh.
- 14 See Wallace 1753: 169, in which he claimed that the largest population occurred between the time of Alexander the Great and the establishment of the Roman Empire.
- 15 See Wallace 1753: 19, 21–25, 114, 146. The causes of depopulation were, according to Wallace, classified as physical and moral, and several causes were allotted to each class.
- 16 The Appendix was characteristically longer than the text.

- 17 Wallace used this word in Wallace 1753: 273. The word ‘oeconomist’ can be found in Wallace 1753: 179.
- 18 . Among ‘some excellent laws’ there may be two acts concerning the Jacobite rising in 1745 listed in *English Historical Documents*, VII (1957). One is the Disarming Act, 1746 (19 Geo. II, c.39), which was described by Duncan Forbes, Lord President of the Court of Session, as ‘the most important medicine’ for disaffection in the Highlands, and another is the Act for the Abolition of Heritable Jurisdiction in Scotland, 1747 (20 Geo. II, c.43). *The Cambridge Modern History*, however, pointed out that, after the Act of Attainder (1746), the estates of those attained were forfeited to the Crown, their revenues to be applied to ‘civilizing the Highlands and Islands’ (Vol. VI, 1934: 117).
- 19 Decker’s work is probably *An Essay on the Causes of the Decline of the Foreign Trade*, London 1744. Together with Decker, ‘Mr. Tucker of Bristol’ was mentioned as the author of an ‘excellent essay’. Tucker’s work is presumed to be *A Brief Essay on the Advantages and Disadvantages which respectively attend France and Great Britain, with Regard to Trade*, London 1750.
- 20 John Stuart Mill might have had knowledge of these sentiments of Brown. No Bentham or Mill scholar is unaware that Mill praised Brown’s *Essays on the Characteristics of the Earl of Shaftesbury* (1751), saying that it was ‘a remarkably clear statement of the Utilitarian theory as afterwards expounded by Paley’ (Mill 1838: X, 86–87). I must add to this that Brown (1765) stimulated Joseph Priestley to write *An Essay on a Course of Liberal Education for Civil and Active Life: To which are added Remarks on a Code of Education proposed by Dr. Brown* (1765). Priestley’s tract is well known to have been the basis of his most important work, *An Essay on the First Principles of Government; and on the Nature of Political, Civil, and Religious Liberty* (1768). In short, Wallace remained a Berkeleyan within his social philosophy and a Whig, with a less favourable inclination towards royal prerogatives, in his politics, while Brown hoped for the strengthening of Church and State.
- 21 English translation, *The Theory of the Earth*, London 1689.
- 22 John Millar (1735–1810) cited Wallace on the limited territory of a Roman citizen. See Lehmann 1960: 308.

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5 The ancient–modern controversy in the Scottish Enlightenment

Yasuo Amoh

‘There is scarcely a fiftieth of the number of men on earth that there was in Caesar’s times.¹ ... The world is constantly becoming less populous, and, if this continues, in ten centuries it will be nothing more than a desert’ (Montesquieu 1973: 203–04, 326). Montesquieu’s pessimistic observation in his *Persian Letters* (1721) attracted a great deal of attention among the mid-eighteenth century Scottish literati who were looking for clues to surmount violent political disturbances and bitter economic depressions after the Union of the Scottish and English Parliaments in 1707. Probably prior to the 1745 Jacobite rising, the Reverend Robert Wallace read a paper on population at a meeting of the Philosophical Society of Edinburgh. In the paper Wallace asserted that the ancient world was much more populous than the modern. According to Ernest Campbell Mossner (Mossner 1980: 263), the paper was placed in the hands of Lord Morton, president of the society. Morton carried it with him to France in 1746, when he was for a time imprisoned in the Bastille. Released late in 1746, Morton came back to Britain in May of the next year, and then returned the paper to Wallace. The paper is identified as ‘Dissertation on the numbers of mankind. The first draft as read to the Philosophical Society, Edinburgh. Lord Morton’s copy with the Bastille mark’ (hereafter ‘Draft’) in Edinburgh University Library.²

In the summer of 1751 Wallace showed David Hume a discourse on population — either the ‘Draft’ or its revised version³ — and asked for his opinion on it. At that time Hume too was writing an essay on the subject, and likewise allowed Wallace to see his manuscript. Hume’s *Political Discourses* including ‘Of the populousness of antient nations’ (‘Antient nations’ hereafter) was published in January 1752. In ‘Antient nations’ Hume maintained in opposition to Wallace that the modern world was much more populous than the ancient, and concluded with the following statement: ‘The humour of blaming the present, and admiring the past, is strongly rooted in human nature, and has an influence, even on persons, endu’d with the profoundest judgment and most extensive learning.’ (Hume 1752: 261) Stimulated by ‘Antient nations’ and encouraged by its author, Wallace endeavoured to complete the discourse that he had shown Hume the previous summer. The discourse was finally published as a book in February 1753. Its title was *A Dissertation on the Numbers of Mankind in Antient and*

Modern Times: in which the superior Populousness of Antiquity is maintained (*Dissertation* hereafter). The *Dissertation* had ‘An Appendix, containing Additional Observations on the same Subject, and some Remarks on Mr. Hume’s *Political Discourse* [sic], *Of the Populousness of Antient Nations*’. It is an appendix, but is eight pages longer than the main text of 160 pages. In the appendix Wallace made a counterattack against Hume, in identical language: ‘The humour of blaming the past, and admiring the present, is strongly rooted in human nature, and has an influence even on persons endued with the profoundest judgment and most extensive learning.’ (Wallace 1753: 266–67) Thus began the famous controversy between Hume and Wallace.⁴

In Western countries the controversy has been treated generally as a pre-Malthusian population controversy.⁵ But it was not confined strictly to the question of population. Hume and Wallace regarded the comparison between ancient and modern population as that between the respective virtues of ancient and modern societies (see Mossner 1949: 139). Therefore, the controversy can be regarded as the ancient–modern controversy in the Scottish enlightenment. In Japan the Hume–Wallace controversy was discussed mainly from a socio-economic point of view rather than as a pre-Malthusian population controversy.⁶ Hume’s evaluation of civilized society was considered to be his criticism of Wallace’s pessimistic view of the modern world in the main text of the *Dissertation*, and the appendix Wallace’s counter-argument. The ‘Draft’ has not been examined until now. The Hume–Wallace controversy, therefore, has been discussed in the following order: the main text of the *Dissertation*, ‘Antient nations’, and the appendix of the *Dissertation*. In fact, not only the appendix but also the main text of the *Dissertation* were published a year after Hume’s ‘Antient nations’, Wallace wrote in the advertisement prefixed to the *Dissertation*: ‘He has ... published it [probably the ‘Draft’] in its original Form; only some inconsiderable Additions have been made to it, since it was presented to the Philosophical Society.’ (Wallace 1753: iii) In the *Dissertation*, however, there are many additions to the ‘Draft’. The main text of the *Dissertation* is about four times as long as the ‘Draft’. Therefore, the Hume–Wallace controversy should be treated in chronological order, as outlined above.

Wallace on ancient and modern population in the ‘Draft’

As Wallace argues in the ‘Draft’, since the revival of letters many learned men have endeavoured to study the history of the different ages of the world and have given us much curious and useful information about ancient manners and customs. But there remains one subject that has not been treated with the care that it deserves. It is ‘the numbers of mankind’ in various countries and their changes in different ages. ‘As this is a subject both curious & usefull’, Wallace declared to the audience at a meeting of the Philosophical Society of Edinburgh, ‘I hope it will not be disagreeable to this learned society to have a paper upon it’ (Wallace *c.* 1744: 1).⁷ It is difficult to know the exact population in

any past age. But generally speaking, 'in most of the countries of Europe, Asia and Africa ... there are at present and have been for many ages past many fewer inhabitants than were in antient times'. Wallace refers to Montesquieu's observation cited above and Vossius's assertion 'that many places were much more populous in antient times than at present'. Neither of them seem to have given us evidence to back these assertions. So Wallace picked two subjects for the meeting, first, the comparison of ancient and modern populations, and second, 'the causes of so great a change to the worse' (Wallace *c.* 1744: 2).

As to the ancient population, Wallace draws our attention to the numbers mentioned by ancient authors, such as Herodotus, Caesar, Diodorus Siculus, Strabo, Tacitus, Livy, and Athenaeus. The numbers of citizens or men able to bear arms in particular provide Wallace with an important clue to infer the population in ancient times. Based on Halley's calculation Wallace assumes that the total number of inhabitants of a country, excluding slaves, is about four times the number of men bearing arms. Halley deduced this ratio from the bills of the city of Breslau in Silesia (now Wrocław, Poland) in his time.⁸ Wallace does not think that the ratio between the number of inhabitants and that of soldiers in a country changes according to the development of society as Adam Smith does (Smith 1776: 695). Wallace finds out the passages in Caesar's *Gallic Wars* and Strabo's *Geography* that confirm Halley's calculation (Wallace *c.* 1744: 7–8; Caesar 1917: 44–45; and Strabo 1923: 2, 278–79), and then accepts Halley's method as being generally applicable to all societies in ancient times. By these methods Wallace infers the populations of Italy, Egypt, Palestine, Greece, and Gaul in ancient times. Here we shall examine briefly his calculation of the populations of ancient Greece, Italy and Gaul.

Greece is a very small country. According to Templeman's survey (Wallace *c.* 1744: 15; Templeman 1776: plate 20), even including Epirus, Macedonia, and Albania, it is smaller than England. But there were many populous cities and states in ancient Greece. Athenaeus observed (Wallace *c.* 1744: 15; Athenaeus 1929: 3, 222–23) that there were 21,000 citizens and 10,000 strangers in Athens at the time of Demetrius Phalereus. Wallace regards not only the citizens but also the strangers as freemen able to carry arms, and supposes the number of inhabitants to have been four times as many as 31,000, namely 124,000. In addition to these, according to Athenaeus, there were 400,000 slaves in Athens. Thus, the population of Athens is supposed to have been 524,000 in those days. Athens is only a small part of Greece. Here Wallace considers the population of Athens roughly as one twentieth of that of all Greece.⁹ As a result the whole population of ancient Greece is estimated at about ten million.

There were a lot of powerful and opulent states in Italy before the establishment of the Roman Empire. As for Rome, Wallace refers to Livy's observation (Wallace *c.* 1744: 8; Livy 1919: 1, 154–55) that 80,000 citizens were enrolled in Servius Tullius's reign, about two hundred years after the building of Rome. According to Halley's rule, the inhabitants of Rome at that time (the mid-6th century BC) are supposed to have numbered about 320,000 and increasing. Three centuries later, 300,000 citizens were enrolled, and, therefore, about

1,200,000 inhabitants. Furthermore, Wallace pays attention to powerful states of southern Italy in those days. According to Diodorus Siculus, Sybaris's army of 300,000 men engaged with Crotona's army of 100,000. Based on Halley's rule, 'these two states had above a million and a half of inhabitants even supposing they had had no more fighting men than they brought to the field which certainly was not the case.' (Wallace *c.* 1744: 9) Furthermore, there were a huge number of slaves in ancient times. It is difficult to guess at their numbers. Here Wallace considers the ratio between the above-mentioned numbers of free men and slaves in Athens, that is, 124,000 to 400,000, about one to three, applicable to Italy, too. According to this ratio, the number of slaves in Rome in Tullius's reign is about three times as many as 320,000, that is, 960,000. The number of inhabitants including slaves therefore totals 1,280,000. Three hundred years later the number of slaves is three times as many as 1,200,000, that is, 3,600,000 and the number of inhabitants totals 4,800,000.

In calculating the population of Belgium in Gaul Wallace makes use of Caesar's *Gallic Wars*. Caesar mentions the number of soldiers that each of the tribes of the Belgae promised for the defensive war against the Romans. They total 308,000. This number appears not to have been that of all fighting men of the Belgae, for Caesar writes that the Bellovaci, one of the tribes, promised only 60,000 from 100,000 fighting men which they could raise (Caesar 1917: 94–97). Wallace applies this ratio to 308,000, and estimates the sum of fighting men among the Belgae to have been 515,000.¹⁰ Quadrupling this number upon Halley's rule, the total of free men among the Belgae amounts to 2,060,000. Adding to this number 6,180,000 (the number of slaves computed from the above-mentioned ratio between free men and slaves in Athens), the number of the inhabitants of the ancient Belgae totals 8,540,000.¹¹

From these calculations it is clear that Wallace regarded the numbers mentioned by ancient authors uncritically as reliable datum concerning ancient populations. As we shall see later, Hume disputed their reliability. Wallace, however, makes use of even the Greek epics and biblical history. Based on Homer's passages Wallace calls the audience's attention to the huge army that Greece sent against Troy (Wallace *c.* 1744: 9–10; Homer 1924: 1, 88–89, 104–05). The population of Palestine is conjectured to have been 6,736,000 from the numbers of men bearing arms listed in *Chronicles* and *Numbers* (Wallace *c.* 1744: 14–15). These populations in the ancient world are compared with that of England in his time, that is, 8 million (Cf. Templeman 1776: plate 5). In comparing them Wallace takes the sizes of cities or regions into consideration. According to Templeman, Palestine is not more than one-sixth the area of England, yet in such a small country there were 6,736,000 inhabitants in ancient times. The population of ancient Greece, not larger than one-third of England in area, was about ten million. Thus 'the world', Wallace concludes, 'was much more populous antiently than now'. England is one of the most populous countries in Europe. But 'Italy, Greece, Egypt and other countries ... were thrice or four times as well peopled as England is at present.' (Wallace *c.* 1744: 19)

A declining population in modern times may arise from natural and moral

causes. There appears, however, not to have been any universal alteration in the air or reduction of the heat of the sun. It is moral causes that brought about the decrease in population. Wallace enumerates nine moral causes: (1) polygamy and the institution of eunuchs under the Mohammedan religion; (2) the great numbers of unmarried persons in the Roman Catholic countries; (3) the difference between ancient and modern customs with respect to slaves and the poor; (4) the right of primogeniture; (5) less encouragement of marriage in modern than in ancient times; (6) the trade with the east and west Indies; (7) the great numbers of unmarried soldiers in the standing armies of modern Europe; (8) the different constitution of ancient and modern governments; and (9) leaning too much towards trade and neglecting agriculture. Wallace seems to enumerate at random various kinds of causes applicable to particular times or countries, as if they applied generally to all times and places. They can be classified into two kinds of factor: those relating directly to marriage — nos. 1, 2, 5, and 7 — and socio-economic factors (the remainder). Of these two groups, Wallace attaches greater importance to the latter than the former. We may consider Wallace's arguments on the socio-economic factors under three headings.

First, Wallace emphasizes the difference between ancient slaves and modern poor people. In Scotland, he says, there are vast multitudes of beggars and poor people at present,¹² and this is the same almost everywhere in Europe. In contrast, the world was not oppressed with so many beggars in ancient times. The master encouraged his slaves to marry and took good care of their children as his property. 'In generall they seem to have lived more easily, and to have been much better maintained not only than our beggars but great numbers of our tenants, subtenants and the meaner sort of tradesmen.' (Wallace *c.* 1744: 24)

Second, small republics are very favourable to the cultivation of land. In a large country, the land near a metropolis may be well cultivated, but places distant from it are much neglected. Furthermore, the equality of fortune in ancient republics seems to have encouraged marriage and increased the population faster than the Gothic custom of primogeniture. But these small republics were conquered by Alexander the great and by the Roman empire. This caused a great decrease in population in Europe. According to Wallace, therefore, the population of the world began to decline in ancient times.

Third, Wallace fails to understand the beneficial effects of modern economy on the increase of population. He states that 'Every nation would be much more populous by cultivating their lands at home and trading with nations nearer to them' (Wallace *c.* 1744: 27). The cultivation of lands in its largest sense is to be one great foundation of trade. While a country like Holland may be enriched and well populated by means of the carrying trade, this scheme of trade can never answer to the world in general. Therefore, 'the leaning too much to trade and neglecting agriculture' (Wallace *c.* 1744: 29) in modern times is considered to be one of main causes that hinder the increase of population.

After examining the causes of the decrease of population, as he saw it, Wallace gives the following general criterion for judging populousness:

A country can never be said to be sufficiently peopled while there are great tracts of land that are not cultivated to that degree they would easily bear and while the far greatest part at least of grains, fruits and cattele the country produces is not consumed at home.

(Wallace *c.* 1744: 34)

By this criterion ‘Brittain is not sufficiently peopled since there are both great tracts of land uncultivated and a great deal of grain exported’ (Wallace *c.* 1744: 34). Domestic provisions are exported due to insufficient domestic demand. Though knowing of a huge number of poor people in Scotland with no hope of marriage who cannot afford to buy food, Wallace sets his eyes on the richer families. A reason for Britain’s depopulation is that ‘the younger sons of the richer families either go abroad to push their fortune, or if they stay at home are not able to maintain families suitable to their own education and thus are discouraged from marrying’ (Wallace *c.* 1744: 34). This also explains why our lands are not being sufficiently cultivated. So Wallace appeals to ‘gentlemen of land estates and other men of substance’ (Wallace *c.* 1744: 35) to educate their sons for agriculture. For this purpose, Wallace, in contradiction to his unfavourable views of trade, comes to assert the advantages of exporting grain.

Altho we have more grains and cattele than we can consume at home and therefore there is the less encouragement to cultivate our lands when we have not people to consume our present product. Yet since in the present condition of Europe there is room for exporting our grains, great profits may still be made by cultivating lands.

(Wallace *c.* 1744: 35)

Wallace advances another reason for Britain’s depopulation. Many men, who can live easily by their business, appear to be discouraged from marrying because of their apprehension about the fate of their wives and children after their death. Then Wallace proposes a scheme for establishing a fund for widows and their children at the end of the ‘Draft’. As is well known, Wallace played a leading part in setting up the Church of Scotland Ministers’ Widows’ Fund before and after reading the ‘Draft’ at a meeting of the Philosophical Society of Edinburgh (Smith 1973: 430 and Nagai 2000: 168).

Hume on ancient and modern population

While likewise referring to Vossius and Montesquieu at the beginning of ‘Antient nations’, Hume is more sceptical than Wallace about population figures mentioned in ancient books. ‘The facts deliver’d by antient authors are either so uncertain or so imperfect as to afford us nothing decisive in this matter’ (Hume 1752: 211–12). Hume does not, therefore, start his research from a calculation of population as Wallace did. The population of ages or kingdoms is much influenced by the situation of society. ‘The question with regard to the comparative

populousness of ages or kingdom implies very important consequences, and commonly determines concerning the preference of their whole police, manners and constitution of government' (Hume 1752: 159). Then Hume begins his study with the comparison between ancient and modern society founded upon the knowledge of the general situation of societies rather than upon uncertain historical data. His gradual dismantling of the unscientific history which relied on the ambiguous descriptions of ancient books marked the beginning of 'theoretical or conjectural history' (Stewart 1980: 293) in the Scottish Enlightenment.

Hume's arguments on ancient society may be considered under the same three headings as those under which I have considered Wallace's views. First, Hume treats the practice of slavery in a cool manner as he says that 'Some passionate admirers of the antients and zealous partizans of civil liberty ... cannot forbear regretting the loss of this institution' (Hume 1752: 161). In contrast with the 'Draft' in which Wallace had argued that ancient slaves were treated much better than modern poor people, Hume describes in detail how ancient slaves suffered extremely harsh conditions, and produces various observations to show that ancient slavery was extremely unfavourable to the growth of population (Hume 1752: 165–79).

Second, Hume seems to agree with Wallace with respect to the advantages of small republics at first. Considering enormous cities as a hotbed of vice and disorder of all kinds, Hume says, 'Where each man had his little house and field to himself, and each country had its capital, free and independent: what a happy situation of mankind! How favourable to industry and agriculture; to marriage and propagation!' (Hume 1752: 183–84) However, Hume goes on to suggest that there were great disadvantages in small republics that nullified these advantages. Their martial spirit, their love of liberty, and their mutual emulation caused perpetual war between them which was greatly destructive because all the inhabitants took arms, and because every frontier was potentially hostile. In addition, the distribution of plunder among soldiers and the very nature of their weapons¹³ made the maxims of ancient war much more destructive than those of modern. Furthermore, it is very difficult to exclude factions from a free government. When one party prevailed in ancient times, they immediately butchered all of the opposite party. There was no process of law, no trial, and no pardon.

Third, 'Trade, manufactures, industry were no where, in former ages, so flourishing as they are at present, in Europe' . Although Athens is said to have been a trading city, 'its commerce, at that time, was so inconsiderable, that ... even the neighbouring coasts of *Asia* were as little frequented by the *Greek* as the pillars of *Hercules*' (Hume 1752: 205). While Wallace did not recognize the importance of modern economy for the increase of population, Hume is clear to say that 'our superior skill in mechanics, the discovery of new worlds, ... the establishment of posts, and the use of bills of exchange; these seem all extremely useful to the encouragement of art, industry, and populousness'. (Hume 1752: 210)

Thus Hume concludes that the situation of society does not appear to have

been more favourable to the increase of population in ancient than in modern times. However, ‘there is no reasoning ... against matter of fact’ (Hume 1752: 211). Then Hume launches into his estimate of population in ancient times. But Hume’s scepticism about the statistical reliability of ancient books made his estimation of ancient population far more cautious. As to Greece, Hume critically examines at length (Hume 1752: 220–26) the numbers mentioned by Athenaeus, namely 21,000 citizens, 10,000 strangers and 400,000 slaves, which Wallace utterly relied on in his calculation. Hume says, ‘the number of slaves is augmented by a whole cypher [zero, i.e. an order of magnitude], and ought not to be regarded more than 40,000’ (Hume 1752: 221).¹⁴ Furthermore, among the numbers of citizens were frequently included not only the inhabitants of the city but also the inhabitants of the neighbouring country. While criticizing Wallace in these ways, Hume himself did not put forward a figure for the total number of inhabitants of ancient Greece.¹⁵

As to the number of people in Rome and Italy, Hume says, it is difficult to know them by collecting all the information afforded us by ancient authors. But we can hardly believe Vossius’s assertion ‘that *Rome* contain’d 14 millions of inhabitants; while the whole kingdom of *France* contains only five’ (Hume 1752: 233). By way of enumerating evidence against the vast population of ancient Rome, he concludes that ‘we have no reason to think that extensive monarchy so destructive, as it is often represented’ (Hume 1752: 257). Rome was most populous and civilized in the age of Trajan and the Antonines (Hume 1752: 254), that is, in the early stages of the Roman empire in the 2nd century AD, just when, according to Wallace, the ancient world began to decline rapidly. Although Hume again did not offer an actual estimate of the ancient population, he could confidently assert the numerical superiority of the modern population:

Chuse *Dover* or *Calais* for a center: Draw a circle of two hundred miles radius: You comprehend *London*, *Paris*, the *Netherlands*, the *United Provinces*, and some of the best cultivated counties of *France* and *England*. It may safely, I think, be affirm’d, that no spot of ground can be found, in antiquity, of equal extent, which contain’d near so many great and populous cities, and was so stockt with riches and inhabitants.

(Hume 1752: 242–43)

Wallace on ancient and modern population in the *Dissertation*

Wallace’s *Dissertation* deserves our attention particularly due to the fact that Wallace develops the ‘law of propagation’ in its introductory part, which is not found in the ‘Draft’. Wallace’s law of propagation has been taken notice of as one of the harbingers of Thomas Robert Malthus (Hartwick 1988). In this view as Wallace expounded it, he observed that mankind does not seem to have appeared everywhere on this earth at once. It sprung from an original pair and increased gradually by propagation. Wallace calculates the rate of increase from

an original pair on the following suppositions: that every marriage produces six children, three males and three females; that among them one male and one female die before marriage; and that all adults marry. Thirty-three and a third years are assumed to be one period, that is, one generation. According to these suppositions, at the end of the first period of $33\frac{1}{3}$ years an original pair have produced six children, three males and three females, of whom one male and one female are dead; thus there are six persons living on the earth, an original pair and two pairs of the second generation. At the end of the second period of $66\frac{2}{3}$ years, while the original pair have died, each of two pairs of the second generation have produced six children, of whom one male and one female are dead; thus there are twelve persons living on the earth, two pairs of the second generation and four pairs of the third. If this continues, mankind doubles in number every $33\frac{1}{3}$ years — that is to say, mankind tends to increase in geometric progression (Wallace 1753: 3–9).¹⁶

Wallace does not insist that this law of propagation is the only possible one. It is a law of propagation based on a set of suppositions. We may assume different laws based on different suppositions. But whatever law we assume, he asserts, mankind is not increasing according to it. Furthermore, we cannot observe ‘that mankind are always increasing, and are most numerous in the ages most distant from the beginning’ (Wallace 1753: 11). On the contrary, mankind appears to have been more numerous in some preceding rather than in some subsequent ages. So Wallace proceeds to investigate the causes of the depopulation. Wallace attaches greater importance to the moral than to the physical causes in the *Dissertation* as well as in the ‘Draft’, and enumerates the following: destructive wars, corrupt institutions of a civil or religious kind, intemperance, debauchery, irregular amours, idleness, luxury, and ‘whatever either prevents marriage, weakens the generating faculties of men, or renders them negligent or incapable of educating their children, and cultivating the earth to advantage’ (Wallace 1753: 13). Since the population is greatly affected by these errors and vices of mankind and by these defects of government and education, the question concerning it is not to be regarded as a matter of pure curiosity, but of the greatest importance.

However, ‘the accounts of antient authors are so incompleat ... that much cannot be expected in a first essay’ (Wallace 1732: 14). Even after the most accurate search, we will perhaps be not able to know precisely the transition of population in particular ages or countries, and ascertain the causes for it. Accordingly Wallace starts his research not from collecting particular facts as in the ‘Draft’, but from laying down ‘some general maxims taken from nature and constant observation, which may be useful to guide us in a more particular comparison’ (Wallace 1753:15). In the *Dissertation* Wallace seems to have come closer to Hume in terms of method.

The general maxims that Wallace develops in the *Dissertation* are as follows. First, ‘In every country, there shall always be found a greater number of inhabitants ... in proportion to the plenty of provisions it affords, as plenty will always encourage the generality of the people to marry’ (Wallace 1753: 15). Therefore,

a rude and barbarous people living by hunting, fishing and the spontaneous product of the earth can never be so numerous as a people who are skilled in agriculture and civilized by arts or commerce. Second, climates and soils in all countries are not equally favourable to propagation, and they make a great difference to population levels.

Third, the population is greatly affected by the institutions concerning the division of land. Wallace insists on the advantages of the equal division of land into small shares. Under such division, ancient nations abounded greatly in people. Though these reflections were found in the 'Draft', in the *Dissertation* Wallace comes to think that the country can be densely populated even with a very unequal division of land 'if arts be encouraged, and the surplus above what will support the labourers of the ground be allotted for such as cultivate the arts and sciences' (Wallace 1753: 17). Furthermore, as Wallace goes on to assert, in a Humean vein:

In whatever country industry prevails, about what subject soever it is employed, provided the produce of it gives a price either at home or abroad, such a country may abound in people, and flourish by arts and commerce: it may even flourish tho' agriculture is not encouraged to the full, and several tracts of land are much neglected. Nay such is the force of industry and commerce, that by means of them many more inhabitants may be maintained in a country, than the produce of the lands can possibly support, as their food may be brought from a distance.

(Wallace 1753: 18)

Thus far in the *Dissertation* Wallace resembles Hume in highly estimating 'the force of industry and commerce', and harbours a design for modern economy initiated by arts and manufacture. But Wallace will gradually alter these views, as we shall see later.

Fourth, where the best policy is taken to encourage marriage, the number of people shall be greatest. Here Wallace regards manners of a people as key factors for the increase of population. Luxury and delicacy, together with sensuality and debauchery, are considered to hinder people from marrying whereas he highly evaluates a simplicity of taste and manners: 'a nation shall be more populous in proportion as good morals and a simplicity of taste and manners prevail, or as the people are more frugal and virtuous' (Wallace 1753: 19). If luxury is the result of industry and commerce, then industry and commerce, which are recommended as favourable factors for population in the third maxim, by this argument seem to become unfavourable.

Fifth, 'As mankind can only be supported by the fruits of the earth and animal food,' (Wallace 1753: 19), 'all mankind should be employed directly in providing food; and this must always be the case till the whole earth shall be cultivated to the full' (Wallace 1753: 21). Thus Wallace comes to deny a growth of population led by arts and manufactures that he proposed in the third maxim. But he does not disapprove all kinds of arts. Among the arts necessary for

providing food Wallace includes ‘the arts of preparing all necessary tools of the best sort, and even cloaths and houses, and what ever tends to preserve health and strength for labour’ (Wallace 1753: 20). These arts are called the ‘arts for use’, and distinguished from the ‘arts for ornament’, which tend only towards ornamentation and delicacy. Upon this distinction, he says that ‘in proportion as the arts for ornament or those for use do most prevail, there shall be, in general, fewer or more inhabitants in the world’ (Wallace 1753: 20). In short, Wallace maintains that the lands are to be cultured at first, and then commerce and manufactures are introduced. This is the natural order of things. Wallace writes: ‘As agriculture advanced, other arts would advance likewise; the most necessary would be first improved, and afterwards the less necessary, those *to wit*, that tended more to refinement than use’ (Wallace 1753: 30–31). Here Wallace appears to anticipate Adam Smith in arguing for the priority of agriculture.¹⁷ Wallace’s implication, however, seems to be the opposite of Smith’s. While Smith perceives the natural progress of opulence in the development from agriculture to manufacture, Wallace thinks that ‘as luxury prevailed, they [i.e. nations] would increase more slowly, and their number at length would begin to diminish’ (Wallace 1753: 31).

After presenting these general maxims, Wallace proceeds to discuss the ancient population. The method of the calculation in the *Dissertation* is much the same as that in the ‘Draft’. Contradicting his doubts about ancient sources at the beginning of the *Dissertation*, Wallace again relies entirely on the numbers mentioned by ancient authors and again calculates the total numbers of inhabitants of cities based on Halley’s rule. Accordingly, the result of calculation in the *Dissertation* does not differ greatly from that in the ‘Draft’.¹⁸ As to Gaul, a considerable part of which overlaps the circle of two hundred miles radius with Dover or Calais for its centre that Hume drew in order to show the superiority of the modern population, Wallace maintains that of the ancient population:

Before the *Roman* conquests, the *Gauls* were a great and populous nation ... It contained not only all *France*, but a considerable part of the *Netherlands*, and some part of *Switzerland*; but it seems to have been equally populous, nay, to have contained more inhabitants than the same extent of country does at present, tho’ some of the best peopled spots in *Europe*, and even the province of *Holland* itself are included.

(Wallace 1753: 68)

Thus Wallace reasserts ‘the superior populousness of antiquity’ in the *Dissertation*. Then, he enumerates ten causes for the decline in the *Dissertation*, one more than in the ‘Draft’. The first cause, ‘difference of religion’ corresponds to the first two in the ‘Draft’, and each of the following seven¹⁹ has its counterpart in the ‘Draft’. What is said about each of these eight causes in the *Dissertation* is almost the same as that about its counterpart in the ‘Draft’, but there are considerable additions to some of them, especially to the seventh cause, ‘neglect of agriculture’. There Wallace describes admiringly and at length the high estimation of

agriculture and simplicity found in Greek and Roman republics (Wallace 1753: 98–104). The last two added in the *Dissertation* — the ninth, ‘the ruin of the antient states by the greater monarchies’, and the tenth, ‘the loss of antient simplicity’ — are not so much the causes of the decrease as a brief history of the ancient world, which shows ‘that not only *Europe*, but also *Asia*, was best peopled before the establishment of great monarchies’ (Wallace 1753: 108). As to Europe, Wallace conjectures that it was best peopled ‘about the time of *Alexander the Great*, and before the *Roman* empire had enslaved the world’ (Wallace 1753: 147), when there were in Europe many small independent states with a simple way of life.

The main text of the *Dissertation* almost literally follows the diagnosis of Britain’s condition and the plans for reform put forward in the ‘Draft’. That is to say, Wallace appeals to the richer families to educate their sons not for liberal professions but for agriculture, and presents a scheme for establishing a fund for widows and their children. In the *Dissertation*, however, Wallace adds some observations on the Highlands of Scotland. After the suppression of the Jacobite rising, he writes, excellent laws were enacted in order to secure the liberty of the whole country and to encourage manufactures and other kinds of labour in Scotland. But the favourable change has not affected the Highlands yet. ‘The highlands continue still in their former state of barbarity and idleness; and indeed will long continue in it, unless some further scheme is carried into execution’ (Wallace 1753: 156). Then Wallace proposes three plans for civilizing and improving the Highlands. First, the lands ought to be improved — chiefly for pasture, because few parts of the Highlands are fitted for agriculture. Second, the only way to make the inhabitants industrious is the introduction of some sort of industry among them. Fisheries appear to be advantageous to the Highlands for geographical reason. Lastly, ‘were it possible’, Wallace writes, ‘to send some industrious tradesmen and manufacturers among them, who might set an immediate example of industry before their eyes, this might engage them to betake themselves sooner to honest labour’ (Wallace 1753: 158).

Wallace maintains the necessity of manufactures to the Highlands. But he distinguishes the ‘arts for use’ and the ‘arts for ornament’, and attaches high priority to the former as noted earlier. Therefore, Wallace reasserts the importance of simplicity in the ‘Conclusion’ of the main text of the *Dissertation* as follows:

The cultivation of these virtues [i.e. frugality, temperance, simplicity and so on] not only makes individuals happy; but ... appears further to be the surest way of rendering the earth populous, and making society flourish ... The decay of these virtues, and the introduction of a corrupted and luxurious taste, have contributed in a great measure to diminish the numbers of mankind in modern days.

(Wallace 1753: 159–160)

Here Mandeville’s paradox, ‘private vices, public benefits’ is attacked. But it is

evident that Wallace has Hume in mind. For Hume regards luxury as refinement in the arts, and insists that ‘the ages of refinement and luxury are both the happiest and most virtuous’ (Hume 1752: 24). Then, Wallace launches bitter criticisms against Hume in the appendix added to the Dissertation.

Conclusion

Hume described a most dismal picture of ancient slavery. But, Wallace argues, while simplicity remained, masters treated their slaves with familiarity. The cruel and brutal treatments of slaves such as *ergastula*, or ‘dungeons, where slaves in chains were forced to work’, which Hume mentioned in ‘Antient nations’, were introduced by the degeneracy of their manners after the establishment of the Roman empire. Furthermore, he contended, Hume’s gloomy observation on the political situation was not true throughout ancient history. ‘The *Greeks* flourished greatly in the arts of peace, and in numbers of people, from the days of the seven sages, till their states were subdued by *Philip of Macedon* and his successors’ (Wallace 1753: 212). So Hume is criticized for representing ‘the antient seat of the muses and the mother of arts and sciences’ with ‘the most frightful images of desolation and confusion’ (Wallace 1753: 212). This remark is also applicable to Rome. The Romans in their early times seem to have been not barbarous but under a most regular and well-ordered police ‘such as may make some modern nations not a little ashamed’ (Wallace 1753: 247). But Roman monarchy was ‘one of the most destructive and tyrannical that can well be imagined’ (Wallace 1753: 249). Thus, in Wallace’s view, the conquest of Alexander the Great and the establishment of the Roman empire was a watershed in the political situation as well as in slavery in ancient times.

Concerning the cruel factious strife in small republics and destructive war between them which Hume assumed to be one of the main causes of the decrease of population, Wallace doubts the numbers of victims mentioned by ancient authors just as Hume does those of inhabitants mentioned by them. A multitude of bloody events that happened in succeeding ages or in different places seem to have been collected together and brought into one view. This is why the accounts of wars in ancient times appear so striking. Furthermore, Wallace enumerates ‘a far more formidable list of civil wars, factions, and devastations for modern times, than our author [i.e. Hume] has done for the antient’ (Wallace 1753: 214–15). In short Wallace maintains ‘that not only no argument can be drawn against the superior populousness of antiquity, from the antient factions and civil wars, but that the argument from this topic is altogether in favour of the antients’ (Wallace 1753: 225). As to Hume’s favourable view of modern economy, Wallace repeats his position by saying that ‘there may be such an extensive trade, and such a variety of manufactures, as will render the world less populous, and prevent the increase of mankind’ (Wallace 1753: 267). It is not refinement and luxury but simplicity of life and manners that makes a nation virtuous and happy. But simplicity should not be understood as ‘a savage fierceness or barbarity, or a total ignorance of arts’ (Wallace 1753: 268). As noted

above, it contains the ‘arts for use’, too. Such simplicity of life and manners was actually obtained among many ancient nations, and it rendered them populous.

After thus criticizing Hume, Wallace concludes the appendix with ‘a trite saying of an antient sage, *Ne quid nimis*’ (Wallace 1753: 328). There seems to be a just standard in nature. If human life comes short of the standard, it ‘must necessarily be deprived of the enjoyment of many conveniencies of which it is capable, and the manners of mankind must incline towards fierceness and superstition’ (Wallace 1753: 329–30). But if human life goes over the proper limit, ‘it introduces effeminacy and softness among mankind ... and excites to an excessive enjoyment of sensual pleasure’ (Wallace 1753: 330). Wallace did not argue that we should ‘go back to any age so distant’, but insisted on ‘that golden mediocrity, which in a great measure constitutes the peace and tranquillity of human life’ (Wallace 1753: 329).

Hume’s response to Wallace’s bitter attacks is found in a footnote replaced in the edition of *Political Discourses* published just after the *Dissertation*.²⁰ Hume acknowledged ‘that his antagonist [i.e. Wallace] has detected many mistakes both in his authorities and reasonings’, and wrote, ‘In this edition, advantage has been taken of his learned animadversions, and the Essay has been rendered less imperfect than formerly’ (Hume 1987: 639). But, as Thomas Hodge Grose says, ‘the corrections introduced at Dr. Wallace’s suggestion are very few, and the vast majority of the “animadversions” were passed over in silence’ (Grose 1882: 58). Hume did not think it necessary at all to amend his arguments following Wallace’s *Dissertation*. Furthermore, Hume withdrew the above-mentioned footnote flattering Wallace in editions after 1770.

On the other hand, Wallace argued again for the superior populousness of the ancient world in *Various Prospects of Mankind, Nature and Providence*, his last work published in 1761 (Wallace 1761: 6). But the Hume–Wallace controversy had entered a new phase. In 1758 Wallace published anonymously *Characteristics of the Present Political State of Great Britain*. In the book Wallace produced ‘a more just and a more agreeable prospect of the present state of Britain, than is to be seen in many late writings’ (Wallace 1758: i). Furthermore, Wallace recognized the importance of industry and commerce, and argued ‘that the riches of Scotland are more increased than the people ... that Scotland is not only richer, but richer in proportion to its inhabitants’ (Wallace 1758: 113). From these optimistic observations Wallace criticized Hume’s severe view on public credit. Wallace appears to have admired the present, and Hume to have blamed the present. This phase of the controversy, however, carries us too far away from the present discussion in the context of the ancient modern controversy in the Scottish Enlightenment.²¹

Notes

- 1 In editions after 1758, this read: ‘there is scarcely a tenth of the number of men on earth that there was in former times.’ (Montesquieu 1973: 203–4).
- 2 Edinburgh University Library, La. II. 96(3). As to the manuscripts relating to Wallace, see Nagai (1980: 166–67; and 2000: 179).

- 3 According to Mossner, Wallace, having received the 'Draft' from Morton, 'began to expand it into a learned dissertation, and it was this enlarged version that was read by Hume in the summer of 1751.' (Mossner 1980: 263) Hume, however, stated: 'an eminent clergyman in *Edinburgh*, having wrote, *some years ago* [my italics], a discourse on the same question with this, of the populousness of antient nations, was pleas'd *lately* [my italics] to communicate it to the author [i.e. Hume].' (Hume 1752: 155) According to Hume's statement, it appears to have been not the enlarged version but the 'Draft' that Wallace showed Hume in the summer.
- 4 As to the details of the progress of the controversy, see Mossner (1943: ch. 5; and 1980: 262–68) and Tanaka (1971: 132–38).
- 5 Stangeland (1904), Bonar (1931), Glass (1978) and Hartwick (1988). Hartwick contains a detailed bibliography of studies on Wallace in the context of the history of population theory. In Western countries, of course, there are excellent studies on the controversy and the relevant topics from other points of view, such as Oake (1941), Mossner (1949), Robbins (1961: ch. 6), Smith (1973 and 1978) and Luehrs (1987).
- 6 Hatori (1957: ch. 4), Nagai (1962: ch. 1) and Tanaka (1971: chs 6, 7). Recently two of the contributors in this volume, Sakamoto and Nagai, have treated Wallace brilliantly from original points of view in Japanese. See Sakamoto (1995: ch. 6) and Nagai (2000: ch. 7).
- 7 In quoting from the 'Draft', the original spelling has been retained, but the capitalization and punctuation modernized.
- 8 'The whole force this city [Breslau] can raise of *Fencible Men* ... is somewhat more than a quarter of the *Number of Souls*, which may perhaps pass for a Rule for all other places' (Halley 1693: 7). Halley says nothing about the number of slaves.
- 9 This ratio is almost the same as that between the extent of Athens and that of all Greece. Cf. Wallace (1753: 55–56).
- 10 To be precise, 308,000 multiplied by ten-sixths equals just over 513,000.
- 11 The figure Wallace erroneously gives. In fact, 2,060,000 plus 6,180,000 equals 8,240,000.
- 12 Based on Fletcher's observation, Wallace mentions 100,000 beggars. But the number mentioned by Fletcher is 200,000. See Fletcher (1979: 55).
- 13 Hume thinks that 'the long, thin lines, requir'd by fire-arms, and the quick decision of the fray' (Hume 1752: 189) make modern war less destructive. Smith too gives an affirmative view of fire-arms, from a different point of view. (Smith 1776: 708)
- 14 As to the number of slaves, John Millar criticizes Hume's supposition and writes: 'there will be no reason to suspect the account [by Athenaeus] either of exaggeration or inaccurate' (Millar 1779: 316).
- 15 But in a footnote Hume estimates the total number of inhabitants in ancient Greece at about 1,380,000 based on an observation by a modern French writer (Hume 1752: 230). Hume's estimation is about 14 percent of Wallace's computation, i.e. 10 million. In the edition just after the publication of the *Dissertation*, this footnote was deleted, and 1,290,000 based on Justin's observation was inserted in the text (Hume 1987: 437).
- 16 Malthus assumed the period as 25 years. In the *Dissertation* we cannot find the observation that the means of subsistence increases in arithmetic progression.
- 17 Smith argued in 1776: 'As subsistence is, in the nature of things, prior to conveniency and luxury, so the industry which procures the former, must necessarily be prior to that which ministers to the latter' (Smith 1776: 377).
- 18 The population of Greece is estimated at about 14,000,000 in the *Dissertation*. Cf. Wallace (1753: 56). To put this claim in context, the actual population of modern Greece (estimate, 2000) is 10,750,705.
- 19 (2) different customs with respect to servants and the maintenance of the poor; (3) different rules of succession to estates; (4) the little encouragement to marriage in

modern times; (5) the greater number of soldiers in the standing armies of Europe; (6) too expensive trade; (7) neglect of agriculture; (8) the different extent of ancient and modern governments.

20 *Political Discourses*, 3rd ed., with additions and corrections, London, 1754.

21 As to this phase of the Hume–Wallace controversy, see Hont (1983: 289–91) and Sakamoto (1995: ch. 6). For a different view of the same issue, see a chapter by Yoshio Nagai in the present volume.

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6 Hume's political economy as a system of manners

Tatsuya Sakamoto

David Hume has long been regarded as one of the most remarkable predecessors of Adam Smith in his economic liberalism. This general historical estimation still survives, but with some serious reservations. First, systematic study of Hume's thought has led to a widely shared view that Hume's economic thought ought to be understood as an essential part of what he called 'the Science of Man' and that he never intended to establish any autonomous scientific discipline to be labelled 'economics'.¹ Second, the place of Smith as the founder of economic science is being seriously challenged. It is now widely believed by scholars of Smith and the Scottish Enlightenment that Smith himself should be placed back into the philosophical, political and ideological contexts of his day and be examined in his own right and not merely as the founder of the bourgeois science of economics. Should this be the case, the sense in which to claim that Hume was one of Smith's most important predecessors must be revised accordingly.²

In this chapter I will discuss one of the original ways in which Hume extensively wrote about a variety of economic subjects. One can hardly develop a systematic analysis of this subject within the limited space of the current chapter. Instead I seek to take an indirect route by shedding an analytical light upon a specific idea in Hume with a view to providing a more consistent account of the precise place that he occupies in the economic thought of the Scottish Enlightenment. It will be argued that the central idea permeating Hume's economic discourses is that of 'manners'. From this analytical viewpoint I will follow threads of argument from *A Treatise of Human Nature* (1739–40, *Treatise* hereafter) to the *History of England* (1754–61) expecting to demonstrate a growing importance of this idea, which gradually took form in response to Hume's intellectual requirements at several stages of his life and career.

As is now universally allowed, *Treatise* built a philosophical foundation for Hume's project to found the science of human nature. As one of the most successful products of this project *Political Discourses* (1752) was a work in which Hume's economic thought was systematically presented.³ At least three substantial connections between the two works are identifiable. First, the theory of knowledge and empirical reasoning developed in Book I of *Treatise* provided a

methodological framework for whatever political and economic analysis of causal factors Hume was to make in *Political Discourses*, as typically illustrated by his essays on money and the balance of trade.⁴ Second, the theory of the passions and sympathy as formulated in Book II of *Treatise* set the psychological framework within which Hume went on to discuss, in *Political Discourses*, the way in which the passions and interests generate the economic behaviour of individuals. Third, the theory of justice, property and government in Book III of *Treatise* continued to provide Hume's economic discourse with the legal and institutional framework within which men's economic behaviour in market relations is supposed to operate.⁵ Hume was repeatedly to confirm his view that the moral and political principles of the rule of law ought to be regarded as the most essential condition for a stable and enduring development of civilized society.

However, for providing Hume's political economy with a full theoretical justification, there remains to be investigated another organizing principle that binds together all of the above three lines of arguments. That is a concept of 'manners'. As Nicholas Phillipson argued (Phillipson 1993), the idea of 'politeness' lay at the heart of Hume's view of modern civilized society, but it had earlier been at the centre of the neo-Ciceronian civic discourses of Joseph Addison. Addison's moral and political works were strategically directed towards the newly emerging groups of citizens in the metropolis. They represented the new civic and commercialized values of 'politeness' and effectively brought about a transformation in the mode of moral and political theorizing of the new social order. I would further suggest, as an extension of this argument, that the significance of Hume's idea of 'politeness' can also best be understood when a more analytical than moral understanding of 'politeness' is emphasized, in the form of 'manners'. This seems to have a particular interpretative relevance when one seeks to understand the genesis of Hume's economic thought as the result of his deepening personal experience after he published *Treatise* and the *Essays Moral and Political* (1741–42, *Essays* hereafter).

I turn in this connection to John Pocock's suggestion (Pocock 1985: 47–50) that the traditional contradictory relationship between a political and 'civic' concept of 'virtue' and a juridical and 'civil' concept of 'right' came to transform itself after the Revolution of 1688 under historical pressures of commercialization in mid-eighteenth century Britain. As a result, Pocock argues, the new idea of 'manners' gradually emerged in such a way as to function as a mediating concept between an increasingly commercialized idea of virtue and a profoundly socialized idea of right. This linguistic turn could be taken to signify a mere reformulation of the commerce-liberty theme in the historiography with a particular emphasis upon the powerful role of commercialized manners to undermine feudal community and to generate the modern system of liberty. However, Pocock's suggestion is striking in the sense that it proposes to grasp the high tide of the process of civilization by the emergence of the concept of manners. What I seek to establish in this chapter is what

seems to have escaped Pocock's account, namely, the primary importance of Hume's economic writings in this process of conceptual transformation.⁶

Polity and economy in the civilized monarchy

Hume's initial inquiry into this subject started as early as 1741 and 1742 when he published *Essays*. In two closely related chapters, 'Of Liberty and Despotism' and 'Of the Rise and Progress of the Arts and Sciences', Hume presented a fundamental criticism of the traditional Whiggish distinction between republican liberty and monarchical despotism. According to this distinction, commerce on the one hand and the arts and sciences on the other never flourish except in free governments (i.e. republics and limited monarchies). Hume refutes this classical republican view by employing ancient and modern historical sources and concludes that modern civilized monarchies, represented by the Bourbon and Tudor absolute monarchies, were far from despotic. On the contrary, they achieved a high level of 'the rule of law'. Hume says, 'It may now be affirmed of civilized monarchies, what was formerly said in praise of republics alone, that they are a government of Laws, not of Men. They are found susceptible of order, method, and constancy, to a surprizing degree' (Hume 1741–42: 94). What Hume praises about civilized monarchy is the security of individual liberty and property and the resulting economic prosperity. Even if far inferior to that of post-Revolution England, the degree of the security of property under civilized monarchies was effective enough to generate individual economic activities at the early stage of a market economy in modern Europe.⁷ Hume's insight into the modern nature of European monarchies was founded upon his idea of the market economy as an essentially modern historical phenomenon. A market economy propelled by individuals' self-interested needs and expanding by international commerce was necessarily transforming the nature of the early-modern absolutist government which was then emerging in post-feudal Europe. English constitutionalist and republican prejudice against European monarchies as ultimately despotic is a result of its failure to appreciate this modern nature.

Even Machiavelli, admired by many as the founder of modern politics, made the mistake, according to Hume, that '... his reasonings especially upon monarchical government, have been found extremely defective ...' This was chiefly because the vital significance of trade and commerce for the modern state, be it republican or monarchical, escaped the attention of political writers until quite recently. 'Trade was never esteemed an affair of state till the last century; and there scarcely is any ancient writer on politics, who has made mention of it' (Hume 1741–42: 88). Hume made a more direct criticism of Machiavelli in what Mossner called Hume's 'Early Memoranda' by saying 'There is not a Word of Trade in all Matchiavel, which is strange considering that Florence rose only by trade' (Mossner 1948: 508).⁸ Ancient Greek and Roman writers on politics were completely silent on the commercial nature of government simply because their society itself was essentially non-commercial as illustrated by the universal prevalence of the agrarian laws. Hume was later to confirm this view in 'Of the

Populousness in Ancient Nations' in *Political Discourses* by writing that 'I do not remember a passage in any ancient author, where the growth of a city is ascribed to the establishment of a manufacture' and to argue that 'The commerce, which is said to flourish, is chiefly the exchange of those commodities, for which different soils and climates were suited' (Hume 1752: 418).

Thus Hume's theory of civilized monarchy provided a vital starting point for his further inquiry into the mutual relationship between commerce, liberty and political constitution in modern civilized society. But, it must be remembered at the same time that Hume's discussion, at this stage of his argument, was in the context of the republic-monarchy dichotomy. When further examined, his insight into the peculiarly modern and commercial character of civilized monarchies turn out to have derived from the Whig distinction between liberty and despotism. Hume declares that 'However perfect, therefore, the monarchical form may appear to some politicians, it owes all its perfection to the republican' because in his view 'it must borrow its laws, and methods, and institutions, and consequently its stability and order, from free governments. These advantages are the sole growth of republics' (Hume 1741-42: 125).

Hume was convinced that civilized monarchy could generate the principle of the rule of law from within only by borrowing it from republican government. The crucial question to be asked here is 'Who decided to borrow it in the first place?'. It was, in Hume's view, a particular prince or monarch who was prudent and forward-looking enough to make a decisive step towards building a civilized monarchy founded upon the rule of law, which meant a general protection of individual liberty and property. A further question of fundamental importance is 'What made it possible that such an exceptional prince was born in a monarchical government?'. This concerns the social and historical conditions required for the emergence of a civilized monarch. Hume's following remarks can be taken as an answer to this question.

A republic without laws can never have any duration. On the contrary, in a monarchical government, law arises not necessarily from the forms of government ... Great wisdom and reflexion can alone reconcile them. But such a degree of wisdom can never be expected, before the greater refinements and improvements of human reason. These refinements require curiosity, security, and law. The first growth, therefore, of the arts and sciences can never be expected in despotic governments.

(Hume 1741-42:118)

Obviously Hume was far from comfortable at seeing the 'Great wisdom and reflexion' of a particular monarch as a mere historical accident, and so attempted to locate the more universal cause for the internal transformation in 'the greater refinements and improvements of human reason'. However one can easily detect a circularity in this reasoning. On the one hand, the 'Great wisdom and reflexion' of a particular monarch must be preceded by the more universal diffusion and refinement of the 'human reason' in general, but on the

other, this generally improved intellectual level of the people must be further presupposed by the introduction by that same monarch of the rule of law from republican or free governments.

Transformation of Hume's view of civilized monarchy

From early 1748 for almost a year Hume made an extensive tour over the Continent as a member of the diplomatic expedition of Lieutenant-General James St Claire. On their way to the final destination, Turin, he called at major cities in Germany, Austria and Italy. Among many interesting events and episodes, I would like to draw special attention to the genesis of his belief in the primacy of moral over physical causes in determining national characters. This discovery was to develop into a systematic study in a new essay entitled 'Of National Characters' added in the 1748 edition of the *Essays*. Regarding the date of composition of this essay, there is a famous case presented by Paul Chamley. In this closely argued work Chamley seeks to establish that the basic ideas of Hume's essay were originally inspired by his encounter during his stay in Turin with Montesquieu's *L'Esprit des lois*, which was still in printing in Geneva and was published in November 1748. On the basis of detailed historical research, but making a due reservation about the final validity of the hypothesis, Chamley concludes that 'Since the *Essay* fits in exactly with the part of *L'Esprit des lois* dealing with the influence of climate on national characters, Hume's information must have gone at least as far as that' (Chamley 1975: 296).

I suggest instead with an equal conviction — though not necessarily in contradiction to Chamley's argument — that Hume's essay as a fundamental criticism of the climatic theory of national character was an inevitable by-product of his extensive tour through European countries, including both rich and poor, growing and stagnating countries and regions. On the basis of his first-hand observation of the differences and varieties in moral, political and economic conditions of those countries, it is most likely that Hume was forced to realize that these differences were totally unaccountable by purely climatic or physical causes. This should not sound odd when we are reminded of the long-standing European debate concerning the relative importance of moral and physical factors as a part of the more extensive ancient–modern controversy (Mossner 1949). Furthermore, in Hume's case, the theory of civilized monarchy should have served as an effective tool for understanding the striking social realities of European countries that were totally different from what the British people were made to believe. Germany, in particular, had a tremendous impact on Hume, making him doubt the truth of the commonly-held prejudice against the region. He even made a bold prediction about the formidable place in Europe which a unified Germany might occupy in the future.

Germany is undoubtedly a very fine Country, full of industrious honest People, & were it united it woud [*sic*] be the greatest Power that ever was in

the World. The common People are here, almost every where, much better treated & more at their Ease, than in France; and are not very much inferior to the English, notwithstanding all the Airs the latter give themselves.

There are great Advantages, in travelling, & nothing serves more to remove Prejudices: For I confess I had entertain'd no such advantageous Idea of Germany.

(Hume 1932: 1,126).

This observation makes a sharp contrast with what Hume was to experience during his travels in Austria. There was an infinite variety of social and economic conditions in which people lived under the same Austrian rule. Hume was devastated to see extreme poverty at Knittelfeld in Stiria, only 120 miles from Vienna. He wrote, 'But as much as the Country is agreeable in its Wildness; as much are the Inhabitants savage & deform'd & monstrous in their Appearance ... Their Dress is scarce European as their Figure is scarce human' (Hume 1932: 1, 130). However, as he travelled further into the Tirol, he was once again surprised to find diametrically opposite social conditions. 'The Inhabitants are there as remarkably beautiful as the Stirians are ugly ... Yet their Country is wilder than Stiria. The Hills higher, & the Vallies narrower & more barren. They are both Germans subject to the House of Austria'. Hume draws from this observation an interesting general remark that 'it wou'd puzzle a Naturalist or Politician to find the Reason of so great and remarkable a Difference' (Hume 1932: 1, 131).

This brief survey seems to clarify the extent to which Hume had already grasped what was to become a more systematic argument against the climatic theory. Apart from Chamley's interesting point concerning when and how Hume actually encountered the information or rumour concerning *L'Esprit des lois*, he had independently developed his thoughts about the relative superiority of moral over physical causes in producing a variety of national characters. His assertion that neither 'a naturalist' nor 'politician' would be able to provide a coherent account of 'so great and remarkable a Difference' strongly suggests that at this point of his journey Hume was led to a certain awareness that not only physical, climatic and geographical conditions, but also the purely political or constitutional system of a given society, are equally unable to explain the variety of its social and economic conditions. In other words the touring experience convinced him that some fundamental causes, neither physical nor political, determine the type of social and economic development of a nation.

In the published essay, Hume declares: 'That the character of a nation will much depend on moral causes, must be evident to the most superficial observer.' He endorses this general maxim by reducing a vulgar notion of national character into 'a peculiar set of manners' in an empiricist fashion and attempts to give a scientific account of the way in which moral causes determine the manners of a people. Hume defines moral causes as 'all circumstances, which are fitted to work on the mind as motives or reasons, and which render a peculiar set of manners habitual to us'. These circumstances include 'the nature of

the government, the revolutions of public affairs, the plenty or penury in which the people live, the situation of the nation with regard to its neighbours, and such like circumstances' (Hume 1748: 198). Thus in this essay Hume regards manners as something passively worked on by a set of moral causes that include political, economic and geopolitical circumstances.

As to more precise ways in which moral causes determine people's manners, Hume gives nine cases as evidence (Hume 1748: 204–06).⁹ However, it is difficult to avoid the impression that this seems to be an *ad hoc* enumeration of specific examples rather than a systematic analysis of the question. In particular, these nine accounts are largely politically orientated. For instance he says: 'Where the government of a nation is altogether republican, it is apt to beget a peculiar set of manners. Where it is altogether monarchical, it is more apt to have the same effect.' Then Hume explains why the English people have no particular character as a nation as do other European peoples. 'But the ENGLISH government is a mixture of monarchy, aristocracy, and democracy ... Hence the ENGLISH, of any people in the universe, have the least of a national character; unless this very singularity may pass for such' (Hume 1748: 207). This particular remark makes us believe that Hume was still thinking within the monarchy–republic dichotomy, as was the case in his earlier essays. In other words Hume ultimately fails here to give a consistent account of the exact way in which 'a peculiar set of manners' becomes habitual by moral causes. Hume's position in this essay is transitional. Though the essay is a clear statement of the primacy of moral causes in determining national characters, it does not yet provide any systematic reasoning that reveals the mutual relationship between moral causes in general and the 'peculiar set of manners'. Notwithstanding Hume's straightforward refusal to permit even secondary roles to physical causes, the essay as a whole ends up confirming the centrality of political and constitutional causes in the traditional fashion.

'Industry, knowledge and humanity' at the centre of the theory of manners

Political Discourses, published in 1752 is the chief arena in which Hume developed his theory of modern commercial society. Eight chapters out of the twelve are devoted to specifically economic subjects. Notwithstanding its apparent want of systematic character in the formal sense, it contains almost every important subject of political economy, with an extensive coverage of commerce, luxury, population, money, the balance of trade, interest and public debt. Among these, the theoretical core of Hume's economic thought as a whole is his view of economic development. This is further divided into two components. The first is a systematic analysis of the mutual relationship between commerce and luxury, and the second is the theory of money as a logical and historical extension of the first argument. I discuss the first question in this section and the second in the next.

Hume's understanding of industry, commerce and luxury is presented as a

closely unified whole. More crucially in the present context an idea of 'manners' constitutes the unifying conceptual apparatus. Hume's defence of luxury was forcefully directed against a profoundly hostile tradition of attitudes concerning the moral worth of luxurious consumption that was prevailing in Hume's native Scotland in the eighteenth century. Against all these, Hume attempts to present a full consistent vindication by a radical reformulation of luxury as 'refinement in the arts'.

But where luxury nourishes commerce and industry, the peasants, by a proper cultivation of the land, become rich and independent; while the tradesmen and merchants acquire a share of the property, and draw authority and consideration to that middling rank of men, who are the best and firmest basis of public liberty ... The lower house is the support of our popular government; and all the world acknowledges, that it owed its chief influence and consideration to the encrease of commerce, which threw such a balance of property into the hands of the commons. How inconsistent then is it to blame so violently a refinement in the arts, and to represent it as the bane of liberty and public spirit!

(Hume 1752: 277–78)

As Hume contends, commerce generates popular wealth; popular wealth further generates a popular demand for the rule of law and a regular constitutional government. In a cursory view, this could be read simply as a Humean formulation of the 'commerce-liberty' theme in the general context of morals and politics in eighteenth-century Britain. The theme was being presented in various ideological forms in almost unconditional praise of English (and British) liberty and in opposition to the classical republican criticism of luxury. Indeed the last sentence seems to endorse this reading. However, when we are reminded of Hume's series of attempts to depart from this mainstream Whiggish view, the quotation appears in a completely different light. Hume's criticism of the 'civic' attack against luxury never meant his simple subscription to the 'civil' defence of the Whig establishment. This subject had already formed the substance of his theory of civilized monarchy in *Essays*. Upon the critical reflection that the theory still remained within the conceptual limitation of the liberty–despotism dichotomy, Hume made the first attempt in the essay on national characters to introduce a concept of 'manners' as a possible substitute for the vulgar Whiggish dichotomy, though the attempt failed in the last analysis. Seen in this new light it seems almost certain that Hume made yet another attempt in *Political Discourses* to revise radically the way in which the commerce-liberty theme ought to be presented. It was a further formulation of the concept of 'manners' in such a way as to strengthen its explaining ability from something passive as a historical product determined by moral causes to a fundamentally active principle as the motivating engine of civilization.

I hold that this transformation was achieved by the introduction of 'knowledge' as the primary force in the triangle 'industry, knowledge, humanity'. Hume

identifies two principal roles for knowledge in the civilizing process. One is knowledge as the source of technological and industrial progress. Hume famously declares, ‘Thus industry, knowledge, and humanity, are linked together by an indissoluble chain’ (Hume 1752: 271). In Hume’s view, industry promotes knowledge, and knowledge promotes industry. But here the relationship between the two is neither simply mutual nor reciprocal because he says, ‘Another advantage of industry and of refinements in the mechanical arts, is, that they commonly produce some refinements in the liberal’ (Hume 1752: 270–71). Hume places an unequivocal emphasis on the idea that industry originally produces knowledge and not vice versa. He here assumes that men’s industrial activities generate as their indispensable means a set of primary knowledge in the form of ‘mechanical arts’ and this further produces the more advanced and higher kinds of knowledge in the name of the liberal arts. Hume was not a simple Baconian or Enlightenment philosopher who believed in knowledge as the sole spring of every human progress without a due regard to its historical and social conditions. However he immediately adds that once the *knowledge-producing* pattern of industrial growth is set in motion, then the *knowledge-produced* pattern of economic growth necessarily begins to grow with an almost equal force. ‘This industry is much promoted by the knowledge inseparable from ages of art and refinement’ (Hume 1752: 273). This is further confirmed by his most well-known remark that ‘We cannot reasonably expect, that a piece of woollen cloth will be wrought to perfection in a nation, which is ignorant of astronomy, or where ethics are neglected. The spirit of the age affects all the arts’ (Hume 1752: 271).

Hume’s account so far is certainly revealing in its emphasis and formulation in comparison with other Scottish thinkers, but one might argue that it is not genuinely original. In contrast, the other crucial way in which Hume relates knowledge to civilization is undoubtedly highly original in its political and legal characterization. It is not only that a nation whose wealth has grown large enough as a result of the knowledge-producing pattern of economic growth affords ‘a kind of storehouse of labour, which, in the exigencies of state, may be turned to the public service’ (Hume 1752: 272). More significantly, this pattern of economic development necessarily builds and strengthens the moral and intellectual foundation of the principle of the rule of law. Hume introduces this argument in a deliberately rhetorical tone which makes readers feel that this was exactly what he was seeking to address throughout his argument.

But industry, knowledge, and humanity, are not advantageous in private life alone: They diffuse their beneficial influence on the public, and render the government as great and flourishing as they make individuals happy and prosperous ... Laws, order, police, discipline; these can never be carried to any degree of perfection, before human reason has refined itself by exercise, and by an application to the more vulgar arts, at least, of commerce and manufacture. Can we expect, that a government will be well modelled by a

people, who know not how to make a spinning-wheel, or to employ a loom to advantage?

(Hume 1752: 272–73)

Hume's particular emphasis in this passage upon the vital role of knowledge as an intellectual source and foundation of the rule of law deserves special attention in the context of the genesis of Hume's thought, in two senses. First, it effectively dissolves the circularity of 1742 between the wisdom and reflection of a civilized monarch, the more universal improvement of human reason and the rule of law. Here we find that the 'greater refinements and improvements of human reason' (Hume 1741–42: 118) described in *Essays* as the precondition of the emergence of a civilized monarch *and* as the necessary product of the principle of the rule of law are translated into the intellectual improvement of the people in general 'by an application [of human reason] to the more vulgar arts, at least, of commerce and manufacture'. Hume claims that the principle of the rule of law could have been generated by way of the knowledge-producing pattern of economic and social development without an enlightened monarch importing or borrowing the same principle from any free state. On the contrary the civilized monarch itself is regarded by Hume as the necessary product of the application of human reason to 'the more vulgar arts, at least, of commerce and manufacture'.

Second, this argument presents an almost final solution of the problem posed in the essay of 1748 by giving a detailed account of how people's industrious manners generate a system of the rule of law. In the earlier essay Hume could not give an adequate account of the irregular distribution of wealth and power either by purely physical or political causes. Now he is able to offer an alternative account of the same question by appealing to varying degrees and modes of the realization of the *knowledge-producing* pattern of economic development. This was most impressively achieved by his comparative account of English wealth and Italian poverty. In 'Of Commerce' Hume introduces the argument (Hume 1752: 266–67) by referring to 'an odd position, that the poverty of the common people in FRANCE, ITALY, and SPAIN, is, in some measure, owing to the superior riches of the soil and happiness of the climate'. Hume seeks to 'justify this paradox' by a criticism of climatic theory and instead develops a theory of investment and long-lease for independent farmers. 'In England the land is rich, but coarse; must be cultivated at a great expence ... A farmer, therefore, in ENGLAND must have a considerable stock, and a long lease'. Climatic and geographical circumstances not favourable to man require these legal conditions and they in turn promise a steady economic growth. In contrast, 'In such a fine mould or soil as that of those more southern regions, agriculture is an easy art' and 'Such poor peasants, therefore, require only a simple maintenance for their labour'. The resulting want of long-term investment and the instability of the liberty and property of the peasants explain the stagnant state of the economy in those countries. Hume makes a concluding remark in the essay which amply shows his intellectual concern to undermine the climatic theory and demolish

the Whiggish constitutional prejudice by one and the same logic of manners. 'Where so considerable a number of the labouring poor as the peasants and farmers are in very low circumstances, all the rest must partake of their poverty, whether the government of that nation be monarchical or republican' (Hume 1752: 267).

Money versus Manners in Hume's theory of money

Hume's monetary theory has been the most influential and the most widely known part of his economic writings. In particular, the ambiguous relationship in Hume's account between the neutrality of money, which is prominently argued for in his quantity theory on the one hand, and its non-neutrality, which he seems to confirm in various contexts, has been the focus of the debate to this day. As a Nobel Prize winner claimed, 'This tension between two incompatible ideas ... has been at the center of monetary theory at least since Hume wrote' (Lucas, Jr. 1996: 664). I try in this context to shed new light on this question by a theoretical and historical reinterpretation of Hume's concept of manners. I will aim to show that the concept plays a vital role in unifying the two seemingly contradictory views, and successfully moderates, not to say completely resolves, the theoretical tension.

For examining this question in a proper manner, it is useful to remember that the larger part of Hume's essay 'Of Money' is devoted to an analysis of money that is broadly favourable to the non-neutrality view. After giving a brief account of the essence of quantity theory (which he does as if it were a commonly held opinion) together with a critical view of paper-credit and bank notes, Hume begins an extended argument for an apparent non-neutrality of money and says that 'I shall finish this essay on money, by proposing and explaining two observations, which may, perhaps, serve to employ the thoughts of our speculative politicians' (Hume 1752: 285). One of the two observations discusses the unquestionable rise of commercial activities in Europe as a consequence of the steady inflow of money since the discovery of the West Indies. The other concerns the poverty of some European countries which seems equally to have derived from monetary causes — in this case, the scarcity of money. However the way in which these causes are related by Hume to each consequence is quite different from each other. In the former case, Hume endorses the common view by saying 'this may justly be ascribed, amongst other reasons, to the encrease of gold and silver' (Hume 1752: 286) while for the latter he emphasizes 'the fallacy of the remark, often to be met with in historians, and even in common conversation, that any particular state is weak, though fertile, populous, and well cultivated, merely because it wants money' (Hume 1752: 293). Nonetheless Hume grasps the two cases as having the essentially same theoretical significance because they equally seem to contradict his own belief in the neutrality of money with respect to the wealth and political strength of a nation. Thus Hume had an obvious reason to say, 'The contradiction is only apparent; but it requires some thought and reflection to discover the principles, by which we can reconcile

reason to experience' (Hume 1752: 290). I argue that Hume achieves this theoretical reconciliation by the concept of manners.

Regarding the first example, he carefully excludes Spain and Portugal from those countries where monetary causes actually worked by saying '... industry has encreased in all the nations of EUROPE, except in the possessors of those mines' (Hume 1752: 292). This suggests his belief that the increase of money from America resulted in a positive increase of industry only in those countries where industrious manners had already been in existence independently of or prior to that increase. Concerning England, Hume says in 'Of Interest' that, 'if the industry of ENGLAND had risen as much from other causes, (and that rise might easily have happened, though the stock of money had remained the same) must not all the same consequences have followed, which we observe at present?' (Hume 1752: 306). Hume believes that only on this condition could an additional increase of money supply provide an incentive or encouragement to industrious activities in those countries.¹⁰ In contrast, Hume explains in 'Of the Balance of Trade' that the reason Spain and Portugal have had difficulty in maintaining the flow of money that they got from their colonies was due to the total want of industrious manners in those countries. Hume asks, 'Can one imagine, that it had ever been possible, by any laws, or even by any art or industry, to have kept all the money in SPAIN, which the galleons have brought from the INDIES?' and answers, 'What other reason, indeed, is there, why all nations, at present, gain in their trade with SPAIN and PORTUGAL; but because it is impossible to heap up money, more than any fluid, beyond its proper level?' (Hume 1752:312).¹¹

Concerning the second case, Hume draws readers' attention to 'a greater disproportion between the force of GERMANY, at present, and what it was three centuries ago, than there is in its industry, people, and manufactures'. On the other hand, Hume allows that 'The AUSTRIAN dominions in the empire are in general well peopled and well cultivated, and are of great extent; but have not a proportionable weight in the balance of Europe; proceeding, as is commonly supposed, from the scarcity of money' (Hume 1752: 289). This seems to contradict 'that principle of reason, that the quantity of gold and silver is in itself altogether indifferent ...'. He attempts to solve 'these difficulties' by asserting that 'the effect, here supposed to flow from scarcity of money, really arises from the manners and customs of the people; and that we mistake, as is too usual, a collateral effect for a cause' (Hume 1752: 290). Hume undoubtedly regards 'the manners and customs of the people' as the chief cause of the political power of a nation, and that the plenty or scarcity of money should be taken as merely 'a collateral effect' of the same cause. In other words, Austria is weaker than it could have been not because it wants money but because the country is not industrious enough to make the fullest use of whatever quantity of money which happens to exist in the country. Hume here implicitly introduces an idea of the velocity of money and incorporates it into his precise formulation of quantity theory by saying 'It is the proportion between the circulating money, and the commodities in the market, which determines the prices' (Hume 1752:

291). However Hume's notion of velocity is part of his idea of manners and closely interwoven with industrious manners as the prime engine of a nation's economic development. Germany had achieved its present national power, he proposed, by circulating the quantity of money available with utmost velocity, and this was possible only on the condition that the country had independently nurtured the industrious manners and customs of the people.

Hume further generalizes this analysis into a theoretical account of the reason why the general price level of European countries has 'only risen three, or at most four times since the discovery of the West Indies' while the total quantity of money in Europe must have increased during the same period infinitely more by any calculation. Hume solves this question by clearly distinguishing between the increase of money from the West Indies and the more endogenous industrious manners of European peoples after they 'depart from their ancient simplicity of manners'. This categorical distinction explains the sense in which Hume wrote the following answer to the historical question:

no other satisfactory reason can be given, why all prices have not risen to a much more exorbitant height, except that which is derived from a change of customs and manners ... And though this encrease has not been equal to that of money, it has, however, been considerable, and has preserved the proportion between coin and commodities nearer the ancient standard.

(Hume 1752: 292–93).

As Hume understands it, this change of manners was initiated by the importation of foreign luxurious products by city merchants for the consumption of the country nobility and gentry. This generates the original mode of the new way of life and manners among these wealthy classes but is immediately spread and developed by imitation and sympathy into the new ways of living and spending among the common people. This account might appear to contradict his claim that industrious manners must have been prepared prior to the inflow of money in order to cause an accelerated economic development. However, this doubt is resolved when it is recalled that Hume made a consistent and clear categorical distinction between the increase of money on the one hand and that of luxurious products and consumption on the other. The latter and not the former was the very thing that Hume believed to have caused the most fundamental transformation of European society by the new way of life and to have further generated a new motivation for economic activities in the name of 'manners'.

Thus the neutrality of money was made theoretically compatible by Hume with those empirical observations which make us believe in the non-neutrality of money. The two contrasting views of money are unified at a deeper level of theorizing by the concept of manners. Indeed, 'The absolute quantity of the precious metals is a matter of great indifference' as Hume says at the end of the essay. But the *relative* quantity in the sense of increasing or circulating money, first as the necessary manifestation of a people's industrious manners and second as a further impetus and acceleration to that endogenous manners, is certainly signifi-

cant and has actually caused those visible historical consequences in shaping the modern civilized society in Europe. We now easily understand the profound sense in which Hume is happy to remark that 'there are only two circumstances of any importance, namely, their gradual encrease, and their thorough concoction and circulation through the state; and the influence of both these circumstances has here been explained'. Though the limitation of space prohibits a further inquiry here along these interpretative lines, it is confirmed by Hume's own words:

In the following Essay ['Of Interest'] we shall see an instance of a like fallacy as that above mentioned; where a collateral effect is taken for a cause, and where a consequence is ascribed to the plenty of money; though it be really owing to a change in the manners and customs of the people.

(Hume 1752: 294)

Conclusion

Looking back upon what we have seen so far, it is almost clear that manners as the fundamental motivating force for economic development and civilization is logically identical with the knowledge-producing pattern of economic development. Comparative constitutional analysis in the *Essays* in favour of the civilized monarchy but ultimately rooted in the vulgar liberty-despotism dichotomy was replaced by the theory of moral causes in the essay on national characters. Hume's empiricist and reductionist method of the essay was successful in several ways, yet it lacked final clarity regarding how manners interact with moral causes in forming a specific national character. This gave way to a more systematic and mature theory of manners in *Political Discourses* as the knowledge-producing theory of economic development. In this development, what the theory achieved was threefold. First it effectively undermined the Whiggish prejudice against modern civilized monarchy by linking people's intellectual improvement as a result of knowledge-producing types of economic activity with an emergence of a civilized monarch as its historical outcome. Second, it threw into fundamental doubt the then still-influential climatic theory of national characters and development. Third and foremost, it finally provided the theoretical basis upon which to build the universal vision of economic development as motivated by the 'indissoluble chain' of 'knowledge, industry and humanity' and concurrently generating the principle of the rule of law from within. The following remark by Hume in the fourth volume of the *History of England* published in 1759 represents his final view of this issue by exposing the internal relationship between manners, economic development and a wise and prudent monarch (in this case, Henry VII),¹²

Whatever may be commonly imagined, from the authority of lord Bacon, and from that of Harrington, and later authors, the laws of Henry VII contributed very little towards the great revolution, which happened about this period in

the English constitution ... the change of manners was the chief cause of the secret revolution of government, and subverted the power of the barons.

(Hume 1778: 4,384).

If Phillipson's 'politeness' and Pocock's 'manners' can be taken to show two ways of describing the indispensable role of urban commerce for modern civilization in general, it was Adam Smith who pointed out in the clearest terms the pioneering status of Hume in the discovery of the same truth. At the end of Book III, Chapter 4 of the *Wealth of Nations*, Smith explains how the rise of modern commercial towns made an initial and decisive step towards the improvement of the country. After explaining that towns provide 'a great and ready market' for agricultural products and that merchants usually become 'the best of all improvers' of the country, Smith asserts that 'commerce and manufacturing gradually introduced order and good government, and with them, the liberty and security of individuals, among the inhabitants of the country'. He then strikingly writes: 'This, though it has been the least observed, is by far the most important of all their effects. Mr. Hume is the only writer who, so far as I know, has hitherto taken notice of it' (Smith 1776: 412).

Considering Smith's general reluctance to mention other authors' names in the text, his exclusive mention of Hume's name was certainly exceptional and not accidental.¹³ Smith intended to make clear that Hume was truly the 'only writer' who could understand the genuine sense in which 'the silent and insensible operation of foreign commerce and manufactures' (Smith 1776: 418) of the towns was the decisive historical cause of the individual liberty of the country. It is even possible that Smith was critical of the other authors, all being his friends, who discussed the same subject in a similar fashion after Hume but did not make due acknowledgment to him. Even if so, Smith probably believed that this was not due to any lack of their respect for their common friend, but a result of their failure to understand the true depth of the question and the unprecedented ingenuity of Hume's answer that he gave as a system of manners.

Notes

- 1 Eugene Rotwein's introduction to his edition of Hume's economic writings still deserves careful study as a landmark on the road towards this new trend of Hume studies in economic thought (Rotwein 1955). A most reliable recent account is given in Skinner (1993).
- 2 Influential works discussing the Hume–Smith relationship in its historical context include Winch (1978), Haakonssen (1981), and Hont and Ignatieff eds (1983).
- 3 For a representative account, see Teichgraber, III (1986), chap. III.
- 4 For an extensive exposition of the methodological foundation of Hume's economic analysis, see Schabas (2001). For the specific connection between *Treatise* and Hume's monetary theory, see Wennerlind (2001).
- 5 Haakonssen (1996) provides a reliable account of this framework.
- 6 Theoretical tension between the 'civil' and the 'civic' persisting throughout Hume's life is highlighted in detail in Robertson (1983).
- 7 Hume's idea was translated into a wider conceptual dichotomy between 'scientific' and 'vulgar' Whiggisms by Forbes (1975) chapter 5. For a critical updated appraisal of the thesis, see Robertson (1993).

- 8 Scholars have cast “doubts” on Mossner’s dating of this set of manuscripts and there is internal and external evidence for claiming that some parts of the manuscript at least might have been written much later than Mossner suggested. For a most serious recent study, see Stewart (2000).
- 9 These are (1) an extensive government spreading ‘a similarity of manners’ over the whole empire; (2) small governments close to each other ‘as distinguishable in their manners as the most distant nations’; (3) ‘one finds a new set of manners, with a new government’; (4) the same race of men scattered over distant parts of the world acquiring ‘a similitude of manners’; (5) two peoples living in the same region preserving ‘a distinct and even opposite set of manners’ for several ages; (6) ‘The same set of manners will follow a nation’; (7) ‘The manners of a people’ considerably change in time; (8) Several nations acquire ‘a similitude of manners’ due to their close communication; (9) ‘a wonderful mixture of manners and characters’ found in one country but not in another country notwithstanding their similar climatic circumstances.
- 10 This means that the more industrious manners a country had before the influx of money, the more remarkable increase of industry it will enjoy. Hume was to confirm this point in his *History of England* by writing ‘But while money thus flowed into England, we may observe, that, *at the same time, and probably from that very cause*, arts and industry of all kinds received a mighty encrease’ (Hume 1778: 5, 39, my italics).
- 11 Hume gives a precise definition of ‘the level of money’ in the essay ‘Of the Balance of Trade’ as follows. ‘It must carefully be remarked, that throughout this discourse, wherever I speak of the level of money, I mean always its proportional level to the commodities, labour, industry, and skill, which is in the several states’ (Hume 1752: 315).
- 12 I made a detailed examination of the way in which Hume employed the concept of manners to explain the mutual dynamic relationship between commerce and liberty in his *History of England*. See Sakamoto (1995), chapter 5.
- 13 Editors of the Glasgow edition give a sceptical interpretation of Smith’s remark as something ‘a little odd’ because there were many among Smith’s contemporaries such as Adam Ferguson, John Millar and William Robertson who had made the same observation of the civilizing effect of commerce. The editors even suggest that Smith possibly wrote that particular part of the *Wealth of Nations* at a very early stage of his composition, when Hume was still the only writer who deserved to be acknowledged. However, Smith was too careful an author not to have amended an earlier-written section before final publication. For a view close to mine in this respect, see Wennerlind 2000: 81.

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7 The ‘Scottish Triangle’ in the Shaping of Political Economy: David Hume, Sir James Steuart, and Adam Smith

Ikuo Omori

Mid-eighteenth century Scotland was both the birthplace and cradle of political economy. By the ‘birth of political economy’ is meant the re-integration of knowledge corresponding to the emergence of modern civilized societies under the influence of the Scottish Enlightenment. Separate and distinct from moral philosophy, politics or jurisprudence, a new learning called political economy was first systematized in the academic ‘Triangle’ made up of three Scotsmen: David Hume, Sir James Steuart and Adam Smith. Two distinct systems of political economy are involved in this ‘Triangle’, i.e. Steuart’s *The Principles of Political Economy* (1767, *Political Economy* hereafter) and Smith’s *The Wealth of Nations* (1776, *WN* hereafter). It goes without saying that their common precursor was Hume’s *Political Discourses* (1752), an epoch-making work that analysed the emerging modern societies of both Scotland and England using the evolutionary and comparative methodology of social science. Besides accepting Hume’s view of civilized society characterized by industry, knowledge and liberty, Steuart proposed a new science of political economy to supersede Hume’s understanding of economic activities in a free and competitive market. In a sense, Smith did the same as an economist. It has generally been believed that he wrote *WN* with the strong but implicit aim of refuting Steuartian political economy.

What is the ‘Scottish Triangle’?

When historians of economic thought talk of the ‘Scottish Triangle’, there is a tendency for them to imagine an isosceles triangle with Smith firmly located at the apex.¹ But is this configuration really valid? In other words, is no one but Smith the genuine founder of political economy? Evidence suggests that this is not necessarily the case. In particular, James Steuart should be recognized as the ‘political economist’ who created the first system of monetary economics. It was Steuart who initially made political economy stand on its own legs, independent from politics and jurisprudence. Smith followed close behind him in this respect. In this chapter I will show that the features in theory and practice of their economic viewpoints are not so much mutually exclusive — mercantile (protective) or classical (liberal) — as alternative to each other.²

It should be mentioned that the three compatriots faced a common unre-

solved question in the conflict between Scottish economic development and the resulting moral corruption among the Scots, which had been first raised by Andrew Fletcher and then taken up by civic humanists. The question, connected as it was historically with the economic crisis of the 1690s and the Union debate, had a diverse and complex influence upon Scottish Enlightenment thinkers in the eighteenth century. The introduction of freedom into the modern society of Scotland, as they saw it, turned the common people into not only a wealthy and luxurious nation but also a corruptible one. Its negative influence was typically seen in the weakening of public spirit and nationalistic sentiment such as warlike spirit. The civic humanists who orientated themselves towards classical republicanism, therefore, advocated the recovery of this weakened spirit in the agrarian life of modern society rather than the simple life of ancient communal societies. In contrast, the members of the 'Triangle' tended to criticize the civic argument from the viewpoint mainly of the growth of modern commerce and the refinement of luxury and manners of life. In this sense political economy was born in mid-eighteenth century Scotland as a result of the attempt by the members of the 'Triangle' to show the compatibility between wealth and virtue in a free and civilized society.

I will first examine Smith's approach to the question. His account in *The Theory of Moral Sentiments* (1759), proceeds as follows.³ So long as commutative justice, or the law of equivalent exchange, is maintained among the people, it is understood that their free and self-interested actions will bring *de facto* natural or distributive justice into modern society under the influence of 'an invisible hand'. The so-called doctrine of unintended consequences is recognized here. According to Smith, whether the law of equivalent exchange acts effectively or not depends upon the workings of the 'impartial spectator's sympathy' in a free society. Distributive justice, or 'equity', nevertheless must overcome difficulties if it is to be established within a private property economy where each factor of production becomes private goods. In order to demonstrate the possibility of completing 'equity' under the private ownership system, Smith formulated his theory of justice on the basis of the principle of 'sympathy', and emphasized the crucial role both of the division of labour and the natural price mechanism. Smith's analysis of the concept of property right in natural jurisprudence is thus founded upon the theory of justice. These ideas represent Smith's own response to the above-mentioned 'civic' question.

Furthermore Smith went on to explore natural law in the economic world as a new economic science which dealt with the various rules and mechanisms of commodity production and exchange. Stewart's *Political Economy*, almost all the doctrines of which could not be accepted by Smith, had already been published at that time. Smith therefore wrote, 'I have the same opinion of Sir James Stewart's Book that you have. Without once mentioning it, I flatter myself, that every false principle in it, will meet with a clear and distinct confutation in mine'. (Mossner and Ross, 1977: 164)⁴

It is not until Smith presented an alternative plan of political economy in 1776 that he felt he had succeeded in thoroughly refuting Stewartian economics

as well as the mercantilist scheme of government that had been enforced by positive laws. It can be asked, however, whether Smith's appreciation of the theoretical essence of Steuartian economics was any better than his understanding of what was called the parliamentary mercantilism. This is not, of course, to belittle the value of his speculations, but it should be remembered that he was not the only one to introduce political economy into the civilized society of Scotland. It is time to examine the other two corners of the 'Triangle'.

Finding out about the market

David Hume's approach to the nature of a modern market economy goes along with his perception of separating the process of manufacturing from agriculture in his essay on commerce in *Political Discourses*. This formative process of modern society is described in a model of conjectural economic history. The market economy in this model has spontaneously developed with the growth of industry and the introduction of money. One of his key concepts relevant to market economy is 'industry'. 'Now, according to the most natural course of things,' Hume argued, 'industry and arts and trade encrease the power of sovereign as well as the happiness of subjects', and then 'their [people's] *delicacy* and *industry*, being once awakened, carry them on to farther improvements, in every branch of domestic as well as foreign trade'(Hume 1752: 260, 264). By industry Hume meant industrial activities on the one hand and industrious labour on the other. Industry in the latter sense therefore induces him to write as follows:

Every thing in the world is purchased by labour; and our passions are the only causes of labour. When a nation abounds in manufactures and mechanic arts, the proprietors of land, as well as the farmers, study agriculture as a science, and redouble their industry and attention. The superfluity, which arises from their labour, is not lost; but is exchanged with manufactures for those commodities, which men's luxury now makes them covet. By this means, land furnishes a great deal more of the necessaries of life, than what suffices for those who cultivate it.

(Hume 1752: 261)

The growth of industry in modern society also introduces the division of labour causing an increase in labour productivity, and consequently results in the improvement of manners of life and the refinement of luxury among the people. These factors characteristic of civilized society enable Hume to insist on the superiority of modern society over ancient societies. He approved of the autonomy of a free and competitive market rooted in the systems of personal liberty and private property. But it is noteworthy that theories of production cost and price mechanism are lacking in his economics. His advocacy of the theory of national manners might have caused him to stick to the viewpoint of useful value without exploring the theory of exchangeable value. This is why the

economic essays in *Political Discourses* cannot be considered the first full-fledged work of political economy but rather a pioneering work of social science.

It is Hume's approval of the autonomy of the market that James Steuart, who believed that supply did not always meet demand in a competitive market, had objected to. He began his consideration of modern 'industrious society' with an adherence to Hume's position in the well-known controversy over population (accepting that modern societies were more populous than ancient ones). Steuart shared with Hume a criticism of the view of Robert Wallace (who contended that ancient societies were more populous than modern). Following the civic tradition, Wallace held that the size of a given population would reach its peak if all mankind were engaged in agriculture.⁵ Steuart retorted that if that were the case, 'every body almost in the state should be employed in it [agriculture]; that would be inverting the order of things, and turning the master into the servant' (Steuart 1767: 1, 32). The outstanding feature of Steuart's position is the distinction he draws between labour and industry.

To constitute *industry*, there must be freedom in the industrious man. His motive to work must be in order to procure for himself, by the means of trade, an equivalent, with which he may purchase every necessary, and remain with something over, as the reward of his diligence. Consequently, industry differs from labour, which may be forced, and which draws no other recompence, commonly, than bare subsistence.

(Steuart 1767: 2, 213–14)

As an illustration of how the 'superfluity', i.e. the social surplus, produced by industry becomes a commodity, Steuart describes how free competition makes an interdependent network of free individuals — farmers and free-hands — in modern 'industrious society'. The term 'reciprocal wants' symbolizes this network. 'Reciprocal wants excite to labour', and hence 'Men were then forced to labour because they were slaves to others; men are now forced to labour because they are slaves to their own wants' (Steuart 1767: 1, 203 and 52).

After accepting Hume's exposition of the process of agrarian-industrial separation, Steuart took a different view of market stability in the emerging 'industrious' society. Free competition, bringing in discriminatory and discrepant relationships among the people, not only breaks up a part of the human network but also causes unemployment as a result of the suspension of the commodity exchange process. Incidentally, money has already been introduced into the exchange economy alluded to above. Steuart perceived that the government in modern free society had been carried out in the form of indirect control by means of money. In this respect the above distinction between labour and industry may be said to correspond to that between 'subordination' and 'dependence' among the people. He therefore introduces 'the statesman' into his political economy, a leader who takes upon himself the responsibility of monetary adjustment in the market economy. The statesman obeys the principles of public spirit and must aim to create effectual demand in order to recover the

continuity of purchasing of commodities in the exchange process as a whole. The concept of 'effectual demand' was first used as a term of economics in *Political Economy*. 'It is the *effectual* demand, as I may call it, which makes the husbandman labour for the sake of the equivalent ...' (Steuart 1767: 1, 154).

According to Steuart, the statesman's policy of increasing effectual demand is adopted to make up for a deficiency of purchasing because of underconsumption in economic circulation. The cycle goes as follows: the luxurious spending of landlords on hiring free-hands (free agricultural labourers) creates more employment opportunity for manufacturers and workmen, whose increasing demand for food in turn gives more work to farmers, and consequently landlords gain higher rent from farmers. Even the idea of 'propensity of the rich to consume' is found in connection with the wealthy landlords' consumption demand for luxurious goods. The Steuartian theory of effectual demand thus seems to have been devised as a reformulation of Hume's ideas of industry and manners from the viewpoint of demand. Furthermore, when in spite of the policy of effectual demand the unemployment question remains unsolved due to a persistent deficiency of consumption demand, the statesman has to pour public as well as private money into the economic circulation. Steuart attempted to design a grand system of economic policy that consisted of monetary, credit, fiscal and taxation policies. These policies and their basic economic theories are mainly dealt with in Books IV and V of *Political Economy*.

I reconsider here the question of unemployment, or underemployment, which has found expression in the Steuartian term of 'hunger in the midst of plenty' (Steuart 1767: 4, 236) at the third stage of trade. It includes two different kinds of unemployment, that is, voluntary ('idleness') on the one hand and involuntary on the other. As to the former, the statesman would have only to employ the policies of either imposing a tax upon lazy workmen or raising the price of subsistence. It is the latter that Steuart was mainly concerned about at the stage of 'inland commerce' where foreign demand for manufacturing goods has already been lost. Steuart stressed that a mature economy at the last stage of trade necessarily confronts various difficulties over chronic and structural unemployment. This factual understanding about the 'economy' as an independent and essential component of modern 'industrious society' could be taken as signifying his discovery of the thus-far unknown concept of involuntary unemployment.

Why is Steuartian economics esteemed as the *first* science of political economy? The answer relates to his methodology and skill in integrating specific economic theories into a coherent 'regular science'. In his methodology of political economy Steuart clarified the general procedure for research, primarily in the Preface, Introduction and Chapter 2 of Book I of *Political Economy*. It is broadly divided into three parts: first, the extraction of principles, in other words, 'such ideas as are abstract, clearly, simply and uncompounded' through induction from reality; secondly, the feedback of the principles to reality or 'the objects on which they [the principles] have an influence' (Steuart 1767: 1, 217–18) through deduction, i.e. 'the whole chain of reasoning'; thirdly, the estab-

lishment of a system of *art* and *science* of political economy, i.e. ‘a regular science’, through the combination and arrangement of available principles, which have already been called ‘general rules’, ‘true propositions’ and ‘truth’. The implication here is Steuart’s scepticism of the excessive abstraction of ‘general rules’; a ‘speculative person’, he argues, must try repeatedly to refine them during the deduction and arrangement of principles.⁶ ‘I am not fond of condemning opinion,’ said Steuart, ‘but I am very much for limiting general propositions’ (Steuart 1767: 1, 78). In this respect he did not apparently agree with Hume who voiced the reliability of universal propositions as follows:

But however intricate they may seem, it is certain, that general principles, if just and sound, must always prevail in the general course of things, though they may fail in particular cases; and it is the chief business of philosophers to regard the general course of things. I may add, that it is also the chief business of politicians ...

(Hume 1752: 254)

As seen in the next section of this chapter, Steuart’s criticism of Montesquieu’s and Hume’s quantity theory of money reflects a different perception of methodology between them.

The most remarkable feature relevant to Steuart’s methodology is that the peculiar concept of ‘the spirit of a people’ plays a crucial role in the ‘regular science’ of political economy. Steuart was much influenced by ‘the great Montesquieu’ in his account of ‘the spirit of a people’ (Cunningham 1891: 84). It is a set of opinions concerning morals, government and manners received by the people and confirmed by habit that in the long run forms the basis of all laws. When a modern society enters a new stage of economic development, ‘the spirit of a people’ must change of itself. But it changes only by slow and steady degree, so a statesman should make use of reason rather than artifice in bringing about that change. ‘In turning and working upon the spirit of a people,’ persisted Steuart, ‘nothing is impossible to an able statesman’. He therefore regarded the naïve application of principles to reality without careful consideration of ‘the spirit of a people’ to be ‘abuse’, and cautioned the statesman against such action. ‘The spirit of a people’ functions most effectively as a conceptual apparatus for adjusting the conflict of interests between landlords and moneyed interests in the statesman’s policies of public credit and taxation in Books IV and V of *Political Economy*. Steuart argued in his account of the rate of interest as follows: ‘What, therefore, depends upon the spirit of a people, cannot be changed, but in consequence of a change of that spirit’ (Steuart 1767: 3, 187).

After methodology, it is notable that the Steuartian economics is very systematically formed as ‘a regular science’ in spite of his cautious attitude towards ‘what the French call *Systèmes*’. The method available to him here is the arrangement of various categories and principles ‘from great simplicity to complicated refinement’ by employing the idea of ‘historical clue’. It is clearly demonstrated in the widely known full title of *Political Economy*. Economically speaking, it is also

reflected in his theoretical synthesis of macroeconomics as a disequilibrium dynamic theory on the one hand and microeconomics as an equilibrium price theory on the other. For instance, his price theory, first developed in a closed economy model of 'infant trade', assumes a vital role of measuring the effect of the statesman's macroeconomic policy in containing inflation in an open economy at the second stage of trade, and hence provides a microeconomic foundation of a macro-dynamic theory of industrial policy.

I will proceed to examine his price theory a little more closely. Steuart dealt in Book I with the macro-distribution of the whole of a country's industry among different sectors of production, mostly between agriculture and manufacturing industry. In contrast, the question of how to allocate industry properly within a section of production — in the industrial sector in particular — is discussed in Book II by his analysis of the pricing of goods produced by industry. Steuart's equilibrium theory of price can be seen therefore to address the most fundamental issue of economics, i.e. that of resource allocation among alternative uses. In his economic model consisting of independent producers and merchants, the mechanism of achieving an average rate of profit works with the vibration of 'the balance of work and demand'. The independent producers seem to move their own production factors such as industry into other work to maximize their gains — profits and wages — on the basis of the information about market trend received from the merchants. However, while the merchants are assumed to act rationally in commodity transaction, the producers are not always expected to do so. As a result, the theoretical model of *Political Economy* may not reach a kind of general equilibrium but only achieves a temporary equilibrium in a particular market by means of inventory adjustment by the merchants. I call this 'the merchants' dilemma' in the price mechanism. The dilemma causes possible malfunctions of market, as it were, which implies the discontinuity of the commodity exchange process alluded to before. I have examined Steuart's understanding of competitive market in terms of the real economy, and will now proceed to compare his brilliant monetary analysis with that of Hume.

Does money matter or not?

Hume's theory of money is widely believed to have two facets inconsistent with each other concerning the effects of money flow. To use D. Vickers's terminology (Vickers 1975: 488), they are the price-forming function of the flow of money and the activity-forming function of it. As for Hume, the former is the early quantity theory of money, whereas the latter is the so-called theory of 'successive effects of an increase or decrease of the amount of money' which comes from F. von Hayek.⁷ The theory of successive effects is the first theoretical formula in the development of the activity-forming function of money flow. The theory of effectual or effective demand comes a little later. If anything, not a few historians of economic thought have regarded Hume's dichotomy as based on logical confusion. J. M. Keynes, for instance, in writing about Hume's theory of

money, said, 'Hume a little later had a foot and half in the classical world' (Keynes 1936: 343n). While accepting the validity of his comment on Hume, I intend to interpret the above different effects of money flow as a monetary theory. In my opinion, Hume presented a modified quantity theory of money in the broad sense.

It was John Locke who first manifested the one-way and proportional relationship between the quantity of money and the price level in Britain. His proposition, in which the function of money as a medium of exchange, i.e. the neutrality of money, is emphasized, states that prices are always *ceteris paribus*, in proportion to the quantity of money. After Locke, the history of quantity theory is one of a transformation from his proposition of proportionality as a truism to a belief in the causal relation between the variables.⁸ The transformation has already started in Locke. It means an approach to the real economy by means of a proposition — in other words, a process in which a proposition becomes a theory as an explanatory principle for reality. The theory of successive effects, which explained the positive influence of money flow upon output, appeared in the process as one of the alternatives of the proposition.

Following Locke's perception of money, Hume first stated his own view on its function with an implied criticism of mercantilist policy orientation in his essay on money in *Political Discourses*.

MONEY is not, properly speaking, one of the subjects of commerce; but only the instrument which men have agreed upon to facilitate the exchange of one commodity for another. It is none of the wheels of trade: It is the oil which renders the motion of the wheels more smooth and easy.

(Hume 1752: 281)

Furthermore, he proceeded to integrate in the theory of causality the Lockean proposition of proportionality with the short-term dynamic adjustment process, as the theory of successive effects. The product is his modified quantity theory of money, which consists of two parts: the theory of successive effects in the short run and the comparative static analysis of equilibrium positions between the beginning and the end in the long run. He famously writes,

... though the high price of commodities be a necessary consequence of the encrease of gold and silver, yet it follows not immediately upon that encrease; but some time is required before the money circulates through the whole state, and makes its effect be felt on all ranks of people. At first, no alteration is perceived; by degrees the price rises, first of one commodity, then of another; till the whole at last reaches a just proportion with the new quantity of specie which is in the kingdom. In my opinion, it is only in this interval or intermediate situation, between the acquisition of money and rise of prices, that the encreasing quantity of gold and silver is favourable to industry.

(Hume 1752: 286)

Hume has thus established an empiricist theory of the causal relation between the quantity of money and the level of prices instead of the simple proposition of proportionality. The velocity of money circulation is neglected here, whereas the so-called specie-flow mechanism is clearly perceived by him at other places. For Hume, who seems to have laid stress on the analysis of what Keynes called 'positions of semi-inflation' (Keynes 1936: 301) during the 'interval or intermediate situation', the proposition of proportionality should be still accepted as a 'general principle' as quoted earlier.⁹

Although Steuart himself referred to the quantity theory as 'the doctrine of Messrs. De Montesquieu and Hume', the object of his criticism of that theory and the specie-flow mechanism was mostly Hume's modified theory including the short-term theory of successive effects. So, what he advocated as an alternative for the activity-forming function of money flow was not the theory of successive effects but that of effectual demand. The difference between them is whether both the amount of money supply and that of money spending are always equal or not. Steuart, who understood the function of money as a means of value store, clearly perceived that they were not always equivalent. 'Increase the money, nothing can be concluded as to prices,' he explained, 'because it is not certain that people will increase their expenses in proportion to their wealth' (Steuart 1767: 2, 103). His reasoning, extended to the theory of effectual demand, is enforced by the proportional theory of demand and supply from which the quantity theory originally started in Locke. 'I propose another doctrine, which is, that nothing can determine the value of a vendible commodity, any where, *but the complicated operations of demand and competition*, which however frequently *influenced* by wealth, yet never can be *regulated* by it' (Steuart 1767: 2, 255–56).

The early theory of effectual demand appears shortly after this remark. What regulates the prices of commodities is the monetary demand for them, in other words, 'the level of consumers' demand determined by the level of money supply on the one hand and by that of the commodity prices on the other' (Vickers 1957: 231). 'The direct principle which has influenced them [prices], and which will always regulate their rise and fall, is the increase of demand' (Steuart 1767: 1, 75), argued Steuart. Accordingly, the commodity prices are not regulated but only influenced by money supply. They are regulated by consumers' effectual demand for commodities. On the basis of this specific usage of the two verbs Steuart searched for a way to integrate Hume's quantity theory into his own theory of effectual demand. In a sense, the following long quotation forms a conclusion to his criticism of Hume's theory.

Suppose the specie of Europe to continue increasing in quantity every year, until it amounts to ten times the present quantity, will prices rise in proportion? I answer, that such an augmentation might happen, without the smallest alteration upon prices, or that it might occasion a very great one, according to circumstances. Were industry to increase to ten times what it is at present, that is to say, were the produce of it to increase to ten times its

present value, according to the actual standard of prices, the value of every manufacture and produce might remain without alteration. This supposition is possible: because no man can tell to what extent demand may carry industry. If, on the other hand the scale of demand could be supposed to preponderate, so as to draw all the wealth into circulation, without having the effect of augmenting the supply (which I take to be impossible) then prices would rise to ten times the present standard, at least in many articles. This solution is entirely consistent both with Mr. Hume's principle and mine; because nothing is so easy in an hypothesis, as to establish proportions between things, which in themselves are beyond all the powers of computation.

(Steuart 1767: 2, 104)

Here, the significance of the level of consumers' demand is considered to be as a mechanism linking the amount of money supply and the level of prices. From the viewpoint of Steuart's understanding of an actual stagnated economy which has suffered from unemployment, the quantity theory is valid only for 'some particular examples', while the theory of effectual demand can be generally applied. In Steuart's eyes, the quantity theory might be too fantastic to be adopted as 'a general rule'. The birth of a new monetary economics of effectual demand thus depended on his prioritization among various theoretical models of money flow according to the unemployment conditions in an actual economy. It is because of his achievement of establishing the first science of monetary economy that I regard Steuart as one of the founders of political economy.

Statesman and legislator: a necessary evil or an indispensable factor?

Steuart and Smith are regarded as taking contrasting positions on Hume's belief that economy works best when left alone by the government. Whereas Smith accepted the proto-idea of Hume's economic liberalism, Steuart leaned toward a more activist policy in order to overcome the malfunctions of market discussed at the end of Section II. Different from the so-called 'market failure' which relates to public goods and external economies, the possible malfunctions of market mechanism are caused by general discontinuity of the commodity exchange process. The free and competitive economy of modern society thereby suffers from economic instability such as underconsumption and unemployment. Consequently, Steuart gave figurative expression to the unstable nature of the governmental system in 'industrious society' as follows:

It is of governments as of machines, the more they are simple, the more they are solid and lasting; the more they are artfully composed, the more they become useful; but the more apt they are to be out of order.

(Steuart 1767: 1, 331)

It is interesting that 'an able statesman' is compared to a skilled mechanic fixing sophisticated watches, i.e. market economies. From this, it may be concluded in general that Steuart's idea of a statesman and the 'artful' or 'skilful hand' of the government implies an economic interventionism contrary to Smith's liberalism.

However this seems to be foreign to Steuart's real views on the workability of the market mechanism. It is not too much to say that Steuart identified as the fundamental problem of modern 'industrious society' the subtle and tense relationship between economic equilibrium and 'an artful hand'. Never denying the law of market mechanism in its entirety, he aimed at recovering, in accordance with that law, the autonomy of the market from possible malfunction. A statesman therefore should not intervene in the economic process in an arbitrary and direct fashion but should carefully adjust it to remove the disorder of the market. 'With an artful hand, he must endeavour to load the lighter scale' in the unbalance of 'work and demand' (Steuart 1767:1, 308) in order to maintain the 'double competition' in the market. Accordingly, the 'small vibrations in the balance' are kept within the normal range.¹⁰

I think Steuart does not reject the significance of competitive market here. 'An artful hand' does not so much replace the market mechanism in setting prices as aids it in reallocating resources. The adjustment of market, which is symbolized in Steuart's words as 'good government, and well regulated political economy' (Steuart 1767: 4, 277), involves a statesman's 'prudent management' (Steuart 1767: 3, 172) in keeping the elasticity of money supply as great as possible. It is a macroeconomic policy — and in particular, monetary policies of effectual demand, private and public credits, and taxation. In this model, the government seems to be incorporated in the organization of political economy as an independent factor in economic activities, which apparently differs from the old-fashioned governmental system where political economy is directly manipulated through lots of regulation policies by means of positive laws. Steuart's idea of economic adjustment founded on 'modern liberty' is justified by the statesman's clear reason for avoiding social disorder caused by the kind of sudden and violent change that he called 'revolution'. 'Sudden revolutions are constantly hurtful, and a good statesman ought to lay down his plan of arriving at perfection by gradual step' (Steuart 1767: 1, 111). What seems more important for Steuart is the gradual introduction of social reforms into free society.

On the other hand, it is necessary to re-examine the economic liberalism in *WN*. Smith's unique idea of 'an invisible hand', a symbol of his liberalism, appears most clearly in two economic theories concerning capital employment: the formation of long-term equilibrium price in Book I on the one hand, and the realization of the natural order of capital investment in the 'unnatural and retrograde order' (Smith 1776: 1, 380) of things in Book III on the other. Generally speaking, it works to harmonize the free choice of individuals with social interests in 'the system of natural liberty'. From the standpoint of economics, the above two theories are symmetrically constructed in Smith's approach to both the average rate of profit and the capital-labour ratio. Their further theoretical implications are, in the former case, that the average rate of profit is formed on

the assumption of the given ratio of capital and labour within a section of production, whereas in the latter case the different efficiency of capital investment depends on the difference of capital–labour ratio among various sectors of production.¹¹

Notably enough Smith never maintained that his idea of ‘the system of natural liberty’ was equivalent to so-called libertarianism. It is a well-known fact that Smith limited the roles of government to national defence, justice and public works. However, he also mentioned in *WN* the following examples of desirable governmental roles: a pricing policy to grope for the ‘price of free competition’ under imperfect competition; the prohibition of small banknotes (less than £5); enforcement of the navigation act, and so on. Smithian economic liberalism, following the trend of British classical liberalism, always attached greater importance to the actual conditions of economy, and by no means denied the significance of governmental policy.

What the recent Smith studies have elucidated is Smith’s inclinations towards ‘the science of the legislator’. After the first edition of *WN* was published, he perceived afresh that selfish and arrogant behaviour by merchants and manufacturers was a serious evil working against the fair transaction of commodities. The most crucial point in this discussion is that these evils are caused by economic freedom itself. For example, Smith stated in the newly added part of the second edition (1778):

Our merchants and master-manufacturers complain much of the bad effects of high wages in raising the price, and thereby lessening the sale of their goods both at home and abroad. They say nothing concerning the bad effects of high profits. They are silent with regard to the pernicious effects of their own gains. They complain only of those of other people.

(Smith 1776: 1,115)¹²

He proceeded in the third edition (1784) to define the peculiar duties of a legislator who, as ‘an impartial spectator’, coordinates public opinion to correct a kind of ‘market failure’ in the competitive market economy. This implies that Smith came to feel some doubts about the universal applicability of the concept of ‘sympathy’ in ‘the system of natural liberty’. Human nature as ‘an efficient cause’ of the natural system might be corrupted by the growth of commerce itself in a civilized society.¹³

As Winch once argued, however, the wise legislator’s ‘main task was to accommodate laws to the habits of men and their existing social condition’ (Winch 1978: 172). His duties are not to effect a positive change in human affairs, particularly in economic activities. It would therefore be difficult for Smith to appreciate the wise legislator’s active function in the economic process in the way that Steuartian economics could. Rather avoiding further inquiry into the economic character of the legislator, Smith advocated the idea of ‘wise and virtuous men’ in the final, sixth edition of *The Theory of Moral Sentiments* (1790).

We talk of the prudence of the great general, of the great statesman, of the great legislator. Prudence is, in all these cases, combined with many greater and more splendid virtues, with valour, with extensive and strong benevolence, with a sacred regard to the rules of justice, and all these supported by a proper degree of self-command.

(Smith 1759: 216)

Be that as it may, it is certain that the general idea of Smithian liberalism cannot help but be revised by the appearance of his legislator in 'the system of natural liberty'. I have already explained that Steuart belonged to a camp of modified economic liberalism because of his approval of free competitive market. The gulf between *Political Economy* and *WN* may not be as wide as is often assumed.

Concluding remarks: the 'Triangle' again

A few words may be in order concerning the character of political economy in the academic 'Triangle'. In his *Political Discourses* Hume also identified the legislator as 'a speculative politician', saying that the 'legislator, therefore, ought not to trust the future government of a state entirely to chance, but ought to provide a system of laws to regulate the administration of public affairs to the latest posterity' (Hume 1752: 24).

He suggested that a legislator should take something like institutional measures against the distributive injustice in a domestic economy of civilized society where national wealth had been increasing through the growth of commerce. 'It is his [the legislator's] best policy to comply with common bent of mankind, and give it all the improvements of which it is susceptible.' Hume continues to say that 'a legislator' as well as 'sovereigns' ought not to 'introduce any violent change in their principles and way of thinking' (Hume 1752: 260). Hume's legislator introduces ideas of moderate improvement into his non-factional conservatism. In this respect Steuart took the same position as Hume.

The two economics of Steuart and Smith, who seem to adhere to economic liberalism in the broad meaning, have contrasting structures in theory and practice. The political economy in *WN* is understood to develop with the formation of manners on the basis of 'the desire' of the people 'to better our condition'.

The natural effort of every individual to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle, that it is alone, and without any assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often incumbers its operations; though the effect of these obstructions is always more or less either to encroach upon its freedom, or to diminish its security.

(Smith 1776: I, 540)

As a result, Smith created a supply-side economics in real terms, consisting of the division of labour, the labour theory of value, and the theories of surplus value, natural price, productive labour, capital accumulation, reproduction and so on. On the other hand, the Steuartian economics includes demand-side theories in monetary terms as shown before. The former takes the long-run viewpoint of economy, whereas the latter the short-run. Nevertheless, superiority for one or other system cannot easily be claimed. The answer depends on what is now required by the actual conditions of the economy and society. In my view they ought to be regarded as standing in a competitive relationship rather than as mutually exclusive alternatives. The science of political economy was born not only as a branch of speculative philosophy, as a means to analyse the emerging modern society, but also as a practical science of managing it in mid-eighteenth century Scotland. Reflecting again upon the academic ‘Triangle’, it can at least be said that Smith does not always occupy a place at its apex. It is not fixed and immutable, but rather something that continuously and flexibly changes its shape in accordance with our changing awareness of various issues in the present world.

Notes

- 1 For a most sophisticated account, see Skinner 1992.
- 2 Terence Hutchison called both sciences of political economy ‘Alternative Inquiries’ (Hutchison 1988: 332).
- 3 I owe the following argument to Shoji Tanaka’s works: Tanaka 1988 and 1997. For instances, see pp. 135–36 of Tanaka 1988.
- 4 Adam Smith’s letter of 3 Sept. 1772 to William Pulteney.
- 5 Wallace insisted, ‘In order therefore to have the greatest possible number of inhabitants in the world, all mankind should be employed directly in providing food; and this must always be the case till the whole earth shall be cultivated to the full’ (Wallace 1753: 21).
- 6 ‘Like Cantillon, Steuart considers the difficulty in the way of qualifying a priori the dependent variables in particular conjecture of economic forces and relationship’ (Vickers 1959: 244).
- 7 Hayek 1935: 11. Vickers also referred to this theory as ‘a dynamic theory of the money circulation process’ (Vickers 1957: 227).
- 8 For these two types of the early quantity theory, see Introduction of Hegeland 1951.
- 9 For a detailed historical account of the logical relationship between the two monetary theories in Hume, see the chapter by Tatsuya Sakamoto in the present volume.
- 10 Ronald Meek commented on the character of Steuart’s concept of equilibrium as follows:

Whereas modern Western welfare economists usually take the view that deviations from the optimum exist in spite of the general tendency of the system to return to a balanced position, Steuart usually takes the view that deviations from the optimum exist because of the general tendency of the system to move away from a balanced position. To Steuart, in other words, the balance of supply and demand is more an *ideal* position than an ‘equilibrium’ position in the Classical and modern sense of the world.

(Meek 1967: 10–11).

- 11 Detailed analysis of these theories were presented in Chapters 4 and 7 of my book (Omori 1996).
- 12 A similar expression is given in the first edition of *WN* (Smith 1776: 2, 599).
- 13 I owe this argument to Shoji Tanaka's works (Tanaka 1997, vol. 2, and Tanaka 2000). For the essence of Tanaka's argument, see his chapter in the present volume.

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8 Adam Smith's politics of taxation: reconsideration of the image of 'Civilized Society' in the *Wealth of Nations*

Keiichi Watanabe

Donald Winch's *Adam Smith's Politics* (1978) was an epoch-making work, in which he dismissed the traditional interpretation of Adam Smith's political thought. In particular, Winch examined in a refreshing manner what was alleged to be Smith's view of economic liberalism and cheap government. As illustrated by the works of McNally (1988), Dwyer (1992) and Fitzgibbons (1995), revisionist interpretations of Smith have advanced steadily ever since Winch wrote, being prompted by an extensive study of the Scottish Enlightenment. The three main Smith texts that are useful for discussing his politics and political thought are *The Theory of Moral Sentiments* (1759), *The Lectures on Jurisprudence* (Reports of 1762–63 and 1763–64, *LJ* hereafter) and *The Wealth of Nations* (1776, *WN* hereafter). Except for some parts of *The Theory of Moral Sentiments*, Book V of *WN* is the most important text regarding Smith's Politics, because it is the sole document in which Smith published his arguments concerning government or politics in a complete form.

A careful review of the studies on Smith's politics from Winch onwards reveals that their main focus in Book V of *WN* has been exclusively on Chapter 1, 'expenses', and Chapter 3, 'publick debts', while scarce attention has been drawn to Chapter 2, 'taxation'. However, since Book V deals with Smith's argument on government and is entitled 'Of the Revenue of the Sovereign or Commonwealth', a more adequate emphasis should be placed on that chapter. This paper seeks to analyse the theory of taxation in *WN* in light of the historical context of eighteenth-century Britain and to re-examine how Adam Smith understood the 'civilized society' of that day from the viewpoint of taxation. In particular I will focus on the political implications of Smith's doctrine of tax incidence.

Smith's analytical view of taxation

Chapter 2 of Book V of *WN* begins with a confirmation of the tax state in the modern age:

The private revenue of individuals, it has been shown in the first book of this inquiry, arises ultimately from three different sources: Rent, Profit, and

Wages. Every tax must finally be paid from some one or other of those three different sorts of revenue, or from all of them indifferently.

(*WN*: 825)

Smith says that in comparison with the ‘feudal state’, in which the funds or sources of revenue belonged to the sovereign in stock or land, the financial resources of the modern state are nothing but the taxes imposed on the revenues of landowners, capitalists and labourers. Having confirmed the principle of the tax state in the modern age, Smith classifies taxes into the following four kinds: taxes upon rent, profit, and wages, and a tax ‘which, it is intended, should fall indifferently upon all those three different sources of private revenue’ (*WN*: 825). An example of the last kind are the taxes upon consumption, namely, excise and customs.¹ At the end of the first paragraph Smith gives a brief description of tax incidence by stating that ‘Many of those taxes are not finally paid from the fund, or source of revenue, upon which it was intended they should fall’ (*WN*: 825). This doctrine, which became well - known with E. R. A. Seligman’s influential work, deals with the problem of disagreement between ‘the taxpayer’ and ‘the tax-bearer’ that results in taxation (Seligman 1927: 2–3).

In the second paragraph Smith presents the famous ‘four maxims with regard to taxes’ that consist of equality, certainty, convenience, and minimum of expense (*WN*: 825–26). These maxims are the criteria used to determine the proper way to levy each tax. On the other hand, the doctrine of tax incidence intends to explain the proper object of taxation. The main reason why Smith’s analysis of taxation in *WN* seems so complicated is that Smith, alternately using these two different criteria, develops a multifaceted argument for criticizing the taxation system of his day and suggests his own reform plan. While both of the two theories commonly derive from Smith’s need to attack the taxation system of English mercantilism, their theoretical roles are not the same. Even if the object of taxation is proper, it can be levied in an improper manner and vice versa. The theory of tax incidence and the maxims of taxation are two entirely different theories that ought to be clearly distinguished.² For Smith it is the former, not the latter, theory that solves the question of who is a real contributor, and thus provides the decisive standard by which to determine the propriety of taxation.

The theory of tax-incidence in *The Wealth of Nations*

The land tax in eighteenth-century England is characterized by a quota taxation that was ‘assessed upon each district according to a certain invariable canon’ (*WN*: 828, 845). As Smith explains, ‘the greater part of it was laid upon the country; and of what was laid upon the towns, the greater part was assessed upon the houses’ (*WN*: 849). The famous ‘Land Tax Bill’ of 1692 was originally intended to be the so-called ‘comprehensive tax on returns’ including movables, the emoluments of professions and offices, pension etc. It was the direct tax that was levied at 4 shillings in the pound, in other words, 20 per cent a year on the assessed amount. However, while the capital stock invested in public debts or the

cultivation of land was not subject to taxation from the outset, the stock of the towns was exempt from taxation because of the difficulty of the assessment, in spite of being evaluated far below its real value (*WN*: 822, 849–50). Therefore, the land tax became the only tax that was imposed on rents — namely, the rent of land and the rent of houses — which is different from the original content of the Bill.³

The tax upon the rent of land in eighteenth-century England was assessed on the country at the same fixed rate. The fixed-rate land tax breaks the first maxim of equality, because, even at its inception, the valuation was unequal in different counties and parishes. Even though the fixed-rate tax was equal at the beginning, it became unequal in the process of time because of unequal degrees of improvement. Nevertheless, Smith approves of the land tax, declaring that ‘it is perfectly agreeable to the other three’, namely, certainty, convenience and minimum of expense (*WN*: 828). However, Smith’s opinion of the land tax (i.e. the rent tax) does not derive merely from his maxims of taxation. After stating that the rent tax is agreeable to the convenience of payment, Smith defines ‘the real contributor’ to such tax as follows: ‘Though the landlord is in all cases the real contributor, the tax is commonly advanced by the tenant, to whom the landlord is obliged to allow it in the payment of the rent’ (*WN*: 828). That is to say, even though the tenant pays the rent tax in advance for convenience of payment, ‘the real taxpayer’ is actually the landowner and the burden of tax is not shifting to others. Hence, such disagreement between the ‘taxpayer’ and the ‘tax-bearer’ as Seligman indicated, does not occur in this case. Smith knows that the bearer of rent tax is not the tenant (farmer) but the landowner because ‘As it has no tendency to diminish the quantity, it can have none to raise the price of that produce. It does not obstruct the industry of the people’ (*WN*: 828–29). Such evaluation of the rent tax is not based on the maxims of taxation but on the economic ground that the source of rent is ‘a neat [net] produce’ (*WN*: 847). Therefore, Smith insists on the propriety of the rent tax on two grounds; first, that the incidence of tax does not take place in this case and second, that the source of tax is ‘a neat produce’ on which taxation can be imposed without preventing agricultural production.

The rent of a house consists of two parts, namely, the building rent and the ground rent. Smith asserts that taxation should not be imposed on the building rent, because it is nothing but ‘the interest or profit of the capital expended in building the house’ (*WN*: 840). For, if the owner of the building was obliged to pay it, ‘the building rent, or the ordinary profit of building’ could not be secured and the capital would, in time, be withdrawn from this division. Hence, supposing the taxation was imposed on the house-rent, ‘it would divide itself in such a manner as to fall, partly upon the inhabitant of the house, and partly upon the owner of the ground’ (*WN*: 841). It is because the inhabitant (i.e. the tenant) must give up a part of his convenience enjoyed so far in consequence of raising the house-rent in proportion to taxation that the tax upon the house-rent will become the burden of the inhabitant (*WN*: 841–42). Smith approves taxes on house-rent for two reasons. First, a tax upon the house-rent, so far as it falls

upon the inhabitants, is paid from their revenue, whether derived from the wage, the profit, or the rent. Indeed it will 'fall heaviest upon the rich', but in such inequality there would not be 'anything very unreasonable' (*WN*: 842). Second, the ground rents seem to be a still more proper object of taxation than the rent of land because it is entirely an unearned income of the landowner (*WN*: 844).

In the taxation system of eighteenth-century England, the profit tax fell on 'the stock or trade of the towns' (*WN*: 850) and the tax upon wages earned, such as the emoluments of offices and professions and so on, was also a part of the land and assessed taxes. However, the wage of the labouring poor was exempt from taxation in England (*WN*: 867). Smith was opposed to taxation upon profits and wages except for 'the emoluments of offices'. Exactly because he considers profits and wages to be improper objects of taxation, he clearly separates his analysis of them from that of the land tax. Moreover, Smith recognizes that profits and wages are different categories from rent, which is understood as an unearned income. Smith's doctrine of 'neat product' will also come to play a decisive role in his discussion of the interest of money.

Smith says that 'the revenue or profit arising from stock' divides itself into the 'interest' and the 'neat or clear profit' (*WN*: 113). He asserts that any tax is unable to be assessed upon the 'neat profit', as the latter is 'no more than a very moderate compensation, for the risk and trouble of employing the stock' (*WN*: 847). Smith argues that the effects on the tax on profits in manufacturing or commerce differ entirely from such effects in agriculture. In the case of a farmer, 'if he raised the rate of his profit in proportion to the tax ... as this could be done only by a reduction of rent, the final payment of the tax would fall upon the landlord'. On the other hand, in the case of a merchant or manufacturer, 'he could raise the rate of his profit only by raising the price of his goods; in which case the final payment of the tax would fall altogether upon the consumers of those goods' (*WN*: 847).⁴

Smith emphasizes that the source of interest is 'a neat produce' in the same manner as the rent of land (*WN*: 847–48). Thus, the tax upon the interest would be agreeable to the object of taxation. Smith says, 'There are, however, two different circumstances which render the interest of money a much less proper subject of direct taxation than the rent of land' (*WN*: 848). First is the difficulty of grasping the total amount of capital stock that the individual secretly possesses. This is already pointed out clearly as 'an infringement upon liberty' in *LJ* (*LJ*: 532). Second, because 'the proprietor is properly a citizen of the world' (*WN*: 848), if assessed a burdensome tax, he would move his capital stock to another country. Although Smith clearly considers interest as a less proper object of taxation than land-rent, he never denies the possibility of such taxation itself. What Smith actually seems to endorse by this argument is a reduction of the rate of the tax on interest, not a tax-exemption.

As the wages of labour are regulated by 'the demand for labour' and 'the ordinary or average price of provisions', when these two factors remain constant, a direct tax upon the wages has the effect to raise them. More interestingly, Smith argues that it must raise the wages 'somewhat higher than the tax' (*WN*:

864). For example, if a tax of 4 shillings to the pound (that is, 20 per cent) was imposed upon the weekly wage of 10 shillings, a 25 per cent increase in wages would be necessary to maintain the same standard of living as before, and the wage would be increased not to 12 shillings but to 12.5 shillings. Whereas the common labourer was, in fact, exempt from the wage-tax, if it was imposed on him, Smith asserts that even though the tax would be paid directly by employers who advanced wages, the agricultural sector would be affected differently by the wage tax from the manufacturing or commercial sector. Resting upon the same logic as applied in Smith's arguments against the tax upon profits, he holds that the tax on wages of the industrial labourers, which is advanced by the employer (the manufacturer) directly, is all shifted to the price of manufactures and finally falls on the consumer. In contrast the tax on wages of the agricultural labourers reduces the rent of land without raising the price of agricultural products and finally falls on the landowner (*WN*: 865).

Taxation upon consumption in *WN* is characterized by the following points: the necessities of life are sharply distinguished from the luxuries in category, and the customs are treated in detail as a part of the excise because most imports are of luxury goods. Smith's definition of 'necessaries' is variable with the custom of the country in different time and places, and hence the consumer goods outside the range of the necessities are called the 'luxuries' (*WN*: 870).⁵ Smith's view of taxation on the necessities is as follows. A tax on the necessities of life inevitably raises their price and must cause a rise in the wages of labour proportional to it. Namely, it falls on the landowner in the case of natural products, and on the consumer who will purchase them in the case of manufactures. A tax on the luxuries, on the contrary, though it raises their price, has no effect of raising the wages of labour simply because 'taxes upon luxuries are finally paid by the consumers of the commodities taxed, without any retribution' (*WN*: 873). Smith vigorously favours the tax on luxuries and strongly opposes the tax on necessities in all aspects. First of all, the tax on 'the luxuries of the poor' acts as sumptuary laws, and encourages the industry of the poor (*WN*: 872). Second, the tax on necessities will exercise a baneful effect on manufactures and cause a diminution of demand, but the tax on luxuries does not have these negative effects on economic activities (*WN*: 873). Finally, the tax on the necessities is ultimately shifted to the landowners. 'They fall heaviest upon the landlords, who always pay in double capacity; in that of landlords, by the reduction of their rent; and in that of rich consumers, by the increase of their expense' (*WN*: 873). The point of this quotation is that the tax on necessities which necessarily raises wages falls too heavily on the landowners as 'rich consumers', exactly in the same manner as taxes on profits and wages.

Smith's difficulty on incidence of taxation?

Table 8.1 summarizes Smith's evaluation of taxation in the light of the tax incidence. The so-called 'land and assessed taxes' belongs to group (A), and the tax on profits, the tax on wages, and the excise are in group (B). The item 'Interest of Money', though it was dealt with as part of the taxes on profits in *WN*, is here

categorized under group (A) of ‘rent-tax’, in consideration of the taxation system in eighteenth-century England. Table 8.1 clearly shows that Smith approves all of group (A) and regards it as very important for the object of taxation. On the other hand, he is opposed in all respects to group (B) of the taxes on profit, wage and consumption, except for the tax on luxuries. His endorsement of land-tax comes from *LJ*,⁶ but a marked characteristic of *WN* is that his approval of the ‘land-tax’ is based precisely on his doctrine of ‘neat products’. Smith claims that the resources of the rents that include both the rent of land and the interest of money are the ‘neat products’ that exceeds the total revenue of profits and wages of the industrious. Smith’s endorsement of the taxes on rents derives from his belief that it by no means disturbs people’s economic activities.

It should be remembered however that Smith nevertheless opposes the taxes of group (B) in Table 1, stating that they fall too heavily on the revenue (rent) of landowners (*WN*: 873). At first glance this seems quite a curious opinion since the taxes of group (B) that finally fall on the landowners must also be agreeable to his criteria of taxation that the ‘neat products’ are the proper resources of it. However, looking at Table 8.1 objectively, we will discover that for Smith the question of whether the incidence of the tax does or does not take place is the most decisive reason for judging the propriety of taxation. The taxes of group (B) criticized by Smith, be it the profit tax, the wage tax, or the consumption tax, all fall on the rent of the landowner by way of the tax incidence, and consequently occasions a disagreement between the direct taxpayer and the final tax-bearer. On the other hand, such an incidence of tax does not happen in group (A) and luxuries, all of which Smith approved. The taxpayer and the tax-bearer are the same in this case. Therefore, it may safely be argued that the

Table 8.1 (A) Taxes upon Rent of Land, Rent of House and Interest of Money

<i>Objects of Taxation</i>	<i>Taxpayer</i>	<i>Tax-bearer</i>	<i>Propriety</i>
Rent of Land	Landowner or Tenant	Landowner	Good
Rent of House (House)	Tenant	Tenant	Good
Rent of House (Ground)	Tenant	Landowner	Good
Interest of Money	Rentier	Rentier	Acceptable

Table 8.1 (B) Taxes upon Profits and Wages, and Excise

<i>Objects of Taxation</i>	<i>Taxpayer</i>	<i>Tax-bearer</i>	<i>Propriety</i>
Agricultural Profit	Farmer	Landowner	Less Acceptable
Industrial Profit	Manufacturer	Consumer	Less Acceptable
Agricultural Wage	Farmer	Landowner	Less Acceptable
Industrial Wage	Manufacturer	Consumer	Less Acceptable
Excise upon Necessities	Consumer	Landowner or the Rich	Less Acceptable
Excise upon Luxuries	Consumer	Consumer	Good

criteria to judge the propriety of taxation consist of the 'neat products' as resource of tax and the incidence of taxation. However, the problem of the incidence remained the more decisive factor for Smith than the maxims of taxation. The reason is readily apparent. If there occurs the incidence of taxes upon profits, wages, and necessities, as he argues, it is because the merchant and manufacturer as well as the labourer would not be a taxpayer but a free rider in Stateship. Smith's theory of tax incidence suggests as a result that the industrious classes are not the real contributor except from the position of consumers. Determining this issue in eighteenth-century English society, in which political authority was overwhelmingly based on landed property, was certainly an acute political issue.⁷

Adam Smith's reform plan of taxation

The land-taxes, excise and customs constituted the mainstay of the English fiscal system in the eighteenth century. As the proper object of taxation in the criterion of the tax incidence, Smith approved the 'land and assessed taxes' and the tax on luxuries while opposing the taxes on profits, wages and necessities.⁸ Since the taxes on profits and wages were not actually levied in those days, he only thought that the tax on the necessities of life should be abolished. Furthermore, in addition to reforming the customs system that he criticized as a pillar of mercantilism, Smith even considered the necessity of reforming the rent tax, which he himself had advocated.

The land tax in Britain was a fixed-rate tax 'assessed upon each district according to a certain invariable canon' (*WN*: 828) and the direct tax that was assessed at 4 shillings in the pound (i.e. 20 per cent) on maximum. The maximum sum amounted to £2 million, as a shilling on the pound was worth £500,000 and the tax rate itself was limited within 4 shillings by Parliament as the occasion demanded. Smith remarks that 'in the state of things which has happened to take place since the revolution [1688–89], the constancy of the valuation has been advantageous to the landlord and hurtful to the sovereign' (*WN*: 829). This was due to the fact that a great improvement of agriculture and the stability of currency in the eighteenth century caused the rent, or the revenue of landowners to rise in real value.⁹ Namely, the very core of a problem in the current system was that the upper limit of the levied amount was kept constant, although the bearing ability of the landowners in general had risen remarkably. Smith proposes, therefore, his reform plan of 'a variable land-tax', which can change with every variation in the real rent of the land. Although using the plan of French economists as his model only in terms of the maxim of 'equity', Smith never agrees with their concept of a single land tax itself (*WN*: 830). Such a system of taxation would certainly realize the equity of the burden among the landowners, but an increase in the expense of collecting would make the procedure more complicated. Smith, therefore, proposes a system of administration in that 'the landlord and tenant, for example, might jointly be obliged to record their lease in a publick register', in order to resolve that disadvantage

(*WN*: 831). Thus, Smith's reform plan demands the raising of land tax in proportion to the ability of the landed class to pay.

Regarding the excise, Smith suggests his reform proposals for each of the taxes on necessities and luxuries. Though the principal taxes on the necessities of life in those days were those on the four commodities of 'salt, leather, soap, and candles' (*WN*: 874, 878), Smith thought such taxes were the worst and wanted them to be repealed immediately. On the other hand, Smith approved taxes on a wide variety of goods mainly imported as luxuries (*WN*: 883, 887). Duties on foreign luxuries imported 'fall principally upon people of middling or more than middling fortune' (*WN*: 886). The poor also, however, pay duties on such 'luxuries of the poor' as tobacco, tea and sugar (imported) or beer and ale (homemade). Smith supports the reform plan to abolish the duties on 'beer and ale' and to raise a 'malt tax' instead, as more effective (*WN*: 889; Mathias 1959: 339–83).

The customs in England is the longest and most complicated taxation (its origins are medieval). It consisted of three parts: first, an exportation duty on wool, leather, and (later) woollen cloths; second, a duty upon wine, called a tonnage; and third, a duty on all other imports and exports, called a poundage. This system of customs, which had been an effective means to procure the revenue of a sovereign, was sometimes also used to regulate the trade of the country (*WN*: 879). The 'Subsidy of Tonnage and Poundage' established in the Restoration was an act to comprehensively reorganize these three parts of the customs. This so-called 'Old Subsidy' was replaced by the 'New Subsidy' imposed in the exigencies of the state after the Glorious Revolution (1688–89). Regarding the difference of both subsidies, Smith says that mercantilism had been prompted since that Revolution to change radically the nature of the customs from 'an instrument of revenue' to one of monopoly (*WN*: 882).¹⁰ The customs in mercantilism made the best use of the policy of protectionism while such duties on importation caused smuggling and the total sum of trade to decrease. The bounties on exportation and the drawbacks on re-exportation also gave a reason for merchants and manufacturers to create frauds, which deprived public revenue. Regarding both as a massive expense and a defalcation in the customs system, Smith insists that this kind of taxation was hardly contributory to the revenue of a nation.¹¹ Referring to Walpole, he suggests that the customs system should be fundamentally repealed, and then that the duties should be confined to a few sorts of imported luxuries and such imports be managed in the private or public warehouses (*WN*: 855; *LJ*: 532).

Reality in Smith's reform plan

Smith's idea of taxation reform allowed landowners (the gainers of rent) to pay more of the land-tax than previously; however, what implications did it actually have in the historical context of his age? Table 8.2 indicates a decisive shift in the pattern of taxation in eighteenth-century Britain. It is obvious that the most important sources of national revenue were changing from the land tax (a direct

Table 8.2 Sources of Net Tax Revenue, 1688–1790 £000

<i>Years</i>	<i>Total Net Revenue</i>	<i>Land and Assessed Tax</i>	<i>(%)</i>	<i>Excise</i>	<i>(%)</i>	<i>Customs</i>	<i>(%)</i>
1688–1700	3,684	1,411	38	928	25	859	23
1701–1710	5,130	1,890	37	1,582	31	1,379	27
1711–1720	5,815	1,668	29	2,100	36	1,563	27
1721–1730	6,075	1,433	26	2,694	44	1,606	26
1731–1740	5,763	1,061	18	2,884	50	1,522	26
1741–1750	6,762	2,122	31	3,076	45	1,319	20
1751–1760	7,548	1,789	28	3,607	48	1,779	24
1761–1770	10,277	2,139	21	4,849	47	2,385	23
1771–1780	11,173	2,099	19	5,272	47	2,595	23
1781–1790	15,062	2,778	18	6,600	44	3,541	24

Source: Michell, B.R., *British Historical Statistics*, Cambridge University Press, 1988, pp. 575–76

Note: Dates are ten year average, with the exception of 1688–1700. The numbers in the table have been rounded off to the nearest thousand.

taxation) to the excise (an indirect taxation) during this period. Smith himself seems to have recognized this historical shift. If so, it seems as if his reform plan, which demands an increased contribution to the revenue from the landed, was an absurd project. To understand this apparent anachronism in Smith we need to take account of the following circumstances. First, the amount of the land tax was limited to £2 million because it was a fixed-rate tax assessed at 4 shillings in the pound on maximum. However, Smith argued, since British agriculture had remarkably improved since the Revolution of 1688, the real value of the rent must have increased proportionally and the real tax burden of the landowners must have decreased correspondingly,¹² in spite of the country gentlemen's discontent with a 'heavy tax' on the rent of the land. Accordingly, once 'a variable land tax' was adopted, it would be possible to procure revenue from the land tax exceeding £2 million. Second, it is true that the aggregate amount of the excise exceeded that of the land tax, except for the first decade of the eighteenth century, and moreover the proportional contribution of excise to the total net revenue was gradually increasing after that. However, as Smith's theory of tax incidence revealed, the increasing part of the excise on both necessities and luxuries falls on the rent. At the same time the resource of the customs duties mostly comes from the rent of the landed class because it may be regarded as the same as the taxes on imported luxuries.

This demonstrates Smith's awareness of the landed class's ability to pay the higher land tax and maintain the increasing expense of the British state. The excise was generally regarded as the most equitable of taxes, since every rank of a nation would contribute to the needs of the state according to their ability to pay. Conversely, the land tax was thought to be inequitable since it is directed at the landed class only. While the excise came to occupy an

increasing share of the total revenue during the eighteenth century, Smith observed that the taxes on necessities and luxuries were in fact paid by the 'rent' of land. This position reflects his pointed emphasis upon the weight of 'agriculture' in English society in general and the economic role of the landed gentry in particular.¹³ More importantly, there was a political background against which Smith could have demanded the higher land tax from the landed class in such a visible manner that everyone could easily see who was the 'real contributor'.

Smith's politics of tax incidence

In less than ninety years from the Glorious Revolution to the publication of *WN*, Britain experienced four international wars with other European powers, including subsidiary theatres of conflict in North America and Asia. Britain's final victory over the French heavily depended upon the formation of a 'fiscal-military state' (Brewer 1989) which could provide adequate resources for the enormous war expenditure. A pillar of the state was nothing but a system of public debt created in the 'financial revolution' (Dickson 1967) which started at the end of the seventeenth century. It created a new type of 'wealth' in the succeeding decades of English society that was quite different from the traditional wealth of 'land'. The moneyed men, whose property consisted of a new type of wealth called 'money', were in alliance with the landed interests and made an effective contribution to stabilize the squirearchy after the Revolution of 1688 (Cain and Hopkins 2002: 72–73). Though their political voice in Parliament grew increasingly influential in the eighteenth century, it was still the landed interests in power by tradition that were the real contributors to the ever-increasing governmental expense. It was during a brief peacetime in Europe that Walpole began his period as Prime Minister and First Lord of the Treasury (1721–42) and launched into his attempts to introduce a radical reform plan for reducing the land tax to relieve the landed gentry and for establishing the system of general excise as an alternative resource to increase the revenue, which he believed to be 'more equitable' than the land tax (Brisco 1907: 100–03 esp.; Judd 1984: 137–41).

In 1732, duties on salt that had been abolished just two years before were revived. This was the herald of Walpole's scheme. Next year a bill for duties on wine and tobacco was presented to the House of Commons, but in vain. Smith comments on this Excise Crisis (1733) as follows.

It was the object of the famous excise scheme of Sir Robert Walpole to establish, with regard to wine and tobacco, a system no very unlike that which is here proposed. But though the bill which was then brought into parliament, comprehended those two commodities only; it was generally supposed to be meant as an introduction to a more extensive scheme of the same kind.

(*WN*: 886)

First, since salt is one of the most important necessities, according to Smith's theory of incidence, this kind of tax is finally shifted to the rent of landowners, and would thus not help to relieve the landowners' burden. Indeed some criticism of Walpole's claim that the salt duties were paid by everyone argued that it was wrong to tax the wages of the poor and that any resulting increase in their wages would worsen Britain's trading position and harm everyone. However, this was basically different from Smith's criticism and completely rejected by his theory of tax incidence (Kennedy 1913: 142–43). Second, although the duty on tobacco and wine was dropped by strong opposition from 'faction, combined with the interest of smuggling merchants' (*WN*: 886), Smith might well have approved of Walpole's scheme to levy the excise on imported luxury goods such as tobacco and wine. Third, Smith found Walpole's plan for reducing the land tax quite incompatible with his advocacy of the landed interests. Smith, like Walpole, was an advocate of the landed interests. Nevertheless, Smith's tax reform was characterized by a demand for an increased land-tax contribution from the landowners, in startling contrast to Walpole's scheme. What explains this contrast?

Walpole intended his scheme ultimately to shift the main prop of English taxation from the land tax to the excise. Behind this scheme was a historical process of capitalist development and in particular, the rise of the industrious classes in the squirearchy. The 'fiscal-military state' established under the Revolution Settlement became the prime mover of economic prosperity in British society and generated a tremendous amount of wealth to be enjoyed by all ranks and classes. Vast overseas markets, newly added to the British Empire, afforded foreign traders and domestic manufacturers a good opportunity to acquire massive wealth. However, under the current agrarian-based taxation system, the landed class as the 'natural' rulers of society was forced to finance the Empire under the squirearchy. In other words, merchants and manufacturers accumulated their riches at the expense of the landed class, and for that very reason Walpole attempted to abate such discontent among the ruling classes by his general excise scheme. In the latter half of the eighteenth century, the political influence of merchants and manufacturers continued to expand with the economic growth of London and the industrial cities of the north-west (Stevenson 1992: 69–113). Therefore, it became historically inevitable that the more the common people paid in taxes, the stronger the political reform movement would grow against the established system.

Some scholars might think that Smith's plan for a higher land tax would be a victory for the industrial capitalists, who could accumulate capital by being exempted from taxation.¹⁴ This is, however, not the case at all in the eighteenth-century context. The reduced share of land tax to the total public revenue might have been taken as a symptom of the decline of the political authority of the landed interests. Therefore, Smith proposed his reform plan with a view to neutralizing a potentially radical claim to political participation by the rising industrious classes, and by doing so sought to re-establish and reinforce the political authority of the squirearchy.¹⁵ The higher land tax plan in *WN* is a clear

evidence that Smith followed the British political tradition that none but the rentier should be regarded as the natural rulers of society. In his theory of tax incidence, Smith persistently denied the possibility of a direct tax on the rising industrious class, namely, on profits and wages. The real reason now seems clear from his political ideology as an advocate of the landed interests. Above all, the most intractable problem of taxes on necessities is that although the landed interests are in fact the ‘tax-bearers’, the industrious classes appear, on the political scene, to be the ‘real contributors’. As Smith might possibly have believed, if an earned income of the industrious classes except the rentier were to pay the greater share of total public revenue, a political movement, shaking the landed gentry to its foundations, would occur and the Revolution Settlement based upon real property could no longer be maintained.

Conclusion

Smith’s sceptical view of the ‘political liberty’ of the merchants and manufacturers forms an important element of his attack on mercantilism in *WN*. He severely accuses the ‘master manufacturers’ that their political activities are designed to ‘intimidate the legislature’ in order to strengthen their monopoly (*WN*: 471). With respect to the governance of India by the East India Company, he insists that ‘no two characters seem more inconsistent than those of trader and sovereign’ (*WN*: 819). These points clearly prove that Smith as an advocate of economic liberalism declared himself to be adamantly against political activities of all classes in society but the rentier. The merchants and manufacturers have ‘a better knowledge of their own interest’ in business, but not of the ‘publick interest’ (*WN*: 266–67). Therefore, Smith thought that these classes generally lacked the adequate political qualities required for the constituent in the legislature to deliberate ‘by an extensive view of the general good’ (*WN*: 472).

The most difficult problem that Smith confronted was the ‘corruption’ of the ruling classes — that is, the landed and moneyed interests; he regarded their claims for a reduction in rent-tax as an erosion of civic virtue through commercial ideology.¹⁶ Smith’s theory of taxation illuminated an irony of history: that the extension of excise occasioned the industrious classes, with merchants and manufacturers as their core, to strengthen their political voice, while such duties were shifting to and finally fell on the landowners. The final conclusion from his analysis of taxation was that the landed class could and should pay more in the direct and visible form of the land-tax in order to maintain the gentry’s leading position in society. In *WN* Smith proposed a politics of taxation in order to enlighten the landed class.

Notes

- 1 In contrast to the four categories of taxes in *WN*, two categories of taxes upon possessions and consumption are found in *LJ* (Report of 1763–64). The former includes the taxes upon land, stock and money, and the latter is divided into excise and customs in

- the same manner as in *WN* (*LJ*: 531). *LJ* (Report of 1762–63) discovered by J.M. Lothian in 1958 is unhelpful here for an omission of the part of ‘revenue’.
- 2 Prototype of the two theories is found in *LJ*. For example, the theory of tax incidence is, even if incomplete, included in the next sentence, which shows the merit of the tax on consumption. ‘They are laid upon the merchant, who lay them on the price of goods, and thus they are insensibly paid by the people’ (*LJ*: 533). However, it is not probable that Smith had already clearly noticed the difference between the two theories as early as his time as a professor at Glasgow University.
 - 3 For the English land tax, see Ward (1953). Also see Dowell (1884: iii, 81ff) and Braddick (1996: 95–99).
 - 4 For Smith’s doctrine of tax-incidence in this section generally, see Seligman (1927: 143–51) and Dome (1998).
 - 5 For Smith’s position in the eighteenth-century debate about luxuries, see especially Berry (1994: 152ff, 208–10), which gives a thorough description.
 - 6 Smith’s favourable view of land-tax in *LJ* is shown by the following statement: ‘if it were possible to defray the expenses of government by any other method, all duties, customs, and excise should be abolished’ (*LJ*: 514).
 - 7 The Qualifications Act of 1710 required county MPs to possess landed property worth £600 sterling per annum and borough MPs £300 sterling (O’Gorman 1989: 15, 118). For the qualification of property to the electorate at that time, see Porritt (1903: 25), which points out that the ‘certificates of payment of land-tax became the title of an elector to vote’.
 - 8 Seen in the Scottish historical context, Smith’s principle of taxation, which opposed Sir James Steuart’s favourable view of general excise (Steuart 1767: iv, 135ff), was prepared by David Hume’s high estimation of the tax upon luxuries (Hume 1752: 345) and Henry Home’s high estimation of the land-tax (Home 1778: ii, 348ff).
 - 9 Chapter 11 ‘Rent’ of Book I of *WN* exhaustively illustrates that the real value of rent in Britain has increased with the improvements of both agriculture and manufacturing since the Revolution of 1688.
 - 10 For the customs system in England, see Hoon (1938: 1–44) and Braddick (1996: 49–55).
 - 11 Smith remarks that the gross produce of the customs in the year of 1755 amounted to more than £5 million, while the neat revenue for that year came to no more than about £2.5 million (*WN*: 882).
 - 12 O’Brien insists, ‘the burden of taxation on the aristocracy declined during the eighteenth century’ (O’Brien 1988: 16). See also Beckett and Turner (1990: 385).
 - 13 See Hollander (1973: 95–98) and Cain and Hopkins (2002: 58–59). Smith’s high opinion of the landed gentry is shown in the following quotation: ‘A small proprietor ... is generally of all improvers the most industrious, the most intelligent, and the most successful’ (*WN*: 423). Moreover, referring to the ‘gentleman farmer’, Smith also states that ‘the landlord should be encouraged to cultivate a part of his own land’ (*WN*: 832).
 - 14 Winch (1978) has named and criticized this type of Smith interpretation as the ‘liberal capitalist perspective’.
 - 15 The political linkage between the land tax and the Revolution Settlement is obviously pointed out by Langford’s impressive statement that ‘the land tax was simultaneously the pledge of the landed classes’ commitment to the Revolution Settlement and the symbol of their nominal hegemony’ (1991: 421). Smith accepts this linkage as ‘the principles of the British constitution’ in the chapter on public debt (*WN*: 933). Although Henry Home launches a counterattack against this Lockean thesis, which was being revived by American and British radicals in the mid-eighteenth century (Home 1778: 358–59), Smith himself seems to endorse the Lockean thesis. He only opposes the bourgeois radicalism that attempts to exploit ‘the respectable authority of Locke’ and to vindicate a claim of political participation of the industrious classes.

- 16 Although Gallagher's recent work is very interesting in this perspective, I do not agree with her understanding of Smith's de-politicized standpoint (Gallagher 1998: 71, 97).

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9 The main themes and structure of moral philosophy and the formation of political economy in Adam Smith

Shoji Tanaka

Adam Smith, known as the founder of political economy was, together with David Hume and Henry Home, Lord Kames, one of the second generation of the Scottish Enlightenment whose aim was to realize the purpose of the enlightenment as the central theme of their moral philosophy. In brief, this was to build up a free, civilized society by way of increasing the wealth of nations through the commercialization of society and through the formation of independent subjects free from feudal relations and religious delusions. An outcome of this aim was that one of their main themes was criticism of the remaining feudal aspects of modern society, and the mercantile system. Individual studies of these thinkers has already amounted to a fair number of volumes, even in Japan. However, as far as I know there has not yet been any major study that grappled with the theoretical relations between Hutcheson, Hume, Kames and Adam Smith, especially concerning the relationship between the formation of secular and empirical theories and the theological presuppositions of the Scottish Enlightenment. In particular, this chapter will focus on the theoretical lineage between Kames's essay on 'Liberty & Necessity' in his *Essays on the Principles of Morality & Natural Religion* (1751) and Adam Smith's *Theory of Moral Sentiments* (1759, *TMS* hereafter), which previously have only been the subject of some shorter fragmentary comments or reviews.¹ Spotlighting their dynamic successive relationship is, I believe, an indispensable key to understanding the essence of Smithian liberalism.

As is well known, Francis Hutcheson intended to destroy the religious obscurities that had accompanied the blind belief in the doctrine of revelation of Presbyterian Calvinism by means of an empirical demonstration of the design of God. But Hutcheson's argument from design, along with the influence of Enlightenment thinking generally that was under way in the church at that time, was epistemologically severely criticized by David Hume, who rejected the need for empirical demonstration of the relation between cause and effect. This Humean scepticism opened the way for the science of man to emancipate individuals from the rationalized view of nature that flowed from the logic of the Stoic Natural Theology, upon which Hutcheson's argument from design had rested. By contrast, Humean negation of design or reason in nature tended to

prefer utility to nature. Then Kames, confronting this Humean scepticism but unwilling to accept its logical consequences, developed a design-presupposed argument contrary to Hutcheson in order to escape Humean criticism. Here is the reason why Kames, in emphasizing the governance and domination of the necessary laws of nature predestined by God and the necessity of the operation of nature in accordance with the dogma of Calvinist theology, developed the paradoxical argument that we can find the incentive to industry and moral sentiments within ‘the deceitful feeling of contingency or liberty’ which we feel because of ‘the necessary laws’ being concealed from our eyes.² This Kamesian moral theory together with the views of David Hume, faced bitter objections from the orthodoxy of the Church of Scotland, and was exposed to severe criticism, accusation, and censure. Though it is not clear what Smith thought of these criticisms and accusations by the Church, Kames’s argument can easily be imagined to have given a good opportunity to Smith who, sympathizing with Humean scepticism, could also not accept its consequences: an opportunity to rethink how to open a third way to develop critically the fruits of Hutchesonian Natural Theology in the spirit of Hume’s criticism of them. Furthermore, these controversies about the fundamental principles of religion and morality, going on among Smith’s close circle before and after 1750, would have had an influence on the formation of the doctrines of *TMS*.

The main subject and structure of *The Theory of Moral Sentiments*

Adam Smith, who gave lectures on Moral Philosophy as a professor at Glasgow University as this debate was developing, aimed in his lectures to develop a more empirical theory of law and government rather than the modern natural-law theories, through a critical commentary on the Moral Philosophy of his teacher, Francis Hutcheson, and especially on natural jurisprudence as the kernel of moral philosophy. That he would have used Hutcheson’s *Short Introduction to Moral Philosophy* (1747) and *The System of Moral Philosophy* (1755) as the central reference points for his lectures can be guessed partially from the *Anderson Note* etc. In order to overcome the thorny difficulties of Hutcheson’s Moral Philosophy, and especially of his Natural Jurisprudence, Smith made it the central themes of his lectures to develop passion-ethics founded upon the sympathy principle, instead of Hutcheson’s moral sense theory. He did this through a close examination of Hutcheson’s *An Inquiry Into the Original of our Ideas of Beauty & Virtue* (1725), and *An Essay on the Nature & Conduct of the Passions & Affections with Illustrations on the Moral Sense* (1728).³

As a theoretical consequence of these confrontations with Hutcheson’s works, Smith proposed the principle of controlling the passions by affections from the third person’s point of view, which is framed naturally through mutual sympathy between people. It meant at the same time the transferring of the principle of moral judgement from the heavenly God or the Stoic Logos of Nature to the earthly spectator. The reason the ethics of *TMS* is called moral psychology is

that it had developed passion-ethics based on the ‘sympathy of the impartial spectator’ principle, according to the psychological analysis of human feelings entailing the natural movement of sympathetic sentiments. The moral theory developed in Parts 1–3 of *TMS*, whose sole principle is the sympathy of the impartial spectator, may be nothing more than a phenomenological description deduced from psychological observations of ethical experiences, shaped naturally through the interactions of the various voices of the people (Griswold Jr. 1999: esp. ch.1).

It is clear that this moral theory of *TMS* is close to Hume’s. However, to say — as many scholars have⁴ — that because the spectator-ethics of *TMS* depend upon the discussion of human nature as the efficient cause, then ‘teleological arguments, while present in the *TMS*, may be excised without impairing the cogency of his analysis’ (Kleer 1995: 275) is not accurately to understand Smith’s real logic.

Though modern thought has generally been deemed to be the logical conclusion of voluntarism, as begun at the end of the middle ages, voluntarism did not form the main stream of modern thought until the nineteenth century, as effectively demonstrated by K. Haakonssen.⁵ For example, the main stream of British moral philosophy in the Enlightenment period aimed to make a mainly theology-based realism compatible with the theory of moral sentiments. The fact that the moral sense school of Hutcheson and his followers understood human nature within the providential framework, and regarded the purpose of science as providing their empirical evidence, is an illustration of this truth. This ‘providentially guaranteed objectivism’ confirms that the science of man in the eighteenth century was dancing the ‘teleological twist’ differently from seventeenth-century thought, which had drawn a clear demarcation line between moral theology and natural jurisprudence in order to escape religious wars.⁶

David Hume, who pointed out the epistemological difficulties of this Providential Objectivism or Providential Naturalism and rejected the final cause theory, paved the way to a purely utilitarian social theory by seeing the evolutionary growth of convention within the activities of man as the efficient causes that act according to linguistic relations between individuals. To the extent that Smith — who was an intimate friend of Hume and held scepticism in common with him — had proposed the subject of science to be the empirical observation of the activities of men as efficient causes, and had believed spectator-ethics to be a convention founded on the inter-exchange of the various voices, he appears to belong to the lineage of voluntarism. Indeed a Humean interpretation of Smith seems to be reasonable as long as it is grounded on these aspects. However Smith, although having greatly felt the impact of Humean scepticism could not, as already stated, accept its utilitarian consequences. Therefore in *TMS* he developed the teleological argument that man’s activities in pursuing the beauty of the means, due to the invisibility of the object, would realize the design of the Deity, by presupposing metaphysically both the operation of the unseen system of nature and its necessity in the human world (in accordance with Kamesian logic, whose purpose had been to clear away Humean scepticism). On the basis

of this metaphysical presupposition, he had made it the main subject of *TMS* to establish the spectator ethics on earth in order to assure the operation of nature. The main theme of Smith's moral philosophy is an inquiry into the ethical and institutional conditions that assure the operation of design, metaphysically presupposed, instead of Hutchesonian argument from design.

This logical structure of presupposing metaphysics shows why Smith, unlike Hume, denied utilitarianism consistently through his life. While Humean scepticism had a tendency to lead towards utilitarianism, Smith, intending like Hume an 'efficient-causal' formulation of the final cause, presupposed the Providential Naturalism which acknowledges the dominance and operation of the necessary laws of nature in accordance with Hutchesonian theology. He had, on the basis of those presuppositions, identified the subject of science as a social scientific empirical analysis; analysis of the objective constitution and mechanism of nature; and as a criticism of the institutions disturbing their realization. This is the reason why he had allowed the necessity of the consequences of empirical observation of the activities of the efficient causes, as seen in the example of the natural price theory.

These themes and structures of Smith's theory have not necessarily been acknowledged distinctly so far in Smith scholarship. That is the reason, I contend, for the antagonism in current studies between the empirical interpretation of *TMS* (that the theological expressions of *TMS* may be eliminated because they have no necessary relation with his empirical moral theory) on the one hand, and the metaphysical or theological interpretation (which one-sidedly emphasizes the importance of the presupposition of final causes in Smith's theory without a sufficient explanation of their inner relations with his earthly ethics) on the other. This is the background to the emergence of the interpretation proposing 'a new Adam Smith Problem' (Alvey 1996). Donald Winch's view that we cannot help but select either the empirical scientific trend or the normative elements in Smith's theory, and discard the other (Winch 1984: 102) may well correspond to this present state of Smith scholarship. However, I believe that we cannot '*begreifen*' or understand conceptually the main themes and structure of Smith's moral philosophy by choosing either extreme of this polarity. The most fundamental characteristic of the Smithian system of moral philosophy lies in clearly developing the logic that presupposes theology on the one hand, while aiming to construct a purely secular and empirical theory that has nothing directly to do with theology, on the other. A key to appreciating correctly the themes and structure of Smith's system of moral philosophy lies in solving this 'Adam Smith Problem', including this dual and antagonistic two-system structure of his thought. If we assume *TMS* to be the critical development of the problem that Kames faced in the first edition of *Essays on the Principles of Morality & Natural Religion* in the above-mentioned theoretical context, we could find a way to solving this problem. I shall now try to focus on the main subjects and structure of moral philosophy in Smith, referring again to Kames's discussion in more detail.

Kames, who while acknowledging the meaning of scepticism in the thought

of Berkeley and Hume, attempted to overcome it (Tytler 1807: 130–31, Tanaka 1993: 114) had begun his discussion with the presupposition that everything of the universe is under the sway of the necessary laws of nature predestined by God and that men are the necessary agents, according to Calvinist tradition. Kames had on these presuppositions located the motives of industry and moral sentiments in ‘the deceitful feeling of contingency or chance’ of men who think they have a room for contingency or liberty despite being really a necessary agent, because the necessary laws of Nature are concealed from men’s eyes.⁷ Smith mentions no more than indirectly Kames’s *Essays*, and does not refer to the predestination theory of Calvinism. However, he repeatedly mentions the dominance and operation of the necessary laws of nature and the influences of contingency or irregularities due to their invisibility, and refers to the constitution of nature or the system of nature, which obeys the means–end relation or the efficient cause–final cause logic in *TMS*.

These phrases or doctrines themselves are nothing but the logic of natural theology developed already clearly by Hutcheson. Smith, however (in accordance with Kames), by presupposing the necessity of the operation of nature including human affairs, developed the theory that men, by virtue of these laws being unseen and concealed from their eyes, pursue the beauty of the means for its own sake and work busily, deluded by nature to acquire wealth, as if it was itself their object. On this assumption, Smith concludes that each person’s free activities, pursuing the means itself and unconscious of its object, would result in the better realization of design. It is clear that his deception theory, known as the doctrine of the ‘invisible hand’ in *TMS*, corresponds or is in near relation to the foregoing logic of Kames. The deception theory of *TMS* thus presupposed Kames’s essay ‘Of Liberty and Necessity’. So when Smith wrote, ‘And it is well that nature imposes upon us in this manner. It is this deception which rouses and keeps in continual motion the industry of mankind’ (Smith 1759: IV. 1. 10), it is certain that he had kept the foregoing discussion in mind.

The moral theory (the propriety ethics) of *TMS*, resting on the sole principle of the sympathy of the impartial spectator, is nothing but the earthly mores of men in order to assure the operation of the objective system of nature. Here is the key to understanding consistently the perfectly secular and empirical character of the spectator ethics of *TMS* against its metaphysical framework — and the secret of their coexistence. *TMS* is the work with which Smith sought to establish the ethics and institutions regulating earthly man-to-man relations in order to assure the carrying through of the system and operation of nature grounded on these metaphysical or theological presuppositions. This dual theoretical structure of *TMS* is expressed clearly in the chapter entitled ‘Of the utility of this constitution of Nature’:

Justice, on the contrary, is the main pillar that upholds the whole edifice. If it is removed, the great, the immense fabric of human society, that fabric which to raise and support seems in this world, if I may say so, to have been the peculiar and darling care of Nature, must in a moment crumble into

atoms. In order to enforce the observation of justice, therefore, Nature has implanted in the human breast that consciousness of ill desert, those terrors of merited punishment which attend upon its violation, as the great safeguards of the association of mankind, to protect the weak, to curb the violent and to chastise the guilty

(Smith 1759: II. ii. 3. 4).

Though most attention has been paid in past studies to Smith's idea that justice is main pillar, the core of this text lies in the point that men are naturally constituted to have the sense of *ill desert* (blameworthiness) as if lonely abandoned in 'the inhospitable desert' (Smith 1759: II. ii. 2. 3) when committing a crime. Smith in this manner acknowledged the utility of the constitution of human nature in producing the natural sentiments of *remorse* exhibited in the sense of ill desert. However, this theory of ill desert and remorse is directly inherited from Kames (Kames 1751: 64, 194–99, 203–06). Smith's empirical moral theory in Parts I–III of *TMS* is an attempt to turn the third-person's point of view (logically included in the sense of ill desert or merited punishment founded on this constitution of nature) into the *für sich* consciousness, by the principle of the impartial spectator.

The same metaphysical presupposition is the ultimate reason why the theory of justice developed in *TMS* and *Lectures on Jurisprudence* concerns not distributive justice but commutative justice. Smith, in favour of presupposing the system of nature and of acknowledging the contrivance of the constitution of nature just as Hutcheson and Kames did, arguably thought that the observance of 'the imperfect virtue', centring around that commutative justice required to assure the operation of the system of nature, would be the sufficient condition for our common life. Even the fact that Smith inserted the 'atonement' clause in the last paragraph of the chapter 'Of the utility of this constitution of Nature' in editions 1–5 of *TMS* does not contradict the radically earthly logic of *TMS*, despite the interpretations of many scholars to the contrary. It was a theological logic to forgive fallen man, who had eaten the forbidden fruit, and make him the bearer of the earthly justice, so that the sympathy of the impartial spectator became the principle of justice in earthly relations between men.

This is also the reason why in the first edition of *TMS*, the theory of justice was made the main theme, and the theory of perfect virtue was referred to no more than incidentally and esoterically. Smith thought we had no need to discuss any especial beneficence or prudence, because man's activities, seeking self-interest, contribute naturally to the realization of public utility even if only commutative justice be observed.

The first clear expression of this fundamental belief is manifested in the following document, believed to have been written in 1755. It states that:

Man is generally considered by statesmen and projectors as the materials of a sort of political mechanics. Projectors *disturb nature* in the course of *her operations* in human affairs; and it requires no more than to let her alone, and

give her fair play in the pursuit of her ends, that she may establish her own designs ... 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: 322, my italics)

This document known as one instance of so called Smithian economic liberalism, actually reflects his profound belief in the harmonious operation of nature leading to opulence, only if not being disturbed by projectors. What he called ‘constant’ subject of his moral philosophy was to establish proper conditions to realize this conviction. That is why Smith intended in *TMS* a formulation of ethics (or more exactly mores) of commutative justice in order to demonstrate the operation of this ‘natural course of things’, metaphysically presupposed in the above document. We see here the central theme of the first edition of *TMS*, which was developed as the methodological introduction for constructing the ‘general principles of Law and Government’ different from the casuistic natural law theories of Pufendorf, Hutcheson and others who had aimed to provide legal prescription even for ethical matters.

However, in order to justify the contention that only the virtue of justice be sufficient condition to assure the realization of the system of nature, it is required to demonstrate and guarantee the equitability of the system of nature that obeys the necessary laws of nature moved by the logic of the efficient-final causes. That is the reason why Smith described in Parts 4–5 of *TMS* the process by which the free self-centred activities of men, pursuing the beauty of the means itself (as if it were the final goal) more than their true happiness, would still contribute (only ‘led by an invisible hand’) to the realization of public utility. It is also the reason why Smith made his severe criticism of utility and custom, which disturb the operation of the system of nature. Smith’s criticism of the institutions founded on utilitarian principles or customs is the second central theme of the first edition of *TMS*. He does this by asserting that, if the operation of nature was not disturbed by utilitarian considerations or customs, the necessities of life would be distributed among all members of a society in the same way as when all the lands were equally distributed.

We clearly see here the origin of the analysis of the structure of economic circulation, which constitutes one of the main subjects of Book 1 and 2 in *The Wealth of Nations* (*WN* hereafter). We also see the guiding spirit of the criticism that appears in Books 3 and 4 of feudalism and the mercantile system that retard and disturb this circulation. *TMS*, as the methodological introduction to the criticism of Hutchesonian Natural Jurisprudence, had already clearly developed the main fundamental principles of *WN* as ‘a partial exposition’ of ‘the general principles of Law and Government’. As already noted, *TMS* was, in its presupposition of the dominance of the necessary laws of nature, the work which originally intended to form theories of the imperfect virtue centring around the realization of the design. At the same time, however, the work which

laid out the idea that the virtue of commutative justice was a m it also sought to expound the Political Economy of *WN*, that is to say, both the economic demonstration of automatic realizability of distributive justice (equity) under the sway of commutative justice and criticism of those institutions that disturb their realization. However, in spite of this similarity in themes and structure, we also have to recognize the gap between *TMS* and *WN*.

The main themes of *The Wealth of Nations* and the birth of political economy

Of ‘the system of natural liberty’, the guiding category of *WN*, various interpretations have been attempted. Yet its fundamental principles do not yet seem to have been clearly elucidated. The system of natural liberty in *WN* was based on the Stoic idea of ‘the system of nature’ mediated by the aforementioned Calvinist paradoxical logic. The economic theory of *WN* is the economic demonstration of the constitution and mechanism of this system of natural liberty under which free activities of men pursuing the beauty of the means (their natural appetites), naturally contribute to the increase of the wealth of nations, due to the invisibility of the utility of the whole or the ultimate purposes. The latter half of *WN* seeks to exclude the institutional obstacles that retard or disturb their realization upon this theoretical analysis. However, this principle of the system of natural liberty in *WN* had already clearly been presupposed in *Lectures on Jurisprudence* (*LJ* hereafter) as a development of the argument of *TMS*, though without clear indication. Such expressions as ‘the natural balance of industry’ and ‘the natural progress of opulence’ as the keywords of economic theories in the Police section of *LJ* (A, 1762–63) and (B, 1763–64) may be understood as the economic expression of ‘the natural course of things’ obeying the system of natural Liberty.

The Justice section of *LJ* (A) and (B) aimed to set out a theory of the laws of nature in a commercial society as the fourth stage (after hunting, pastoral, and agricultural stages), through specifying the general rules of the law of justice based on the sympathy-of-the-impartial-spectator principle of *TMS*, in connection with the circumstantial conditions of each stage. The Police section in *LJ* criticized the artificial policies and customs which disturb ‘the natural balance of industry’ and retard ‘the natural progress of opulence’ by means of the economic demonstration of the laws of nature of men’s free economic activities under the sway of commutative justice. This is the reason why in the Police section the economic theories constituting the theoretical foundation of *WN* were developed on the one hand, and a severe criticism of the feudal institutions and the mercantile system preventing their realization was carried out on the other. Moreover this criticism derives from his idea that feudal relations, mercantile regulations, and protective institutions which throw men into the state of dependence upon and subjection to others, would disturb the independence of the people, or the formation of independent industrious agents, and consequently corrupt their nature. However, in *LJ* (A) and (B), unlike in *WN*, the

system of nature was regarded as if it would automatically realize itself only if there were no institutional impediments to corrupt and degenerate men. This explains not only why in *LJ* the problem of the formation of independent industrious agents did not constitute any special items of speculation, but also why the economic demonstration of the natural balance of industry and the natural progress of opulence was not performed.

Books I and II of *WN* present theories of value, price, and distribution founded upon the labour theory of value and the theories of productive labour, surplus value, accumulation of capital, and reproduction, which act as theoretical demonstration of the concrete process of the natural balance of industry and the natural progress of opulence. The latter theses were only *assumed* in *LJ* (A) and (B) as the criterion for criticizing artificial policies or customs. Upon the basis of these theories thus constructed, Books III and IV criticize the feudal heritage, mercantile regulations, and protective institutions that obstruct the application of the above theories. It now seems evident that these subjects of *WN* are the continuation and development of the subjects of *TMS* and *LJ*.

However, in order to understand the true sense in which Smith could have created the science of political economy through positively developing the theory of the formation of independent industrious agents (producers) inspired by the desire to better their own conditions, I draw attention to the significance of his reading of *An Inquiry into the Principles of Political Economy* (1767) by James Steuart. Indeed after returning home from the continent, Smith concentrated on *theorizing* the economic arguments of the Police section in *LJ* under the influence of physiocrats, especially François Quesnay. However, Smith's encounter with *The Principles of Political Economy*, enabled him to open the way to the establishment of a supply-side economic theory much different in character from the economic theories in the *LJ* Police section.

On coming into contact with the monetary economic theory of Steuart (who held that home markets were formed by generating effective demand through monetary policy), Smith must have keenly felt again the difficulties of a monetary system fundamentally different from the natural system as developed by the French physiocrats and himself. Smith, being conscious of the fundamental difference between Steuart's theory and his own, set out to construct a counter-theory against Steuart. Acknowledging flaws and limitations of the demand-based approach of all preceding economic theories, including his own economic analysis in *TMS* and the *LJ* Police section, he laid out a purely supply-side economic theory, entirely rejecting demand-side monetary policy. In that process, Smith must have felt strongly that Steuart's theory was essentially one of monetary policy directed and controlled by government in the same fashion as the mercantilism criticized in the *LJ* Police section. He also perceived that Steuart's demand-side monetary economic theory, with its heavy reliance on encouraging the luxury of the rich and public investment, presupposes the established system and actually existing manners of the people.

Smith, against this theory based on the *status quo*, must have thought that it would be impossible, by this sort of theory presupposing actual relationships, to

build up the free economic society founded upon the independence of the middle and working classes, which is the ideal of the Enlightenment. Furthermore, Smith must have felt the danger that the system of natural liberty itself would not be realized under the Steuartian system due to the corruption of our nature necessarily entailing this demand-side monetary policy. Here is the ultimate reason why Smith presented a thorough criticism of Steuart and mercantilism, as shown in his letter to William Pulteney saying that Steuart's theory, 'without once mentioning it ... will meet with a clear and distinct confutation in mine' (Smith 1977: 164). Smith allowed that the Steuartian monetary policy, far from bringing about the growth of independent subjects, would corrupt human nature itself of the middle and working classes. That is why he decided to construct a supply-side economic growth theory whose central principle is the desire to better our own conditions. Smith, by making that desire the engine of economic growth in quite a different way from the Steuartian money engine, developed a purely supply-side theory of reproduction, accumulation and growth based on the labour theory of value — that human industry is motivated by a desire to better one's own conditions in response to the emancipation from subjection. This was why his theory was based on a real analysis essentially different from Steuartian monetary economic theory.

The birth of political economy in Adam Smith as the consequence of the emancipation of economics from that kind of politics which necessarily accompanies government monetary policies, was the logical conclusion of the formation of the supply-side growth theory, that demonstrated the feasibility of economic growth without government monetary policy.

I must hasten to add that this economic theory in *WN* is grounded in Smith's consistent theme in *TMS* that the formation of independent and sociable agents is brought about by their emancipation and channelling of natural human passions and appetites into a new direction. By declaring the driving force of the economic activities of men to be the desire to better their own conditions (derived from the principle of sympathy with joy as described in *TMS*), Smith brought the liberal economic theory based upon the formation of the independent industrious agents to perfection. This is one of the reasons why *WN* has an ethical flavour that is lacking in *LJ* Police section. The final object of *WN* was to realize a system of natural liberty by building up a free commercial society composed of independent industrious subjects, free from that corruption of their nature which necessarily attends feudal dependency and subjection, mercantile regulations, or protective institutions and government monetary policies.

As mentioned before, Smithian liberalism was founded on the 'deception of Providence' according to the principle of the system of natural liberty. It was not the liberty of indifference, or a Mandevillian theory of private vices or luxury resulting in public benefits, but was rather a theory that finds its keystone in the 'industry and frugality' of independent people. Here we can find one of the reasons why Smith in *WN* converted the human propensity to persuade or dominate others, into the propensity to exchange (Minowitz 1993: 71–77, 213), and sublimated vanity into the desire to better their own condition (Smith 1759: I. iii.

2. 1; Griswold 1999: 127–28) on the basis of the logic of *TMS*. The most brilliant revolution of *WN*, however, lies in the fact that he found the conditions for the independence of the people in the development of commerce, and discovered the market that makes it possible to counterbalance self-interest. Smith, by more empirically naturalizing the moral theory of *TMS* through the logic of social science, had perfectly accomplished the theme of the passion ethics of Francis Hutcheson and his followers, who had aimed at the emancipation and self-control of fallen human nature. We have good reason to say that the most brilliant perfection of the ideal of Enlightenment can be seen within the development of Smith's thought from *TMS* through *LJ* to *WN*.

The corruption of moral sentiments and the antinomy of enlightenment ideology

However, as his understanding of the actual reality of market society progressed and deepened, Smith came to realize that the corruption of moral sentiments resulting from the blind pursuit of wealth is an immanent problem of human nature not reducible to institutional problems. Furthermore, his suspicion gradually deepened about the realizability of the deception of Providence. The subtle differences between each succeeding edition of *WN* show that the main cause of these changes of viewpoint lies in his developing awareness of the actual behaviour of merchants and manufacturers. As is well known, after coming to London in the spring of 1773 to publish the finished manuscript of *WN*, Smith postponed publication and devoted himself to rectifying and supplementing the manuscript. The main reason for the delay is believed to have been his concern about the American problem, which was already the hot issue of the day. But, at the same time, it may be that his recognition of the manner and behaviour of those merchants and manufacturers who were the ringleaders of opposition to the cause of the rebellion, gave him a further motive for delaying. Hence we feel a delicate gap between his logic based upon belief in the system of natural liberty, and the tone of his argument about the behaviour of merchants and manufacturers.

Though Smith made corrections across 80 passages in the second edition, published in February 1778, in order to answer the criticism that the logic of the first edition was not empirical but metaphysical, they were limited to amendments of fact and the style of expressions, and had no relation to the fundamental principles and the system. In the first and second editions, Smith seemed still to be of the opinion that institutional criticisms were sufficient to realize the system of natural liberty, though he had already strengthened his critical view of the behaviour of merchants and manufacturers. By contrast, in the third edition (November 1784), Smith introduced a new chapter entitled 'the Conclusion [i.e. final consequences] of the Mercantile System', which laid bare the tricks and manoeuvres of merchants and manufacturers, and severely criticized their personal characters. The main reason why Smith expressed his acute criticism of mercantilism in the third edition seems to have been his pessimistic

view of the *status quo* symbolized in the failure of reforms by Lord Shelburne, as J. M. Evensky pointed out (Evensky 1994: 384–85; Ross 1995: 350–51; Tanaka 1997: 2, 101–12). In his deepening understanding of actual realities, Smith came to recognize not only that the providence of deception would not necessarily be realized, even without institutional obstacles disturbing the realization of the system of nature, but also that conversely the corruption of moral sentiments was the immanent problem necessarily accompanying human nature itself, and could not be solved by criticism of the institutions. His conviction grew that most men seek blindly after praise and wealth for its own sake.

The final (sixth) edition of *TMS* in 1790, which followed the third edition of *WN* also shows Smith's recognition that the problems the new liberal system was now facing were endemic to human nature. Smith therefore attempted in this sixth edition of *TMS* to revise his own theory of virtue, that is, a fundamental reconstitution of the passion ethics of the first edition. Although the editors of the Glasgow edition of *TMS* say that the sixth edition completes the first by complementing the theory of moral virtue that was omitted in the first edition (Raphael and Macfie 1976: 18, 20; Raphael 1992: 104–08, 112), we must acknowledge Smith's change of view about actual realities. Smith came to realize the necessity of the radical reconstitution of his own passion ethics under the tendencies of the times as symbolized in 'the moral community' reconstruction movements of the Moderates (Dwyer 1987: esp. 171–76).

Here is the reason why, in the sixth edition, Smith removed the chapter 'Of the Stoical philosophy' (1st ed., I. iv. 3) that had been kept intact until the fifth edition to clarify the difference of his own passion ethics from the Stoic ethics, and instead developed an argument concerning the corruption of moral sentiments, by saying, at the opening of the new chapter of the sixth edition (I, iii, 3) that 'This disposition to admire, and almost worship, the rich and the powerful, and to despise, or, at least, to neglect persons of poor and mean condition, though necessary both to establish and to maintain the distinction of ranks and the order of society, is, *at the same time*,⁸ the great and most universal cause of the corruption of our moral sentiments'.

He intended the reconstruction of the more strict moral virtue theory to rectify these degenerating tendencies by recognizing that the desire for praise and wealth, far from becoming the love of praise-worthiness, results in the corruption of moral sentiments. In this process Smith ingeniously changed the logic of the first edition.

The typical case of change is seen in the impartial-spectator concept that forms the logical core of *TMS*. As is well known, Smith logically equated the impartial spectator with public opinion in the first edition. In the second edition, which includes his response to the criticism of Gilbert Elliot (who pointed out the difficulties of this identification), Smith demonstrated the superiority of conscience — the impartial spectator or the man within — over public opinion, by stipulating in the text the theological presupposition of his empirical moral theory. However, Smith had not entirely lost confidence in the reliability of public opinion by the second edition. In contrast the chapters on conscience in

Part 3 of the sixth edition (which constitutes the first central theme of the revision in the sixth edition) develop the argument that conscience is grounded on ‘the ‘supposed’ impartial spectator’ who seeks praise-worthiness alone, while recognizing that actual spectators (or agents) would pursue praise for its own sake. Discussion based on the concept of the supposedly impartial spectator in the sixth edition has clearly grown out of conscious criticism not only of public opinion (that it is privately manipulated by merchants and manufacturers) but also of the actual spectators who pursue the praise alone. To a greater surprise, in the new Part 6 (written in 1789, later than the new Part 3 of 1788) he develops doubts as to the reliability of the impartial spectator concept in general. This is why in the new Part 6 he developed the idea of the Stoic spectator as representing the Logos of nature, in contrast to the third person’s point of view that was the essence of the impartial-spectator concept of the first edition.

This was equally the reason why Smith emphasized the Stoic concept of ‘the perfect virtue’ in the sixth edition as a means of compensating for the insufficiency of ‘the imperfect virtue’ concept which forms the core of the propriety ethics of the first edition. Waszek’s class-ethical interpretation that Smith allotted the perfect virtues to the elite alone, while permitting the mass to follow the imperfect virtues (Waszek 1984: 591–606), does not effectively explain the above change of Smith’s views between the first and the sixth editions. There are also good reasons for asserting that he introduced into the new Part 6 the discussion of the wise legislator — as distinct from the legislator in general as discussed in editions 1–5 of *TMS*, in *LJ*, and in *WN*. We might see here a point of agreement between James Steuart, who emphasized the leadership of ‘the visible hand’, and Adam Smith. Confronted with the reality that each man’s activities are driven by the desire for praise or wealth, Smith withdrew the ‘deception of providence’ and attempted a reconstruction of earthly ethics based on the ‘sympathy of the impartial spectator’, by emphasizing the importance of the sensibility of the agents and the necessity of political leadership by ‘the skilful hand’. However, these facts do not suggest that the virtue theory in the new Part 6 of *TMS* was motivated by reading Thomas Reid’s *Essays on the Active Powers of the Human Mind*, published in 1788, as some scholars say. The revision in the sixth edition was founded on the recognition of those problems that could not be solved by the deception of providence, which had constituted the core of the logic of the first edition.

It is for the same reason that in the sixth edition Smith omitted the ‘atone-ment’ passage which had been used in editions 1–5 as a means to the theological acquittal of the fallen nature of man, and also for this reason that he emphasized the ethic of self-responsibility, as seen in the newly introduced self-atonement argument for those who trod upon Holy ground (Smith 1759: II, iii. 3. 4; Tanaka 1997: 2, 156–61). It was in line with the same change in his concerns that Smith developed, in the concluding section of the new Part 6, the very severe and strict ‘self-command’ argument largely different in character from the earlier one.

Though this logic of the sixth edition is different from the Stoic one, in that it emphasizes the importance of sensibility and denies Stoic apathy, yet it is on the

whole Stoic, especially in that it seeks the last resort in the logos or reason in nature. Facing the reality that even Enlightened men pursue their natural appetites and seek unlimitedly after wealth and praise for its own sake, Smith made a re-estimation of the Stoic concept of reason in nature, which seeks the way to moral virtue by the recognition of the logos of nature. This was the hint he required to maintain the liberal system in accord with the system of natural liberty. We cannot help but see within this change of tone the antinomy of Enlightenment ideology fallen into the tension between nature and reason, as pointed out by Vivienne Brown and C. L. Griswold Jr. (Brown 1994: 73–74; Griswold 1999: 257–58). Smith's moral philosophy, exposed to the dilemma that has been dubbed the New Adam Smith Problem, might be regarded as a failure, as J. M. Evensky and others indicated (Evensky 1994: 388). I contend, however, that it is more an early manifestation of the essential dilemma of modern enlightenment thought that has remained unchanged to this day, than a private failure of Smith's. One clue to solving the problems which we ourselves are now facing lies in honestly sharing the anxiety of Smith, who was also confronted with the same dilemma.

Notes

- 1 Cf. Smith 1759: editor's notes to II. ii. 1. 5 and II. ii. 2. 3. Ross 2000: 335–47.
- 2 Cf. Kames 1751: Essay III; Tanaka 1993: part 1, chap. 4. Of course, Kames developed an *a posteriori* argument for the existence and attributes of the Deity in Part 2, following the Essay on 'Liberty and Necessity'. This is why Kames is generally said to have performed the argument from Design in a way similar to Hutcheson. However, his argument in Part 2 is not strictly speaking an empirical argument from Design but an intuitional confirmation of the existence of God through common sense and feelings.
- 3 One can presume that the *Theory of Moral Sentiments* is the fruit of Smith getting to grips with Hutcheson's *Inquiry and Essays* and that the *Lectures on Jurisprudence* had taken up the *System of Moral Philosophy* (1755) as the object of commentary, for a comparison of structure and contents.
- 4 This is the position adopted by, for instance, Bittermann 1940: 720, 723; Macfie 1967: 102, 125; Lindgren 1973: 148; Medick 1973: 230–31; Haakonssen 1981: 77; and Raphael 1985: 36, among others.
- 5 Cf. Haakonssen 2000: esp. 3–9. For details, see Haakonssen 1996.
- 6 The above discussion derives mainly from Haakonssen's paper mentioned above. Yet he uses the term 'Providential Naturalism' instead of Providential Objectivism, in Haakonssen 1996: 61, 182, 187.
- 7 In contrast to Hutcheson, who intended to demonstrate directly the goodness of the constitution of human nature, Kames's *Essays on the Principles of Morality & Natural Religion* (1751) presumably opened a way to unfolding the more empirical analysis of moral sentiments by observing the activities of men as the efficient causes who obey the sense of contingency or liberty, though in another way from David Hume, who totally denied the Hutchesonian final cause theory. But, in *Sketches of the History of Man* (1774) and the third edition of *Essays* (1779) Kames entirely withdrew the deception theory, which had been based on the contingency (or chance) theory that constituted the core of 'Liberty and Necessity' in the first edition of his *Essays*, and came back to a Hutchesonian or Reidian Providential Naturalism. One reason why Kames scholarship has not so far concentrated its attention on the logical consequences of the conceptual change of epistemological framework between Hutcheson, Hume, Kames

and Smith, may probably be that most Kames scholars, seeing the core of Kames's thoughts in *Sketches*, have not paid enough attention to the meaning of the logical changes brought out between the first, second and third editions of *Essays*, especially the fundamental shift of viewpoint radically separating the first edition of *Essays* from *Sketches* and from the third edition of the *Essays*.

8 My italics. The sentences after this phrase are the addition in the sixth edition.

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10 Civilization and history in Lord Kames and William Robertson

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Among thinkers of the Scottish enlightenment, no one was more prolific, in more fields, than Henry Home, Lord Kames. His wide spheres of interest included original contributions to law, philosophy, morality, religion, pedagogy, economy, and criticism. He was a practical lawyer, an ardent reformer in Scottish economic society and a pivotal figure among thinkers of the Scottish Enlightenment (Lehmann 1971: 286; Tanaka 1988), and it is his contributions to law that first command the attention (Lieberman 1983). We can recognize the characteristic features of his methodology in *Essays on the Principles of Morality and Natural Religion* (1751), *Historical Law Tracts* (1759), *Principles of Equity* (1760), and *Elements of Criticism* (1762). They all stress an historical awareness (Kames 1792: 111, 429–30), and this awareness can be seen, not only in law, but in other areas of his studies. Of course, this is not his only method, and many other thinkers of the Scottish Enlightenment also applied it to their studies; the historical method was virtually ubiquitous in their attitude of learning. *Sketches of the History of Man* (1774) can be regarded as the best document to consider ‘the historical’ in works of Lord Kames (Ross 1992: 337); it also effectively summarized his work up to that time. It will therefore be central to the discussion that follows.

William Robertson (1721–93), with Hume and Gibbon, was representative of British historians of the eighteenth century. He was also one of the powerful leaders of the Moderate movement in the Church of Scotland. It cannot be denied that his view and his knowledge of history were relevant to him being a leader of the Moderates, and we can recognize why he identified himself as one when we try to examine how he researched history. As Dugald Stewart put it, Robertson’s way of study was characterized by a combination of ‘the sociological’ and ‘the historical’, and the resulting work may be interpreted as ‘philosophical history’ or ‘historical sociology’ (Stewart 1858: X, 168). This term of *sociology* was a part of the system of moral philosophy in the eighteenth century. Therefore, his study may be included in ‘philosophical history’ based on the accepted view. His marked attachment to the positive description of history could be seen in some features of his ‘philosophical history’. His sociological studies and cultural anthropological considerations could be taken as an

introduction and a supplement to reinforce his statement of history. It is no doubt different from the attitude to learning in Adam Smith and Adam Ferguson, who would try to examine or recognize their social theories from the point of view of studying history. His positive way of studying history represented the spirit of the Scottish Enlightenment as a historian of the Enlightenment, as Meinecke noted (Meinecke 1968: 229). Among his historical works were the *History of Scotland* (1759), the *History of the Reign of the Emperor Charles VII* (1769), a *History of America* (1777), and the *Historical Disquisition Concerning the Knowledge which the Ancients Had of India* (1791). Although we have no detailed first-hand knowledge of the intellectual relationship between Robertson and Kames, the common question we have to ask here involves their respective concern with the nature of civilization from the point of view of human history.

Society of ‘a nation that grows rich by commerce’ in Kames’s history of civilization

Many thinkers of the Scottish Enlightenment were almost sceptical that an affluent commercial society could easily emerge in Scotland. Behind the well-known Wallace–Hume controversy about the comparative size of ancient and modern populations lay their respectively pessimistic and optimistic views on the progress of modern civil society. Lord Kames did not accept Hume’s affirmative estimation of the modern society. First, Kames believed that luxury is a deadly enemy to size of population, not only by diverting food from the industrious, but also by weakening the power of procreation. Second, he also held that despotism is a great enemy to human beings, because it degraded men and women to slavery, destroyed industry, and weakened both the appetite for procreation and its faculty. This negative view, which he shared with Adam Ferguson, was common to most thinkers of the Scottish Enlightenment in studying the history of human beings.

Third, Kames’s concern with an overflowing quantity of money in circulation reveals a special monetary approach to population and his economic knowledge of it. He argues that in a nation that grows rich by commerce, depopulation must lead to a miserable path, in the following way: an increasing quantity of money in circulation causes an increase in the price of labour, which results in a rise in the price of manufactures. The consequent drying up of the outlets for their high-priced goods in foreign markets will cause merchants to give up manufactures and retire to another country. The trap of depopulation in a rich commercial society was thought to be a great crisis for modern civil society. Kames intended to write *Sketches of the History of Man* in order to elucidate these issues from their beginning.

The Human Species is in every view an interesting subject, and has been in every age the chief inquiry of philosophers. The faculties of the mind have been explored, and the affections of the heart; but there is still wanting a

history of the species, in its progress from the savage state to its highest civilization and improvement.

(Kames 1807: I, 1)

We have to examine Kames's idea of modernization, especially his view of luxury and despotism. The idea of an overflowing quantity of money in circulation as a cause of depopulation 'in a nation that grows rich by commerce' (that is, in an opulent commercial society) represents the economic basis of his view of population. If we examine the relevant passages in *Sketches*, we might find some clues for understanding the nature of his economic thought and what place he holds in the progress of economic thought leading up to the so-called Scottish Triangle: David Hume, Sir James Steuart, and Adam Smith. There is no specialized document on economics in Kames — only these scattered references. However, as Lehmann said, he was implicitly regarded as an economist by many of his contemporaries (Lehmann 1971: 262). A good place to start tracing the development of his ideas of economic principles in the *Sketches* are several passages of Book 1, Sketch 3: the 'Origins and Progress of Commerce'.

According to Kames, a barter in the most undeveloped society had two fundamental defects. One was the form of barter itself (i.e. mutual consent of want and equivalent exchange), and the other, the non-establishment of a virtue of promising to complete the contract. Then he explained the inevitability of money by saying 'the numberless wants of men cannot readily be supplied, without some commodity in general estimation, which will be gladly accepted in exchange for every other' (Kames 1807: I, 101). Here, 'some commodity' is generally held to refer to gold and silver, which had been eliminated from a world of general commodity. The formation of commodity exchange via the appearance of money resolved some difficulties of the form of barter. He continued to define commodity prices in circulation. Kames argues that when gold and silver in bullion is exchanged with other commodities, such commerce passes under the common name of barter or permutation, while when current coin is exchanged, such commerce is termed buying and selling; and the money exchanged is termed the price of the goods.

Kames went on to consider 'the comparative value of commodities', which means the problem of determining the commodity value. Notably, he was opposed to the labour theory of value. Kames gave three objections against it. First, it is necessary to maintain that all materials on which equal amounts of labour are employed are of equal value. Second, the theory supposes all sorts of labour of equal duration to be of equal value. Third, the theory is not applicable to natural fruits and other things that require no labour. Rather than further reflecting upon these theoretical points of argument, Kames dismissed the theory immediately, by contrasting its abstract principles with those familiar facts related to the theory. Kames instead adopted the theory of demand and supply (Kames 1807: I, 107).

Kames thought that the comparative value of commodities (their exchange value) consists of two factors; intrinsic value and mercantile value. The former

value is the utility of commodities, while the latter depends on the excess of the demand above the supply. The excess of demand in gold and silver is unbounded and the supply of them is not very variable. These are the reasons that necessitated a standard for comparing the value of commodities, namely money. This explanation of money brings us to an understanding of his quantity theory of money, in which we can observe the strong influence of Hume's monetary theory. The fluctuation of prices and the change of money value were explained by the change of the ratio between the quantity of money in circulation and the quantity of goods in the market.

Then he presented a new question concerning how industry and commerce were affected by variations in the quantity of 'circulating coin'. In the beginning Kames asserted that the quantity of circulating money below the necessary quantity in the market causes so-called deflationary effects, which will make a commercial society degenerate again into the self-sustaining conditions of savage life. In the opposite case of the quantity of circulating money rising above the necessary quantity in market, we see his interesting description as follows:

Plenty of money is a prevailing motive even with the most sedate, to exert themselves in building, in husbandry, in manufactures, and in other solid improvements. Such articles require both hands and materials, the prices of which are raised by the additional demand. The labourer now whose wages are thus raised, is not satisfied with mere necessaries, but insists for conveniences, the price of which also is raised by the new demand. In short, increase of money raises the price of every commodity; partly from the greater quantity of money, and partly from the additional demand for supplying artificial wants. Hitherto a delightful view of prosperous commerce.

(Kames 1807: I, 115)

Thus this situation is the same as that of the favourable balance of trade, which will cause further economic growth. However, in spite of these beneficial effects, such a rapid increase in the quantity of circulating money, according to Kames, deteriorates the positive effects of inflation into a reverse 'dismal scene':

Hence a dismal scene. The high price at home of our manufactures will exclude us from foreign market; for if the merchant cannot draw there for his goods what he paid at home, with some profit, he must abandon foreign commerce altogether. And, what is still more dismal, we shall be deprived even of our own markets; for in spite of the utmost vigilance, foreign commodities, cheaper than our own, will be poured in upon us. The last scene is to be deprived of our gold and silver, and reduced to the same miserable state as if the balance had been against us from the beginning.

(Kames 1807: I, 116)

As is shown here, the high price of manufacturing at home defeats the merchant in competition with foreign manufacturing in foreign export markets. The balance of foreign trade will be reversed owing to increasing inflow of cheap foreign commodities, so that gold and silver will flow out. So we find in both instances that our country will not only be defeated in foreign markets but that the home market will also fall under the control of foreign countries. Then, producers and manufacturers at home will shrink and fall, so that a degenerated, 'savage' situation of subsistence economy will reappear. Kames claimed that comfortable economic conditions ought to be maintained in the early, inflationary period, so as not to lose foreign markets and thus eventually cause depopulation.

As political and economical issues in British mercantilism since 1750 were controversies of both population and money, Kames tried to unite them in his economic opinions. He was particularly influenced by Hume with regard to monetary theory in terms of the quantity theory of money, international free transfer of specie, and the successive influence of money on the real economy, in which his Humean thinking can be seen to be reiterated. On the other hand, Kames contributed to the debate on the determination of commodity value, and championed a demand–supply theory of value instead of the labour theory. Here, in his economic thinking, an attitude similar to the common-sense school can be seen, in that the prices of manufactured goods are regarded as consisting of so many wages, and the value of wages as consisting of the value of food. Therefore, his bias towards agriculture can be found in his social theory (Kames 1776: xv–xvi).¹ His economic thinking was limited to questions of mercantilist circulation, such as the quantity of circulating money, the fear of losing foreign markets, the balance of trade, and export bounty, especially for corn. His belief in 'the commercial balance' as naturally kept by 'the hand of Providence' lying behind the regulations on commerce at home and abroad reminds us of 'the invisible hand', proposed by Adam Smith. On this basis, he claimed that it was his duty as well as his interest to make every endeavour to bring about the scheme of Providence.

Finally, Kames's economic work occupies at best a secondary place in his thought and is short of a full theoretical clarity concerning such issues as luxury and despotism. On luxury we can see two strands of opinion among thinkers of the Scottish Enlightenment. One view was that luxury could contribute to economic development, which means luxury as effective demand. For example, Mandeville justified it in this way; Hume distinguished bad luxury from innocent luxury and supported the latter for the prosperity of national industries; and Steuart encouraged luxury among citizens in the nascent stages of foreign trade and inland trade, though excluding luxury which decreases the vitality of people and their productive power. Here, the innocent luxury, different from the bad effects of luxury such as indolence, sensuality, corruption, prostitution and perdition, was accepted favourably, since it was a representative phenomenon of a polished and civilized society, and also an indication of the quantity of effective demand.

In addition, Kames's attitude to luxury, like that of the Moderate churchmen of the Scottish Enlightenment (Adam Ferguson, William Robertson, Hugh Blair and so on) was informed by the rigid, ascetic viewpoint of Christian Stoicism, with an emphasis on the private as well as the public virtues (Sher 1985: 180). He blamed luxury as one of the causes of depopulation in an opulent commercial society. As he argued, luxurious manners among people will cause among all the classes in society splendour, voluptuousness and waste, forcing the labouring poor to make compensation for them. The line of his thinking is as follows. A rising cost of subsistence will cause hardships in the life of the labouring poor. Their refuge in the poor-relief system will result in an increase in the numbers of the indolent, causing further decay in the spirit of commerce and a neglect of reliable industry. Speculative investment in highly profitable sectors of the economy, will then allow core sectors of the economy to come under the control of foreign merchants by default. Kames finds the increase of the speculative attitude in the middle and industrious classes, and the dependence of the labouring class on the poor-relief system, will generate a decline of industry and commerce and in effect lead to the ruin of the state.

As for despotism, Kames asserted as follows:

The true definition of a free state, is , where the laws of nature are strictly adhered to, and where every municipal regulation is contrived to improve society, and to promote honesty and industry. If that definition be just, despotism is the worst species of government; being contrived to support arbitrary will in the sovereign, without regarding the laws of nature, or the good of society.

(Kames 1807: II, 66)

Despotism degrades people into a state of a slavery, deprives them of their will to engage in productive actions, paralyses their vitality and spiritual faculty, and will cause depopulation in an affluent commercial society. He criticized despotism even more than luxury as one of the causes of depopulation. As Lehmann analysed, Kames held that prevailing forms of government depended on population, social conditions and climates, and that he divided them into monarchy, aristocracy and democracy, and their respective variants tyranny, oligarchy, vulgarism (Lehmann 1971: 259). Lehmann also said that Kames found a kind of limited monarchy or a republic as represented by the British constitutional monarchy most ideal, in accordance with the common notion of the time, though he also showed a prominent predilection for republican government. Notably enough, he attached more theoretical importance to the mode of subsistence and economic growth as the most formative factors upon forms of government, and emphasized the ambivalent features of progress and decay as inevitable consequences of economic growth in modern society. The positive feature of economic progress is that the power, form and function of the state basically rest upon the stage of economic development, while its negative feature

— the deterioration of economic development — had changed and degenerated the moral foundation of the state and society.

Modernization as ‘the dawning of returning light’ in William Robertson’s historical works

William Robertson’s fundamental motive for studying history was his belief that man can see the plan and work of Providence in the ‘civil history of human beings’. He wrote in ‘A Sermon; The Situation of the World at the Time of Christ’s Appearance’ (1755) that ‘There is no employment more delightful to a devout mind, than the contemplation of the divine wisdom in the government of this world. The civil history of mankind opens a wide field for this pious exercise’ (Robertson 1996: XI, 5). Resting upon the belief that Christianity had prevented ancient societies from corrupting in government, morality and religion by its intention to rescue human beings, he made his preference clear for modern societies rather than ancient ones. Robertson also held that Christianity had brought about changes of much greater historical importance regarding the inclinations of man. His position as a pious Christian certainly provided an added intellectual dimension to his historical research.

Not a rigidly fanatical Presbyterian, but one of the leaders of the Moderate party, Robertson was nevertheless a faithful Calvinist. This arguably played a special role in the way he interpreted historical facts and documents. We can identify this role in two issues. First, the fundamental actors in the dynamic of modernization, as he grasped it, were nation states founded upon the rule of law. His creed and principle as a pious Christian suggested the need to inquire into the historical conditions of Europe as a whole before the appearance of nation states. Second, his religious viewpoint, in which he considered the doctrine of Presbyterianism as supreme, encouraged him to have a negative estimation of non-Christian and non-civilized peoples, such as native Americans. This attitude played a part in forming the nineteenth-century Eurocentric view that Europe colonized the non-Christian world in order to civilize it.

At the same time, as Richard Sher has emphasized, Robertson and Hugh Blair had tried to reconcile Christian principles with Enlightenment ones (Sher 1985: 64). So what were Robertson’s personal reasons for studying the civil history of human beings? He wrote in *The History of Scotland* (1759) that ‘A thorough knowledge of that general system, of which every kingdom in Europe forms a part, is not less requisite towards understanding the history of a nation, than an acquaintance with its peculiar government and laws’ (Robertson 1996: I, 87). This view had been stated in clearer terms earlier in *The History of the Reign of the Emperor Charles V* (1769):

It is necessary not only for those who are called to conduct the affairs of nations, but for such as inquire and reason concerning them, to remain satisfied with a general knowledge of distant events, and to confine their study of history in detail chiefly to that period in which the several States of

Europe having become intimately connected, the operations of one power are so felt by all as to influence their councils and to regulate their measures.
(Robertson 1996: II, x.)

Meinecke regarded Robertson's view of history like this as 'international'. This is connected with two questions concerning Robertson's interpretation of modern history. The first concerns when he thought the modernization in Europe had begun and what he understood to be the conditions of European countries before the appearance of nation states. The second is Robertson's method of comparative research, based on international standpoint, which was effective in saving the discipline from a nationalist bias. His attempt to reconcile Christian principles with those of the Enlightenment was part of the general attempt by the Scottish intellectuals to free themselves from fanatic Calvinism and to base their thinking on logic and reason instead (Camic 1983: 45–8).

This historical universalism greatly helped to broaden the scientific horizon, allowing the study of history in a positivist fashion and freeing it from factious opinion and ideology. Robertson revealed his fundamental viewpoint in studying the history of Scotland as follows:

The transactions in Mary's reign [1542–67] gave rise to two parties, which were animated against each other with the fiercest political hatred, embittered by religious zeal. Each of these produced historians of considerable merit, who adopted all their sentiments, and defended all their actions. Truth was not the sole object of these authors. Blinded by prejudices, and heated by the part which they themselves had acted in the scenes they describe, wrote an apology for a faction, rather than the history of their country.

(Robertson 1996: I, v-vi)

Robertson argued that the books of history published so far were nothing but the manifestation of the factious opinions and ideologies of the Tories or Whigs, and claimed that history should be written upon the basis of research of primary sources. For instance, at a time when researching the origin of native Americans was not an object of serious study for any historian or philosopher, except for some dilettantes (Robertson 1996: VIII, 50), Robertson wrote *The History of America* (1777) based upon the primary documents of Americans with a due critical selection of evidence. His historical narrative was more positive and scientific than was usual among historians of those days, in spite of the label 'philosophical history'.

Next, we must examine how Robertson observed the process of modernization in Europe. Robertson regarded the reign of the Holy Roman Emperor Charles V (1519–58) as marking the beginning of new forms of European political systems (Robertson 1996: III, xi). By way of background he traced the history of political events and governments from the disorder of the ancient Roman Empire to the beginning of the sixteenth century and identified two

which different governing systems had been brought into existence at the same time (Robertson 1996: III, 148), he did not ultimately succeed in explaining why modern Europe must have developed along the lines it did. After all, he held that a national type of government had been realized by the mediation of powers between a monarch, the nobility, and cities, and also by the balance between civil and military elements. Indeed, he gave plenty of social and economical descriptions at various points in his remarkable work *The History of America*. As Ronald Meek once noted, in the four-stage theory of history the modes of subsistence were taken to be the driving force through every stage of history (Meek 1976: 140–41). Robertson further claimed that it is the social development of the division of labour that regulates these modes of subsistence. Robertson made many references to ‘savage’ and ‘rude’ societies from the standpoints of both social economy and cultural anthropology. However, he never gave a well-argued picture of modern commercial society. Thus generally, as with the historical formation of modern society, Robertson was not concerned with describing it in economic terms, but simply with describing the formation of nation states founded upon the principle of the rule of law (Robertson 1996: X, 247).

In this regard, Robertson’s remark concerning the Americans in the earlier volumes of *The History of America* deserves attention:

In order to complete the history of the human mind, and attain to a perfect knowledge of its nature and operations, we must contemplate man in all those various situations wherein he has been placed. We must follow him in his progress through the different stages of society, as he gradually advances from the infant state of civil life towards its maturity and decline.

(Robertson 1996: VIII, 50)

Thus, emphasizing the development of human society from primitive to civilized stages, he indicated the significance of studying the New World in the following three points (Robertson 1996: VIII, 51). First, the New World provides a model of the most primitive society of humankind to those who live in the Old World, where it does not exist any longer. Second, it enables us to examine sentiments and actions of human beings in the earliest state of human society. Third, it makes it possible to study the simplicity of human life in the earliest society, which we can no longer find in the Old World. These observations led him to conclude that there was no basis for arguing for the relative superiority of human character among ancient civilized Europeans over the most primitive peoples such as the native Americans. Indeed, some influence of Montesquieu’s climatic theory is traceable in his characterization of the Americans as resembling the tropical peoples in fragility, dullness and inactivity in contrast to strength, activity, intelligence and courage of peoples in the temperate zone (Robertson 1996: VIII, 227–28). But he undoubtedly favoured social and political rather than physical factors as the formative causes of human characters. Robertson probably wanted to confirm the validity of the principles of universal human nature by way of a detailed analysis of both the internal and external

revolutionary periods in the rise and decline of ancient Rome. Rome had conquered the savage tribes around it, built regular governments there, maintained public security, and introduced the arts and sciences, language and manners. But this had not resulted in improving human minds due to the Romans' cruel exploitation of native peoples, who had never fostered an independent spirit, but only a martial one. Robertson argued that Roman forms of government might have naturally degenerated the human mind even under the best administrators. Thus, repeated intrusions by Germanic tribes had simply accelerated internal trends towards the ruin of Rome. While the Roman Republic had been able to conquer the world around it by the sagacity of its civil maxims and the vitality of its military discipline, after the Romans had transformed their Republic into the Empire, they forgot their civil maxims and their military discipline declined. Almost all the wealth of the world that had flowed into Rome then began to spread into other areas upon the decay of martial spirit, financial difficulties, and the reign of incompetent emperors.

Robertson explained the historical changes from the fall of the western Roman Empire to the establishment of the feudal system as follows: tribes such as the Huns and the Alani considered their conquered areas as their common property, to be distributed among those who had contributed to their acquisition. Gradually, however, there appeared new principles and manners of distribution, giving rise to a new, previously unknown feudal system of government. Robertson held that the feudal system had been established through a four-stage process of change in the concept of land ownership, moving steadily further from the original idea of free, allodial ownership. The reason why the feudal system was introduced among most nations was the similarity of manners and social forms among them, in spite of differences of language and origin. According to Robertson, the feudal system had the advantage of presenting a united force of defence against foreign enemies, but the disadvantage of a lack of internal political concentration, owing to essential defects in keeping internal order. In the end Robertson saw feudalism as bringing about conditions of anarchy, which he deeply feared, and thus becoming a decisively bad influence on the social and intellectual development of humankind. In such conditions people lost interest in the refinement of sciences, arts, literacy, and taste because they could not have the stability of regular government. Christianity also degenerated by superstition into ritualism, causing Europeans to become ignorant and stupid, losing the ancient republican virtues of their forbears.

Robertson aimed to present the central issue in the historical formation of modern society as being the establishment of regular government. He distinguished two sorts of monarchy in the sixteenth century, which he characterized as the despotic monarchy of Turkey and the 'regular' monarchy of European countries. He argued that the establishment of absolute monarchy in Europe was connected with the formation of national armies, which needed a monarch in supreme command. What, he wondered, had made Europe adopt absolute monarchy in the first place in the forming process of nation states? Notwithstanding Robertson's attempts to clarify the historical circumstances in

lives of the most primitive Americans. He regarded them as the model of social existence that was, arguably, closest to the 'natural' individual.

Concluding remarks

As someone who was later to be called 'the first of the racists' (Bryson 1945: 66), Kames attributed the variety of races and nations to the intention of the Creator rather than to physical causes. Thus, he criticized Montesquieu's climatic theory and Buffon's theory of one race. For Kames one of the purposes of history was to recognize the uniformity in the variety of nations, and he tried to trace the progress of different nations to their maturity. As Lehmann put it, his *Sketches* was not the same kind of historical work as those of Hume, Robertson and Ferguson (Lehmann 1971: 185). Kames used the historical method to elucidate contemporary problems, and his way of studying history consisted of two approaches, namely the rigid, positive, historical approach based on historical documents, and the speculative, theoretical approach. We can also notice a special factor, a view of the striving of nations from the lowest savage conditions to the highest civilized states. Ronald Meek argued that Kames occupies only a limited place in the development of the four-stages theory (Meek 1976: 102). As seen before, Kames gave us a rather pessimistic view with regard to a possible recovery of one society from depopulation and decline caused by luxury and despotism, and another from the helpless condition of people who had lost their patriotism. These pessimistic views were based on his understanding of the history of mankind.

Kames saw mankind as a naturally hoarding animal, and the sense of property was understood to be an *a priori* internal sense. Property is founded upon two contradictory passions of industry and avarice, each motivated by a different strain of selfishness. One leads to industry, which promotes progress and population, and the other to avarice, which leads to luxury and depopulation. Together with his belief in the maturity of modern civil society, which enables human characters to be fully developed, Kames clearly had ambivalent views on the civilizing process. He held that the progress of arts and opulence had a tendency to bring about luxury and degeneration, rather than strengthen civil society. This historical process could thus be seen as the suppression of patriotism and public virtue. Therefore, Kames attached primary significance to the ideal forms of government by proposing several reform policies related to tax, the army, the poor laws, the division of large cities, and the abolition of entails and royal boroughs, as well as to civil practical ethics, to construct a mature civil society buttressed by martial spirit and patriotism.

In a clear contrast, Robertson was much interested in why and how the Roman Republic and Roman civil society had declined. One cause of its ruin was 'superstitious religion', resulting from 'the combination of tyranny and superstition', while another was the loss of independence due to the decline of martial spirit caused by luxurious manners. In contrast, following the emergence of rational religion in modern times, the spirit of science and enlightenment

developed (Robertson 1996: IV, 328). The martial spirit in pre-modern societies had been converted into a polished patriotism based on the virtue of chivalry. Robertson believed that British society of his day was the culminating point of these historical developments. Kames tried to recover and realize civic virtues such as patriotism and the martial spirit in modern society, whereas Robertson aimed to endorse nation states resting upon regular government and the rule of law. In contrast to Adam Ferguson, who found some common ground between the barbarian peoples and ancient Greco-Roman people, Robertson attempted to study their cultures by anthropological methods and discovered that the most primitive peoples lived in circumstances closely resembling those of 'natural' individuals. No idealized praise of barbarous peoples can be found in his writings. It is likely that this is why he recognized that European civilization had to contribute to civilizing the conditions of the 'barbarous' peoples of his own time, implicitly suggesting the way forward to imperial expansion by European nations in the future (O'Brien 1997a: 91).

Notes

- 1 Kames sees agriculture as a suitable profession for every man — especially gentlemen and one that is most consonant to humanity. First, agriculture requires a moderate degree of physical exercise. Second, 'the hopes and fears that attend agriculture, keep the mind always awake and in an enlivening degree of agitation'. Third, no other occupation rivals agriculture in connecting private interest with that of the public. Thus, he asserted, every gentleman-farmer must be a patriot.

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11 Liberty and Equality: Liberal Democratic Ideas in John Millar

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John Millar (1736–1801) is known as the most outstanding disciple of Adam Smith, and as the author of two interesting and important works, *The Origin of the Distinction of Ranks* (1771; 3rd ed. 1781, *Ranks* hereafter) and *An Historical View of the English Government* (1787; 4th ed. 1803, *HV* hereafter). Millar was famous for his radical ideas about the political issues of his days, and his lectures concerning law and government were fascinating to his young students, many of whom came to Glasgow not only from Scotland, but from Ireland and England. Both works of Millar were widely read in the last two or three decades of the eighteenth century, but in the nineteenth century they almost entirely slipped from the view. In the second half of the twentieth century, however, *Ranks* became highly valued, especially by Marxian political economists and intellectual historians such as R. Pascal, L. Meek, A. Macfie, D. Forbes, A. Skinner and P. Stein.¹ *HV*, since having been praised by Caroline Robbins as an excellent book on the constitutional history of Britain, has by degrees caught the eye of many scholars. Thus, Millar is now recognized as a great figure in the Scottish Enlightenment and in the modern history of ideas. However, a full-scale study of his thought has not yet been fully undertaken. While there have been some important articles on Millar, but until fairly recently there had been only one substantial monograph, W.C. Lehmann's *John Millar of Glasgow* (1960). It is, however, rather a small book, considering that the second part is simply the full text of *Ranks* with notes by the editor, a number of short extracts from *HV*, and some letters of Millar.

Though the scarcity of original sources (apart from many lecture notes by his students) continues to be the fatal restriction to an understanding of Millar's thought, a number of important articles have been written since then by H. Medick, D. Forbes, M. Ignatieff, K. Haakonssen, J. Cairns and others. It is equally true that Millar scholarship has greatly progressed and that a number of important and profound aspects of his thought have been considerably elucidated. Under such circumstances, though Forbes's thesis of Millar as the sceptical Whig still has a great significance, Ignatieff's sharp analysis of the individualism of Millar in relation to civic humanism, drawing on John Pocock, is one of the most valuable contributions, and has greatly raised the level of Millar studies, as has the research by Haakonssen and Cairns on Millar's jurisprudence.

Besides, there are articles from the sociological and feminist angles by L. Schneider, P. Bowle, and R. Olson as well as the interesting analysis by C. Kidd, who clarified some important historical opinions of Millar. In addition, a substantial book on Millar and James Mill by I. Westerman and a lengthy book on Millar by the present author appeared in 1999.² Nevertheless, the study of John Millar still seems to be unsatisfactory.

First, the so-called radicalism of Millar has been frequently referred to and discussed, but it is still vague and to be clarified. The authenticity of the two pamphlets usually ascribed to Millar, *Letters of Sidney* and *Letters of Crito*, has never been established, notwithstanding the strenuous efforts of Merolle (1984). The most fundamental difficulty is the lack of a reliable biography of Millar because, apart from Lehmann's, we only have the short 'life' by his nephew John Craig. Second, though analysis and interpretation of *Ranks* have been extensively undertaken, the first three volumes of *HV* have not yet been sufficiently treated, and only vol. 4 of *HV* has been often discussed, especially in relation to the radical reform movements after 1784 and also in the context of the impact of the French Revolution on Great Britain. It is true that there are many interesting essays in vol. 4 concerning various topics that deserve to be read with much interest, but we must take into account the fact that it was edited by John Craig from various uncompleted essays of Millar. In fact we must say the first three volumes, the most important parts, have been generally overlooked. Caroline Robbins (1982) seems to have been interested in them, but her book did not undertake a serious analysis of *HV* and she only gave a hint of its significance.

We can see the liberal democratic ideas of John Millar in the first three volumes of *HV*, as well as in vol. 4 and *Ranks*, but to arrive at such an opinion we must read the long historiography of *HV* closely. In *HV*, Millar traced the complicated history of liberty, and the historical process of the establishment of the British constitution, very ardently. The focus was laid on the history of constitutional liberty, and we may be reminded that Millar was the first to use the phrase 'constitutional history'. In this paper, therefore, the focus will be on the first three volumes of *HV*, and the original character of his constitutional history, history of civilization, and philosophical history will be made clear.

Constitutional liberty and the science of civil society

Millar thoroughly investigated the complex processes of the realization of liberty and also paid attention to the function of commerce (which brings equality into these processes) in both works, but especially in *HV*. Millar noticed the various aspects of society — the economic, political, legal, and religious — and inquired into their mutual relationships. As is well known, he made much of the economic aspect as the most basic and sometimes most crucial determinant of society. Forbes stated that in Millar 'everything is explained in terms of the progress of society, and economic interpretation is basic' (Forbes 1954: 289).³ But Millar's idea of progress is more complicated than economic determinism, or the Marxist philosophy of history, and therefore it is not so easy to summarize

his basic idea of progress. His starting point is, like Adam Smith's, man's natural drive to meet his desires, improve his circumstances and endeavour to acquire power, wealth, and liberty. Millar discovered a dynamic element in human nature which in the form of self-love or self-interest produces various struggles between individuals, tribes, classes and countries. He also dealt with various moral phenomena in relation to physical causes such as climate, the extent of land areas and so on, after Hume and Montesquieu. Therefore Lehmann read this analytical framework of Millar as historical sociology.

But to form such a framework was not his object; it was only an instrument for him to elucidate the process of the realization of liberty, especially in Great Britain. Millar was always conscious of the importance of comparison between various societies, and referred to it in order to describe their characteristics and differences in various aspects. In *Ranks*, Millar envisaged the possibility of the realization of liberty as a universal history, which can be applied not only to Great Britain but to Europe, America, and other countries to some extent. However, in *Ranks*, Millar wrote a philosophical history, or conjectural history, mainly by employing the historical experiences of Great Britain. Therefore, even concerning *Ranks*, we should rather talk about sociological history than about historical sociology. Be that as it may, Millar's aim was to elucidate the process of the realization of liberty, especially in Great Britain, by paying attention to various aspects and events, by appealing sometimes to the logic of unintended outcomes, or Adam Smith's law of heterogeneity of ends, and also by bringing in comparisons with other European countries. Millar divided English history into three periods, 1. before 1066, the feudal aristocracy; 2. 1066–1603, the feudal monarchy; and 3. from 1603 to his own time, *commercial* government. He traced the origin of the English Constitution to the so-called ancient constitution of the Anglo-Saxon era (Millar 1803: I, 6–7), but he denied both the Whig thesis of the 'Liberty of the Saxon' (Millar 1803: I, 61) and the Tory 'Feudal Law' as too extreme. His main line of argument was based on a critical acceptance of the Whig interpretation of history.

In Millar's view, the Saxons were a barbarous people who had no idea of liberty, but nevertheless enjoyed a naive system of self-government, and there could already be found the division of ranks and some harbingers of feudalism among them. Thus, while recognizing the discontinuity that the Norman Conquest brought to Britain, Millar finds a certain continuity⁴ between the Saxon government and the Norman polity. According to him, as the Gothic peoples dispersed among the European countries and acquired large estates (allodial land), there rose a national assembly to deal with the various public affairs, and it became a rather democratic government (Millar 1803: I, 78). Feudal lords then endeavoured to predominate over one another, and through the struggle for power the feudal system was established by degrees (Millar 1803: I, 85–108). In due course, chivalry appeared and diffused the refinement of manners (Millar 1803: I, 109–13, 119). Agriculture enabled the common people to accumulate wealth and become independent; the development of towns as centres of commerce gave rise to the practice of sending their representatives to

parliament, hence the power of the lower classes grew. There were some important differences between England and the European continent, however. In England, the lower classes became powerful steadily and thus parliament and the judicial system made progress in tandem. The feudal lords lost their power and wealth by luxurious ways of life. Rotation of property can be seen in such alterations. In the end, the absolute power of the king was directly opposed to the liberty of the people. The royal army was not strong enough to resist, and proceeding from the Civil Wars, via the Restoration, to the Glorious Revolution, the people succeeded in becoming more independent, and liberty was finally solidly established.

What is original in this argument is its strong comprehensiveness, and the way in which Millar's liberal democratic ideas are applied to the understanding of historical processes, thus allowing him to grasp the progress of society as civilization, refinement, and the realization of wealth and liberty. The first three volumes of *HV* constitute a penetrating historiography of the realization of liberty. We can regard his liberal democratic ideas as liberal republicanism or republican liberalism. Millar always had a watchful eye on the royal prerogative and criticized the corruption of parliament, magistrates and great individuals. He required the liberty of society as well as authority, public benefit, and justice. He expected individuals to pursue their own interests as well as to acquire certain virtues, private and public.

Millar became the professor of Jurisprudence of Glasgow University in 1760, at the age of 25, when Adam Smith was still there as professor of Moral Philosophy. As a student, Millar attended several classes of Smith, and it is well known that Millar testified to Dugald Stewart that the lectures of Adam Smith were composed of four parts – natural theology, ethics, jurisprudence, and political economy. It is apparent that Millar received the greatest influence from Adam Smith. *Ranks* itself was a work of natural history that grew mainly from Smith's lectures on Jurisprudence, especially the arguments of private law (family law) and public law (justice)⁵. *HV* seems at first sight to have more similarities to Hume's *History of England*, but in fact it is constructed more on the basis of the history of civil society, or the history of public law (justice) of Adam Smith. Of course as a philosophy of history, *HV* has more aspects and elements in common with Hume's *History*. Both are histories of civilization, and to some extent philosophical or conjectural histories. On the other hand, both are of course political and constitutional history. But if we distinguish the political from the constitutional, then it may be said that Hume's *History* is more of a political, and *HV* more of a constitutional history. Millar sometimes refers to Hume's *History* in *HV*, but the similarities and connections between them are more formal than substantial. Nevertheless, when, like Forbes, we grasp the leading principle of Hume's *History* as the historical progress of liberty, we can say it is also true of Millar, and the difference disappears. Their common leading principle is certainly the progress of liberty.

We may also count Lord Kames as an important influence on Millar. After graduating from Glasgow University, Millar entered Kames's house as his son's

tutor, and he discussed various topics and issues with Kames and learned much from him. Later, Kames became friends with Thomas Reid, and this may have been the cause of a kind of rift between Millar and Kames. However, Kames still praised Millar's talent as a Law teacher in his *Elucidations* (Kames 1777: ix). Kames wrote an essay on women, which was published only in his *Sketches* in 1774, but Millar seems to have known the substance of Kames's essay before writing his *Ranks*. That longest and most outstanding essay, 'Of the rank and condition of women in different ages', was based on a wide reading from sources ancient and modern, but the influence of Kames as well as Smith is undeniable. Millar wrote in a famous note:

I am happy to acknowledge the obligations I feel myself under to this illustrious philosopher, by having, at an early period of life, had the benefit of hearing his lectures on the History of Civil Society, and enjoying his unre-served conversation on the same subjects. The great Montesquieu pointed out the road. He was the Lord Bacon in this branch of philosophy. Dr. Smith is the Newton.

(Millar 1803:, II, 429–30 note)

Millar's opinion about Montesquieu is not so clear from this passage, and we should read another one:

The attempts to delineate systems of jurisprudence ... opened at length a new source of speculation, by suggesting a enquiry into the circumstances which have occasioned various and opposite imperfections in the law of different countries ... In the prosecution of this inquiry, more especially by President Montesquieu, by Lord Kames, and by Dr. Smith, the attention of speculative lawyers has been directed to examine the first formation and subsequent advancement of civil society; the rise, the gradual development, and cultivation of arts and sciences; the acquisition and extension of property in all its different modifications, and the combined influence of these and other political causes, upon the manners and customs, the institutions and laws of any people.

(Millar 1803: IV, 284)

Here, Millar understands that the new historical science of civil society arose out of speculation on jurisprudence by Montesquieu, Kames, and Smith. Millar equates the new science of civil society with the system of jurisprudence, and therefore he does not mention David Hume, whose *Political Discourses* he knew very well. It is apparent that he placed great importance on their thinking, and it is possible to say that Millar consciously followed them and endeavoured to develop this new historical science.

In this connection, we should be reminded of the idea of 'sceptical, or scientific Whiggism' by Forbes concerning Adam Smith and John Millar. Forbes emphasized that the efforts of Smith and Millar, and partially those of Hume,

were to construct a scientific social theory distinguished from the ideology and prejudices of parties or factions. He also maintained that in consequence, their scientific analysis of the history of civil society became the theoretical basis for supporting the established society of eighteenth-century Britain and the Whig regime, as the most liberal option available, and hence contributing most to the happiness of the people. Forbes first distinguished the intentions and consequences of their efforts, and then connected them. As a result, he concluded that a scientific approach to society, progress of arts and commerce, and liberty are interrelated in Smith and Millar. On the other hand, we remember Forbes dealt with such ideological arguments as sometimes appear in the writings of Hume and Millar as the remnants of the ‘vulgar Whiggism’. We should reconsider this idea and examine whether the vulgar Whiggism has some connections with Old Whig and civic humanism or not.

Liberty and equality in Millar

Liberty was the most important idea and value not only for Hume and Millar, but also for Smith, Montesquieu, Kames, and Rousseau in their several understandings of the term. In the case of Rousseau, whom Millar sometimes criticized as utopian,⁶ the idea of liberty has a different meaning, more directly connected to the ancient idea of civic liberty, the liberty to participate in the civic action connected with the Polis, or small city community. Though Millar was an antagonist of Rousseau, like almost all the Scottish philosophers except Kames and Monboddo, and some Aberdonians such as John Gregory,⁷ we can sometimes find in him a kind of civic idea of liberty, as when he advocates the political actions of Algernon Sidney or John Russell for the defence of the liberty of the people and appreciates them as patriots (Millar 1803: III, 404–10). In this connection Millar clearly asserted that a republican constitution could be established in a great country by introducing representative government, following to some extent the argument of Hume in his ‘Idea of a perfect commonwealth’ (Millar 1803: III, 325–30).⁸

For Millar, the idea of liberty has two important meanings. One is the so-called negative liberty. When, both in *Ranks* and in *HV*, he praises the liberty of the lower ranks of people who have been freed from the oppression of their feudal superiors and become independent, he takes notice of the personal liberty which enables them to live by their own labours and talents without dependence upon or interference from their former superiors. Therefore the idea of personal liberty is not identical with the idea of negative liberty, but the former includes the latter in its meaning. The process of acquisition of personal liberty is an aspect of the development of the arts and sciences, social division and the specialization of labour or occupations, and the progress of commerce. Adam Smith, in a comparable analysis undertaken before Millar emphasized that commerce has given rise to liberty, follows the ideas of Hume. Millar also took over this idea of liberty stemming from commerce as one of his most important leading principles. This commerce-liberty linkage thesis has been emphasized by

Forbes (1975b) and Winch (1978, Ch. 4). Therefore, it is not necessarily adequate to call this idea of liberty 'negative liberty'. As already noted, this liberty in itself has a connotation of independence and individualism not personally dependent on others, and when this independence and liberty are in danger, each independent individual naturally endeavours to defend his life and property by himself, or at least to defend himself and acquire safety from the public interventions of the government. Moreover, the citizen should come to participate in the politics and legislature, or administration, of his political community. In short, we should talk about participation in politics in this connection. Therefore, this liberty will, in the end, produce a kind of positive liberty, or civic liberty of self-government from itself. Though this is a hypothetical problem for Hume and Smith when they consider the possibility that the government or magistrates might act against the public interest, Millar really confronted this problem directly in the context of the reforms of the last two or three decades of eighteenth-century British politics, and especially in relation to alleged corruption.

Furthermore, we must take into account the fact that Millar was a law professor, and that the distinct character of the science of law consists in dealing with the various ideas of rights and obligations. Millar gave lectures on a variety of legal systems, including the Roman (Civil) Law, English Law, Scottish Law, and Civil Government, and discussed the history of right and justice, legislation and jurisdiction. Thus, taking into account his two works and the various law lectures, Forbes (1954), Haakonssen (1996), and Cairns (1988) grasped the framework of the thought of Millar as natural jurisprudence, and not civic humanism. However when talking about positive liberty, or liberty as a civic virtue, it is necessary to turn our attention to civic humanism in Millar, as strongly suggested by Ignatieff (1983). He brought a civic humanist reading, suggested by Pocock,⁹ alongside the jurisprudential reading, into the interpretation of Millar's social and political thought in his excellent article. As a professor of law, Millar is said to have done *pro bono* work for poor people.

As Cairns notices (1995: 137), Millar opposed the appointment of Thomas Reid to the chair of Moral Philosophy of Glasgow University after the resignation of Adam Smith in 1764, and after that continued to oppose the conservative Reid in university affairs. Millar denounced every kind of slavery as well as the slave trade, and supported the independence of the American colonies. He advocated the elimination of the entail in Scotland and supported action for the extension of the franchise to the lower ranks of people. He warned that the aggrandizement of the power of the Court was threatening the balance of the constitution. He could not join the Yorkshire Movement but hated Edmund Burke and opposed his political creed. Millar denounced the warlike policy of the British government of Pitt the Younger towards revolutionary France and opposed intervention. In general, Millar sided with the Country party and democratic movements, and criticized the policy of the Whig establishment, or Court, especially after the ministry crisis of 1784. He dedicated his masterpiece, *HV*, to Charles James Fox. Such attitudes and positions of Millar to contemporary issues can be seen as intrinsically connected with civic humanist ideas

concerning politics and society. Civic humanism, and its concept of civic virtues, were adopted and applied by the opposition, namely Country ideologues, as an appropriate means of criticizing and denouncing the established regime, government and parliament as degenerate and corrupt. Though Pocock only hinted at Millar as a civic humanist, Ignatieff endeavoured to clarify this aspect of him.

Ignatieff considers that Millar changed his tone of argument concerning the social and political issues of his day, from a jurisprudential discourse to a civic humanist one, especially after the Ministry Crisis of 1784. Though a quite interesting interpretation, it is difficult to demonstrate such change in the writings of Millar. His advocacy of such patriots as Sidney and Russell in *HV* is a kind of expression of his civic humanist spirit, and the first edition of *HV* was published only in 1787. But already in *Ranks* we can read his advocacy of the efforts for independence of the House of Commons and the common people who fought against the encroachment of two Stuart Kings (Charles I and James II) for the great cause of liberty:

The fortunate situation of Great Britain, after the accession of James I, gave her little to fear from any foreign invasion, and superseded the necessity of maintaining a standing army ... The weakness and bigotry of her monarchs, at that period, prevented them from employing the only expedient capable of securing an absolute authority ... The boldness and dexterity, joined to the want of public spirit, and the perfidy of Oliver Cromwell, rendered abortive the measures of that party, of which he obtained the direction; but the blood that had been shed, and the repeated efforts that were made by the people in defence of their privileges, cherished and spread the love of liberty, and at last produced a popular government, after the best model, perhaps, which is practicable in an extensive country.

(Millar 1781: 293–94)

Millar enumerated both many accidental causes and the intended efforts of the people as the causes of formation of a popular government. This argument may be in a sense constitutional, and sociological, but we can also take it as a civic humanist argument. A civic humanist vocabulary and spirit were expressed in his arguments on the Puritan Revolution, Exclusion Crisis and Revolution Settlement, and therefore *HV* is a constitutional history, a history of constitutional liberty and hence, we can take it as a jurisprudential-political discourse motivated by civic humanism. It may be said that in Millar, civic humanism is, from the outset, interwoven as a spirit, discourse, and therefore paradigm into his ideas of the political, jurisprudential, and constitutional history of liberty. While it takes further efforts to demonstrate such an interpretation, the kind of sudden change of thought from constitutionalist to civic humanist that Ignatieff's case demands may be more than it is reasonable to introduce.

As already suggested, Millar noted the tendency of commerce to liberate the lower orders from the oppression of their feudal superiors and sometimes emphasized the phenomenon of rotation of property or estates in the process of

economic development. When commerce expands and brings many luxurious commodities from distant places, the desire of the wealthy and superior will be stimulated and they will come to spend much money on those luxuries, and become poor in the end, while the poor and industrious people get money by their own efforts and acquire riches and estates. This is the unintended outcome for those who sought to exercise their wealth and power on conspicuous consumption. Millar clearly learned this idea of unintended consequences from Adam Smith. Commerce, and the rotation of property and station, thus produced a tendency to decrease the difference and inequality between superiors and inferiors. Millar diagnosed that in a civilized society or commercial society, the inequality and distinction of ranks are still conserved and never disappear, but the relative difference between them will become smaller than before. At least the lower ranks of people are freed from their former feudal slavery and become independent, and this is a kind of equality.

Both in *Ranks* and *HV*, Millar applied such ideas of equalization to the historical process, from feudalism to modern civilized society. After the Norman Conquest, the people were largely divided into King, Lords and the common people. Though the distinction between superiors and inferiors had already appeared during the Anglo-Saxon Era, the Witenagemot was an aristocratic but in some sense democratic institution composed of proprietors of free allodial lands. After the Conquest this distinction became greater by degrees, and the original allodial lands (freehold) were gradually changed into feudal estates by way of power struggles or collision of interests, and accordingly the Witenagemot was changed into a more aristocratic assembly of feudal lords. Millar studied many works of feudal lawyers and Antiquarians of the seventeenth and eighteenth centuries, such as Wright, Henry Spelman, Robert Brady, Kames and others. Such a transformation of the allodial lands to the feudal estates was argued for by Smith in his law lectures, and Millar apparently accepted his argument. But under feudalism, the desire of the lower classes to live a better life and to be independent made them take refuge in urban regions and commercial cities, and by degrees the commerce of the towns and cities developed. This development enabled the common people in towns to become better off than before, and their wealth and property gave rise to power, and they occupied some places in the parliament of the feudal kingdom.

On the other hand, the feudal aristocrats were divided by their mutual rivalry, and by degrees lost their power and authority because of this rivalry and because of conspicuous consumption, as they tried to outdo each other in opulence. Both commoners and lords intended to acquire more power and better conditions of life, but the opposite results were achieved. Generally, this process of the rise of the lower classes and the fall of their superiors, can be seen as a kind of equalization process with unintended results and in that sense we could say that Millar grasped the process of equalization as an unintended result. As a professor of law and constitutional history, Millar's *Historical View* is a constitutional history, but it should be more properly called a comprehensive history of civil society in Britain, in which Millar discussed many aspects of civil society, such as conquest,

power struggle, courts of justice, church, parliament, army, commerce, manufactures, arts, etc. When Millar described such various aspects of British society in historical settings, he always took the view that, on the one hand, the progress of civilization was from barbarism to refinement, from slavery to liberty, from poverty to wealth, and from vice to virtue, but on the other hand, he was alert to the fact that such progress sometimes brings degeneration, and the division of labour makes men dull and ignorant. We cannot regard Millar as a simple, optimistic believer in progress. Though Millar supported the idea and value of progress, he was at the same time sceptical towards the fact of progress or the perfection of human nature and human society. This ambivalent view of human progress was also shared by Hume, Smith, Kames, and Ferguson. We can say that this ambivalence is a distinct characteristic of the approach to civil history in the Scottish Enlightenment. And if we cannot believe that the progress of civilization necessarily brings about a progress of moral quality in the human being, we must devise something to check the degeneration or corruption of the morals and systems of society. The Scottish philosophers recognized the virtue of commerce in diffusing the value and feeling of justice and other various benefits, but at the same time they emphasized the value of various virtues including martial spirit and public spirit. Hume, Smith, and Millar respected commerce more, while the Moderates, including Ferguson, stressed morality more.¹⁰ But if we compare Hume, Smith, and Millar on this point, we may say that Millar stressed public virtue more than Hume and Smith, and therefore Millar was more a civic humanist than Hume and Smith.

Liberal democracy, natural jurisprudence and civic humanism in Millar

The thesis that in commercial or civilized society people intend to work for the sake of their own interests and that these liberal economic activities contribute to the public interest, by producing more goods and utilities than before, is shared by Hume, Smith and Millar. They grasped the market mechanism underlying each private economic action, and named it the ‘invisible hand’, or the ‘natural course of things’, which Forbes and Hayek (1960) emphasized as the scientific idea of unintended consequences, or the theory of spontaneous order. This idea is the cornerstone of liberalism, economic and political. It is well known that Hume, as an empirical realist, criticized the Lockean, or Whig, social contract theory as a fiction. The Glorious Revolution was achieved by a tiny fraction of the nation, and not by the contract of the entire people (Hume 1985: 472). But he did not deny the legitimacy of the Revolution Settlement. As a sceptical Whig he supported the established constitution of Britain from the recognition that it has brought more safety, liberty and public utility than any other in history. Nevertheless he was anxious about the factions and struggles of Whig and Tory and attempted to persuade them to compromise with each other for the cause of public peace and the public interest. Hume claimed that the foundation of government was in the last analysis rooted in the opinion of the people. People

pay their allegiance to government by way of its authority and utility which are the two major principles of any government.

This line of argument was followed by Smith and Millar. They denied the social contract theory of Locke but endorsed the idea that the consent of the people constitutes the basis of government, because they believed that when a government transgresses public interest, people may oppose, resist, and in some cases even change it. Apparently a kind of paradigmatic change from social contract theory to a more empirical theory of society, that is, a historical science of civil society, took place here. Right of resistance and other rights had to be confirmed as a basis of the new historical science of civil society. Smith dealt with the two principles of government, or allegiance, as authority and utility, and he thought both necessary for government. Smith finds the origin of authority in the human mentality that respects '... an established authority and superiority in others. Though both principles have a place to some degree in every government, the principle of authority mainly prevails in a monarchy, and that of utility in a republican government, and more so in a democratic government' (Smith 1978: 318). Thus Smith connected the former mainly with Tory, and the latter with Whig interests. But Smith distinguished the principle of authority from the passive obedience of Tory thought, and that of utility from the original contract of the Whig thinking. Moreover, Smith denied both ideas of passive obedience and original contract as false.

It was Millar who inherited this distinction and applied it to the analysis of Post-Smithian Britain. Millar recognized both traditions as indispensable for any government, but Millar took it that as a civilization progresses and society becomes more commercial, the principle of utility has increasingly more influence than that of authority. Nevertheless, authority is indispensable because it teaches people, whether as mob or popular movement, the importance of order, tranquillity, and the safety of society. Millar parted from such radicals as Thomas Paine, Joseph Priestley, and Richard Price, who would never talk about the idea of the principle of authority. But Millar was not so much a conservative aristocratic thinker as a radical, democratic philosopher in his contemporary and historical settings and circumstances. Indeed eighteenth-century Scotland was not so much a democratic as an aristocratic society. However, civilization, the progress of arts and science, commerce and manufacture, and the social division of labour were making the social hierarchy more flexible and milder, and the life of common people more comfortable, and thus society more democratic, liberal, and equitable in comparison with former ages and societies. Having this tendency of civilization in mind, Millar observed that the principle of utility had become more predominant than that of authority in the more civilized societies.¹¹

As a law professor, Millar was especially interested in the circumstances and stations of the lower ranks of people, and supported the improvement of the conditions of their lives, which clearly shows in *Ranks*. Millar also thought that a larger proportion of the lower ranks should be given the suffrage and become active political agents. Millar criticized corruption, degeneration, and luxurious

ways of life as a by-product of wealth and liberty, and underlined the importance of the civic consciousness of the people in preserving a liberal society. In this sense Millar was a forerunner of liberal democracy. Millar supported commerce, in so far as it made it possible for the lower classes to live a better life than before, but warned that material excess might cause them to degenerate into luxury and sloth (Millar 1803: VI, 224–31). But his warning is moral, not appealing to the government to prepare some coercive policy such as an inspector, or a kind of sumptuary law such as Hutcheson proposed (Hutcheson 1755: 2, 265). And Millar, like Smith, paid attention to the bad effects of the division of labour, in other words alienation, which accompanied the advancement of commerce,¹² and he placed a particular emphasis on the role of public education to counteract the natural tendency of mechanical employments (Millar 1803: IV, 160–61). As the public and government must prepare the infrastructure of a civilized society, such as a system of justice, police, and revenue, for the safety, peace, and wealth of the people, they ought also to provide various public institutions such as schools, hospitals, ports, roads and post offices. Therefore civic leadership is indispensable in preparing and providing such institutions or provisions to meet public needs. If we consider, with Ignatieff (1986: 188–89), that there were two ways to provide for basic human needs in the Enlightenment — one the republican answer adopted by Rousseau, the other the market solution proposed by Smith — we must say that Millar adopted the market solution of Smith, but with the difference that, in his diagnosis, the British constitution should become more liberal and democratic, and therefore he became more radical than Smith in his constitutional thinking.

Therefore it may be said that Millar was basically more a liberal individualist, like David Hume and Adam Smith, than he was like Hutcheson, and Hutcheson was more a liberal communitarian than these three philosophers, though at the same time both Millar and Hutcheson were more civic humanists than Hume and Smith. The thesis of Millar as a sceptical Whig suggested by Forbes should be revised,¹³ to place Millar nearer the camp of the Real Whigs, as argued by Caroline Robbins. The distinction between liberal democracy and civic humanism, or republicanism, has been vigorously discussed in recent Anglo-American scholarship in the field of the history of political thought. Also in Japanese academia this issue has gradually become a focus of interest. As Pocock discovered, and the post-Pocockian scholarship confirmed, in eighteenth-century Britain we can find typical liberal democratic ideas in the thought of Locke, and civic humanist ideas in the thought of the Neo-Harringtonians such as Andrew Fletcher, Lord Bolingbroke, John Trenchard, and Thomas Gordon. But in Scotland these two traditions or paradigms were amalgamated into a natural jurisprudential paradigm by Hutcheson in his comprehensive moral philosophy. Therefore, in the case of Hutcheson civic humanism may be difficult to understand as a paradigm because it is incorporated into a system of moral philosophy. The framework is natural jurisprudence, but civic humanist ideas are abundant in his writings. We can identify his radical intentions from his support, in the American conflict, for the militia, for the right of resistance, and for independence.

On the theoretical level, such republican or democratic elements of Hutcheson seemed to be taken over partly by Smith but more fully by Millar (except for the militia) though the influence of Hutcheson cannot immediately be established. We cannot find the name of Hutcheson in the writings of Millar, but nonetheless his influence cannot be denied. Millar of course seems to have inherited republican ideas in politics and constitutional thought from other republicans such as Harrington, Sidney, and Milton. He supported Fox and his Whig party in contemporary politics. But it is not to be denied that the basis of his political and social thought rested upon the framework of natural jurisprudence. Therefore should we talk about Millar 'at the limit of the civic tradition', as John Robertson does about Adam Smith (Robertson 1983: 177)? After Millar, utilitarianism arises and predominates over the intellectual framework, and political economy becomes an independent field from moral philosophy; jurisprudence also leads to legal positivism. According to Forbes, Millar forms a link between Adam Smith and the Utilitarians (Forbes 1954: 293). Millar as a link between the two did significant work in the history of ideas, and had a great influence on the next generation of Whigs. But Millar's last decade was dominated by the impact of the French Revolution. As the conservative and reactionary response to the revolution grew, Millar's importance and influence disappeared in the darkness of history.

Notes

- 1 Recently Phillips has reappraised the economic determinism of Millar in *Ranks* (Phillips 2000: 184–89).
- 2 Though the latter is written in Japanese, it is so far the most comprehensive reading of the two works of Millar.
- 3 Forbes enumerated many cases where Millar appealed to the 'law of heterogeneity of ends', but we should be careful not to overestimate this application. The appeal to that law was made to a limited number of historical, political and economic phenomena. As is well known, Hayek emphasized the logic of unintended outcomes as the idea of spontaneous order in the thought of Mandeville, Hume, and Smith, but that incurred criticism as the rhetoric of reaction by Hirschman (1991).
- 4 This observation of continuity is based on his subtle consciousness of or insight into historical change:

As the government which we enjoy at present has not been formed at once, but has grown to maturity in a course of ages, it is necessary, in order to have a full view of the circumstances from which it proceeded, that we should survey with attention the successive changes through which it has passed.

(Millar 1803: I, 5)

- 5 We see that the structure of *Ranks* was composed of Domestic Law and a part of the Public Law of Adam Smith, and Millar arranged them relying on the four-stages theory while constantly paying attention to the process of how the subjects (women, children, the lower orders of people in feudal and early-modern societies, slaves) acquired liberty, personal and political. The affinity between Smith's jurisprudence and Millar's has lately been emphasized by Pocock (1999: ch.21).
- 6 See the following remark:

A late celebrated author, possessed of uncommon powers of eloquence, has gone so far as to maintain, first in a popular discourse, and afterwards in a long serious dissertation, that the rude and savage life is the parent of all the virtues, the vices of mankind being the proper and peculiar offspring of opulence and civilization.

(Millar 1803: IV, 175. Cf. Millar 1781:294)

Millar has the same opinion as Smith and Rousseau that in the civilized and wealthy societies the distinction between rich and poor sometimes becomes more intolerable than that in societies that are wholly poor (Millar 1781: 312–14; Smith 1978: 184).

- 7 The impact or influence of Rousseau on the Scottish philosophers has been argued by Lovejoy (1978), Leigh (1986), Ignatieff (1984, 1986) and others, but much research still needs to be done for a deeper understanding. In Japan some effort has been done by Uchida (1953) and Tanaka (1991).
- 8 This argument of Millar may have suggested to J.S. Mill the idea of Representative Government in part; Mill had read Millar's *Historical View* earnestly in his youth.
- 9 Pocock writes that the *Historical View* argues the same point as Smith 'in terms which reveal the civic humanist origins of the whole perspective' (Pocock 1975: 502).
- 10 Concerning such distinction, see Sher (1985: 239). The intellectual origin of the idea of alienation of personality traceable to the civic humanism of Rousseau, Ferguson, Smith and Millar has been suggested by Pocock (1975: 501–04).
- 11 See the following remark:

When we examine historically the extent of the Tory, and of the Whig principle, it seems evident, that, from the progress of arts and commerce, the former has been continually diminishing, and the latter gaining ground in the same proportion ... The blind respect and reverence paid to ancient institutions has given place to a desire of examining their uses, of criticizing their defects, and of appreciating their true merits. The fashion of scrutinizing public measures, according to the standard of their utility, has now become very universal.

(Millar 1803: IV, 305–06)

- 12 'As their employment requires constant attention to an object which can afford no variety of occupation to their minds, they are apt to acquire an habitual vacancy of thought ...' (Millar 1803: IV, 145).
- 13 As Forbes recognizes that Millar is a militant Whig and a Republican committed to the reform movement, it seems strange that he never talks about republicanism, or civic humanism in the thought of Millar. See Forbes 1954: 279, 292–93.

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12 Dugald Stewart at the final stage of the Scottish Enlightenment: natural jurisprudence, political economy and the science of politics

Hisashi Shinohara

The Golden Age of the Scottish Enlightenment ended with the death of Adam Smith in 1790 and the publication of the last edition of his *Theory of Moral Sentiments* in the same year. Thereafter the Enlightenment entered a period of recapitulation, adaptation, and evaluation of the various ideas that had been proposed and developed. One of the representative figures of this period of consolidation was Dugald Stewart (1753–1828), Professor of moral philosophy at the University of Edinburgh. He published, first of all, the fundamental part of his system of moral philosophy as *Elements of the Philosophy of the Human Mind* in 1792 and then the guideline of his whole system as *Outlines of Moral Philosophy* in 1793. In the same year he read before the Royal Society of Edinburgh an ‘Account of the Life and Writings of Adam Smith’. He continued what may be termed a kind of long-running memorial lecture in 1796 and again in 1802 by reading Accounts of the Life and Writings of two other great figures of the Enlightenment, namely William Robertson (1721–90), the leader of the Moderate party of the Church of Scotland, and Thomas Reid (1710–96), the father of the Scottish Philosophy of Common Sense. These lectures he delivered in his forties. In his sixties he contributed a ‘Dissertation’, part I (1816) and II (1821), exhibiting ‘A General View of the Progress of Metaphysical, Ethical, and Political Philosophy, since the Revival of Letters in Europe’ to the Supplement to the Fourth, Fifth and Sixth Editions of the *Encyclopaedia Britannica* (Stewart 1816–21), and tried to describe the Scottish contribution to the history of philosophy in Europe, and to offer ‘a patriotic defence of the Scottish philosophical tradition’ (Wood 2000: 6 and *passim*). This *Dissertation*, dealing, despite its general title, only with the progress of metaphysics or ‘the philosophy of the human mind’, was unfortunately unfinished, but interestingly, or rather oddly enough, he informed the reader that he limited the sphere of political philosophy to that of political economy.¹

The three spheres of Metaphysics, Ethics and Politics referred to in the title of the ‘Dissertation’ correspond to the tripartite division of Stewart’s system of moral philosophy into the fields of ‘Intellectual Powers of Man’,

‘Active and Moral Powers of Man’, and ‘Man considered as the Member of a Political Body’. The first division, concerning the analysis of human ‘Understanding’, was completed by the three volumes of *Elements of the Philosophy of the Human Mind* (1792, 1814, 1827), and the second division by the two volumes of *The Philosophy of the Active and Moral Powers of Man* (1828). But he could not publish the third division of his system of moral philosophy despite his intention to do so. He tried from the time of his assumption of the chair of moral philosophy to the final stage of his life to launch that ‘Science of Politics’ which is not only based on Smith’s *Wealth of Nations*, but also adjusted to the new circumstances of the nineteenth century. Stewart’s ‘Lectures on Political Economy’, delivered as ‘the separate course’ from 1800 to 1810, show the positive side of his endeavour, an innovative attitude towards the new science.² While we cannot estimate too highly his influence on his disciples of the new generation who were to contribute economic articles to the new *Edinburgh Review*, we must also notice his endeavour to develop the new science of Political Economy as the Science of Politics — or more properly, the science of the general principles of legislation. By tracing the process of that endeavour, in the form of the historical view of Natural Jurisprudence taken by Stewart, we can find another side to his innovative attitude on the one hand, and recognize one phase of Scottish political economy immediately after the death of Adam Smith on the other.

The place of political philosophy in Stewart’s system of moral philosophy

In his *Outlines of Moral Philosophy*, which was published in 1793, eight years after taking up his chair, Stewart did not record the main arguments of the third division of his system, but added, as an appendix at the end of the volume, the table of contents of the Science of Politics. He reveals the reason for that treatment in the preface of *Outlines* as follows:

The branch of Moral Philosophy which relates to the Principle of Politics being less abstract than the others, I have contented myself with a simple enumeration of the most important articles treated of in the third part of my course. It is scarcely necessary for me to mention, that, in this enumeration, I have not aimed at any thing approaching to systematical arrangement; and that, in illustrating the titles it contains, I am obliged, by the term prescribed to my academical labours, to confine myself to very general sketches. As soon as my other engagements allow me sufficient leisure for such an undertaking, I shall attempt a separate course of lectures on this very extensive and difficult subject.

(Stewart 1793: vi–vii)

This ‘separate course’ was to be launched seven years later in 1800, and it was to occasion substantial changes in the table of contents of Part III of the second edition of *Outlines*, published in 1801. In the first edition of *Outlines*, that part of the Science of Politics, in its broad sense, dealing with ‘the Man considered as the Member of a Political Body’, is divided into two Sections: the first is entitled ‘Of the History of Political Society’ and the second ‘Of the General Principles of Legislation’; the second Section in its turn is subdivided into two Chapters: ‘Of Political Economy’ and ‘Of the different Forms of Government’. Of these, ‘Of Political Economy’ reveals the conspicuous changes in its component articles in the first and second editions. Chapter one of the first edition comprises the following four articles:

- Article I. Of Population.
- Article II. Of National Wealth.
 - 1. Of the Distribution of Wealth among the body of the People — and of Regulations respecting the Poor.
 - 2. Of the Revenue of the Sovereign.
- Article III. Of the Co-incident of the principles of Justice and of Expediency, in the conclusions to which they lead on the subject of Political Economy.
- Article IV. Of the Instruction of the lower Order; and of the Prevention and Punishment of Crimes.

(Stewart 1793: 299–300)

Whereas the same Chapter of the second edition gives the following articles:

- Article I. Of the Writings of Grotius and his Successors on Natural Jurisprudence, and their influence in suggesting the Modern Speculations concerning Political Economy.
- Article II. Of the Objects of Political Economy, and the more important general Conclusions to which the study of it has led.
- Article III. Of the Coincidence of the Principles of Justice and of Expediency, in the Political Conclusions to which they lead.
- Article IV. Of the Connexion between just View of Political Economy, and the Intellectual and Moral Improvement of Mankind.

(Stewart 1854–60: 8, 5)³

As to the change of title of the second Section from ‘the General Principles of Legislation’ to ‘the General Principles of Legislation and Government’, we can recognize the fact that in the sphere of the Science of Politics in the broad sense ‘Political Economy proper’ concerns itself with ‘the General Principles of Legislation’, whereas ‘Politics proper’ deals with ‘the General Principles of Government’. As to the other alterations of the titles of articles, Stewart himself explains the reason in the postscript of the Preface to the second edition of *Outlines*, as follows:

Having, of late, carried into execution (at least in part) the design announced in the foregoing Preface, by a *separate* Course of Lectures on Political Economy, I have omitted in this edition of my *Outlines*, the articles which I formerly enumerated under that general title; substituting in their stead a few others, calculated to illustrate the peculiar and intimate connexion between this department of Politics and the more appropriate objects of Ethics. The observations which these articles are meant to introduce, may be useful, at the same time, in preparing the minds of students for disquisitions, the details of which can scarcely fail to appear uninviting to those who are not aware of the important conclusions to which they are subservient.

(Stewart 1854–60, 2, 4; Cf. 8, 3 footnote)

The main discourse of the first session of the separate course of Lectures on Political Economy begun in 1800 consisted of six divisions: ‘Population’, ‘National Wealth’, ‘the Poor’, ‘Corrective Police’, ‘Preventive Police’ and ‘Education’ (Stewart 1854–60: 8, xviii–xx),⁴ and the introductory part of the first session gave us the following articles, which resembled in part those of the corresponding part of the second edition of *Outlines* cited above.

Plan of Lectures on Political Economy for Winter 1800–1801

1. Introductory Lecture on the Origin and Utility of Political Economy.
2. Lectures on the Rise and Progress of this Branch of Science. – Its connexion with Natural Jurisprudence. – View of the systems of Grotius and his Successors; and of the train of thought by which these seem to have led to the modern study of Political Economy.
3. Preliminary Review of some fundamental Laws which seem to be essential to all the forms of Civilized Society; particularly of the Institution of Marriage, and of the Laws which protect the Right of Property.

(Stewart 1854–60: 8, xvii)

According to the ‘Postscript’ of the Preface to the second edition of *Outlines*, the newly enumerated articles in the table of contents ‘Of Political Economy’ are calculated, as cited above, ‘to illustrate the peculiar and intimate connexion between *this department of Politics* and *the more appropriate objects of Ethics*’, and to lead his students to the ‘*disquisitions*, the detail of which can scarcely fail to appear uninviting to those who are not aware of *the important conclusions* to which they are subservient’ (my italics). The ‘peculiar and intimate connexion’ must be the one between the Science of Political Economy and that of Natural Jurisprudence, as will be revealed afterwards, while ‘the important conclusion to which [the disquisitions] are subservient’ probably refers to, or includes, ‘the Coincidence of the Principles of Justice and of Expediency, in the Political Conclusions to which they lead’. The introductory parts of the Plan of the first session of the Lectures on Political Economy and the said part of the table of contents of the second edition of *Outlines* are interesting in that both of them

contain an Article which promises to deal with the rise, development and future problems of the 'New Science of Political Economy', but no article referring to the formation of the science appears in the published version of the Lectures on Political Economy. We have to look for it in Stewart's other writings.

A genealogy of natural jurisprudence

The *Supplement to the Fourth, Fifth and Sixth Editions of the Encyclopaedia Britannica* (6 vols, Edinburgh and London, 1816–24), edited by the former student of Stewart, Macvey Napier (1776–1847), has an epoch-making significance in the history of the publication of *Britannica* (Kogan 1958: 30–43), and Stewart's 'Dissertation' at the beginning of the first volume of the *Supplement* was originally intended as a modern version of the 'Preliminary Discourse' of the French *Encyclopedie*.⁵ The second Chapter of the 'Dissertation – Part I', entitled 'Progress of Philosophy from the Publication of Bacon's Philosophical Works till [Locke's] Essay on Human Understanding', comprises three sections. The one we have to deal with is the third section entitled 'Progress of Philosophy during the Seventeenth Century in Some Parts of Europe not included in the Preceding Review'. It is in this section that Stewart traces the development and points out the problems of Natural Jurisprudence, as it emerged as a new science in Europe with the publication of Grotius's *De Jure Belli et Pacis* (1625). Whereas Stewart points out 'the just neglect into which they [Grotius and his successors] have lately fallen in our [Scottish] Universities', he stresses the fact that 'they form an important link in the history of modern literature', and observes as follows:

It was from their school that most of our best writers on Ethics have proceeded, and many of our most original inquirers into the Human Mind; and it is to the same school ... that we are chiefly indebted for the modern science of Political Economy.

(Stewart 1854–60:1, 171; Cf. 1, 26)⁶

According to Stewart, the new science of Natural Jurisprudence, which emerged in the seventeenth century, incorporated in the process of its development so many miscellaneous elements that it became a 'chaos of heterogeneous discussions', from which it was very difficult to ascertain even 'the precise object aimed at by the authors'. Therefore, to understand aright 'the subsequent history of Moral and Political Science', it was necessary for him to 'disentangle and separate' these different views and to get a distinct conception of them (Stewart 1854–60: 1, 173). He traces the following four kinds of view concerning the systems of Natural Jurisprudence.

First of all, according to Stewart, one of the earlier views which had been formed of Natural Jurisprudence supposed its object to be 'to lay down those rules of justice which *would* be binding on men living in a social state, without any positive institutions, or living together in a *state of nature*'; he contended that this idea of the province of Jurisprudence was 'uppermost in the mind of

Grotius, in various parts of his *Treatise*. It was the strong anxiety to counteract ‘the attempt then recently made to undermine the foundation of morality’ which led Grotius to this speculation about the state of nature. The idea that ‘moral distinctions are created entirely by the arbitrary and revealed will of God’ had been maintained by ‘some theologians even of the Reformed Church’, while some political theorists attributed these distinctions, ‘as was afterwards done by Hobbes’, to the ‘positive institutions of the civil magistrate’. In opposition to both of these ideas concerning moral distinctions, Grotius contended that ‘there is a natural law coeval with the human constitution, from which positive institutions derive all their force’ (Stewart 1854–60: 1, 173–74). The habit of considering ‘morality’ as ‘a law engraved on the human heart’, led naturally to ‘an application to ethical subjects of the technical language and arrangements of the Roman jurisprudence’. This innovation was facilitated and encouraged by ‘certain peculiarities in the nature of the most important of all the virtues, that of justice’; namely, peculiarities of ‘accuracy’ and ‘enforcement’ of its rules.⁷ Since, in the case of justice, there is always a ‘right’, on the one hand, corresponding to an ‘obligation’ on the other, the various rules enjoined by it may be stated in two different forms: either as a ‘system of duties’, or a ‘system of rights’. The former view of the subject belonged properly to ‘the moralist’, the latter to ‘the lawyer’. Therefore, it was the latter view that the writers on Natural Jurisprudence, ‘most of whom were lawyers by profession’, have generally been led to adopt (Stewart 1854–60: 1, 175). Stewart then offers his own comments and criticism of this first view of Natural Jurisprudence as follows:

But although the rules of justice are in every case precise and indispensable, and although their authority is altogether independent of that of the civil magistrate, it would obviously be absurd to spend much time in speculating about the principles of this natural law, as applicable to men, before the establishment of government. The same state of society which diversifies the condition of individuals to so great a degree as to suggest problematical questions with respect to their rights and their duties, necessarily gives birth to certain conventional laws or customs, by which the conduct of the different members of the association is to be guided; and agreeably to which the disputes that may arise among them are to be adjusted. The imaginary state referred to under the title of the *State of Nature*, though it certainly does not exclude the idea of *a moral right of property arising from labour*, yet excludes all that variety of cases concerning its alienation and transmission, and the mutual covenants of parties, which the political union alone could create: — an order of things, indeed, which is virtually supposed in almost all the speculations about which the law of nature is commonly employed.

(Stewart 1854–60: 1, 176)

The contrast above between speculation on the principles of natural law and the consideration of conventional laws or customs soon turns out to be, in his genealogy of Jurisprudence, Stewart’s main concern: the contrast or relationship

between 'Justice' derived from the constitution of the mind and 'Expediency' derived from the constitution of society.

The field of study of the kind of Natural Jurisprudence mentioned above was confined to so narrow a sphere that, in the next stage, its 'province' was gradually enlarged so as to comprehend not merely 'the rules of justice' but 'the rules enjoining all our other moral duties'. A corresponding extension was also given, by the help of arbitrary definitions, to its 'technical phraseology', till at length 'the whole doctrines of practical ethics came to be moulded into an artificial form, originally copied from the Roman code'. In this case, the writers on Natural Law have contrived 'by fictions of *imperfect right* and of *external rights*', to treat indirectly all our various 'duties', by pointing out the 'rights' which are supposed to be their correlates, despite the fact that justice is the only branch of virtue in which every moral 'Obligation' implies a corresponding 'Right'.⁸ In other words, they have tried to exhibit, 'in the form of a system of rights', a connected view of the 'whole duty of man'. According to Stewart, the idea of this second kind of Jurisprudence, 'which identifies its object with that of Moral Philosophy', nearly coincides with that of Pufendorf; and 'some vague notion of the same sort' has given birth to 'many of the digressions of Grotius' (Stewart 1854–60: 1, 176–77). Although he refers to the 'extravagance of the praise' lavished on Grotius and Pufendorf, Stewart points out the fact that their practical doctrines, compared to the 'casuistical discussions subservient to the practice of auricular confessions' or a scheme of morality which recommended the 'useless austerities of an ascetic retirement', were favourable to 'active virtue', and that the progress of the science of ethics in the course of the eighteenth century may be ascribed to the passages ('beautiful quotations from Greek and Roman classics') in the Treatise of Grotius (Stewart 1854–60: 1, 179).

This second species of Natural Jurisprudence, which nearly coincided with Moral Philosophy (or more properly with the practical system of Ethics), before long gave rise to two kinds of by-product, or 'two different departments of Jurisprudence, little attended to by some of the first authors who treated of it' (Stewart 1854–60: 1, 180). Of these departments, according to Stewart, one refers to 'the conduct of individuals in those violent and critical moments when the bonds of political society are torn asunder', and the other to 'the mutual relations of independent communities'. He then gives us 'the train of thought' by which these departments came to be connected with the Natural Jurisprudence now under consideration. First, as to the formation of the doctrine of the right of resistance, he observes:

As an individual who is a member of a political body necessarily gives up his will to that of the governors who are entrusted by the people with the supreme power, it is his duty to submit to those inconveniences which, in consequence of the imperfection of all human establishments, may incidentally fall to his own lot. This duty is founded on the Law of Nature, from which, indeed, (as must appear evident on the slightest reflection,) conven-

tional law derives all its *moral* force and obligation. The great end, however, of the political union being a sense of general utility, if this end should be manifestly frustrated, either by the injustice of laws, or the tyranny of rulers, individuals must have recourse to the principles of natural law, in order to determine how far it is competent for them to withdraw themselves from their country, or to resist its governors by force. To Jurisprudence, therefore, considered in this light, came with great propriety to be referred all those practical discussions which relate to the limits of allegiance, and the right of resistance.

(Stewart 1854–60: 1, 180–81)

Second, as to the formation of the doctrine of the Laws of Nations he notes:

By a step equally simple, the province of the science was still farther extended. As independent states acknowledge no superior, the obvious inference was, that the disputes arising among them must be determined by an appeal to the Law of Nature; and accordingly, this law, when applied to states, forms a separate part of Jurisprudence, under the title of the Law of Nations. By some writers we are told, that the general principles of the Law of Nature and of the Law of Nations are one and the same, and that the distinction between them is merely verbal. To this opinion, which is very confidently stated by Hobbes, Pufendorf has given his sanction; and, in conformity to it, contents himself with laying down the general principles of natural law, leaving it to the reader to apply it as he may find necessary, to individuals or to societies.

(Stewart 1854–60: 1, 181–82)

Stewart's following comments on the 'Law of Nations', or more properly the 'conventional Law of Nations', which is in fact based on the considerations of utility, accidental circumstances and positive conventions, are particularly interesting in that they suggest the fact that this kind of Law, as a separate part of Jurisprudence, is to be connected to the formation of the commercial policy which is later to be associated with the new science of Political Economy:

The intimate alliance ... thus established between the Law of Nature and the conventional Law of Nations, has been on the whole attended with fortunate effects. In consequence of the discussions concerning questions of justice and of expediency which came to be blended with the details of public law, more enlarged and philosophical views have gradually presented themselves to the minds of speculative statesmen; and, in the last result, have led, by easy steps, to those liberal doctrines concerning commercial policy, and the other mutual relations of separate and independent states, which, if they should ever become the creed of the rulers of mankind, promise so large an accession to human happiness.

(Stewart 1854–60:1, 183)

Stewart introduces at the next stage of his survey 'another idea of Natural Jurisprudence, essentially distinct from those hitherto mentioned'. Its object is 'to ascertain the general principles of justice which *ought to be* recognised in every municipal code; and to which it *ought to be* the aim of every legislator to accommodate his institutions'. It is to this idea of a third kind of Jurisprudence, according to Stewart, that Adam Smith has given his sanction in the conclusion of his *Theory of Moral Sentiments* (Stewart 1854–60: 1, 183). As to Smith's identification of this idea of Jurisprudence with that of Grotius (Smith 1759: 341–42), Stewart throws doubt on this by claiming that Grotius had often been led to overlook the 'immense difference between the state of society in ancient and modern Europe' (Stewart 1854–60: 1, 185).⁹ Stewart's comment on these systems of Natural Jurisprudence considered as 'models of universal legislation' is that 'their authors reason concerning laws too abstractedly, without specifying the particular circumstances of the society to which they mean that their conclusions should be applied' (Stewart 1854–60: 1, 187).¹⁰ It was Montesquieu, according to Stewart, who, under the 'grand idea of connecting Jurisprudence with History and Philosophy', gave 'the first fatal blow to the study of *Natural Jurisprudence*' by affording the proofs of the 'absurdity of all schemes of Universal Legislation' (Stewart 1854–60: 1, 190–93); and it was Adam Smith who, despite his sanction of the idea of Natural Jurisprudence as a model of Universal Legislation, in fact took his cue from Montesquieu. Stewart, therefore, concludes his survey with Montesquieu's views which, together with those of his followers, might be called the fourth, or rather the new, view of Jurisprudence.

Montesquieu, according to Stewart, combined the science of law with the history of political society, 'employing the latter to account for the varying aims of legislator; and the former, in its turn, to explain the nature of government, and the manners of the people'. Convinced that the general principles of human nature are everywhere the same, he searched for 'new lights' among 'the subjects of every government, and the inhabitants of every climate' and, while thus opening 'inexhaustible and unthought-of resources' to the student of Jurisprudence, he indirectly marked out to the legislator 'the extent and the limits of his power', and recalled the attention of the philosopher from 'abstract and useless theories', to the 'only authentic monuments of the history of mankind'. This view of law which unites history and philosophy with jurisprudence, after the publication of the *Spirit of Laws* (1748), became 'so fashionable', particularly in Scotland, that many seem to have considered it 'not as a step towards a farther end, but as exhausting the whole science of Jurisprudence' (Stewart 1854–60: 1, 191). Montesquieu's own aim in his historical discourses was, however, 'much more deep and refined'. His speculations were directed to the same practical conclusion as that pointed out by Bacon, which essentially coincides with 'the very shrewd aphorism of Lord Coke', that 'to trace an error to its fountainhead, is to refute it'. In this respect, in order to have a just conception of the comparatively limited views of Grotius, it was necessary, according to Stewart, to attend to 'what was planned by his immediate predecessor [Bacon], and first executed

(or rather first *begun* to be executed) by one of his remote successors [Montesquieu]’ (Stewart 1854–60: 1, 189). As the last result, the plans of Bacon and Montesquieu have been since combined ‘with extraordinary sagacity’, by some of the later writers on Political Economy, and above all by Adam Smith, ‘who, in his *Wealth of Nations*, has judiciously and skilfully combined with the investigation of general principles, the most luminous sketches of *Theoretical History* relative to that form of political society, which has given birth to so many of the institutions and customs peculiar to modern Europe’ (Stewart 1854–60: 1, 193; footnote).

The reference to Montesquieu (as well as to Smith) in that part of the ‘Dissertation’ which deals with the ‘Progress of Philosophy during the Seventeenth Century’ was made just as a digression, and the further development of Jurisprudence by writers on Political Economy as well as ‘the mighty influence which his [Montesquieu’s] writings have had on the subsequent history of Scottish literature’ (Stewart 1854–60: 1, 193 footnote) were to be explained in the third Part of the ‘Dissertation’, which was never to be published.

‘Justice and Expediency’ and the science of politics

The development of the second species of Natural Jurisprudence as a ‘System of Practical Ethics’ in the above genealogy was also discussed in the second Part of Stewart’s *Outlines*, which deals with Ethics. In Article 2 (‘Of Justice’) of Section II (‘Of the Duties which respect our Fellow-creatures’) of that part he divides ‘Justice’ into ‘Candour’ as its broad sense and ‘Integrity and Honesty’ as its narrow or strict one, and he gives us in the latter topic nearly the same description as he does in his ‘Dissertation’ (Stewart 1793: 243–50). What we must notice here is that he refers in the last paragraph to the desirable direction he hopes Natural Jurisprudence will take in the near future as follows:

Although the obligations of Justice are by no means resolvable into considerations of Utility, yet, in every political association, they are so blended together in the institutions of men, that it is impossible for us to separate them completely in our reasonings: and accordingly (as Mr Hume has remarked) the writers on jurisprudence, while they profess to confine themselves entirely to the former, are continually taking principles for granted, which have a reference to the latter. *It seems therefore to be proper, instead of treating of jurisprudence merely as a system of natural justice, to unite it with politics; and to illustrate the general principles of Justice and of Expediency, as they are actually combined in the constitution of society.* This view of the subject (which ... belongs to the third part of Moral Philosophy,) will shew, at the same time, how wonderfully these principles coincide in their applications; and how partial those conceptions of utility are, which have so often led politicians to depart from what they felt to be just, in quest of what their limited judgements apprehended to be expedient.

(Stewart 1793: 249–50; cf. Stewart 1854–60: 7, 259)

Although the table of contents of the Chapter on Political Economy in Part III of the first edition of *Outlines* differs substantially from the one of the second and subsequent editions, the only article of the Chapter common to these editions is the one dealing with this ‘Coincidence of the principles of Justice and of Expediency, in the conclusions to which they lead’. But this discourse on the ‘Coincidence’ disappears both from the ‘Plan of Lectures on Political Economy for Winter 1800–1801’ and from the published *Lectures on Political Economy*. We find, in its place, a ‘Preliminary Review of some fundamental Laws which seem to be essential to all the forms of Civilized Society’ in the introductory part of the ‘Plan’ on the one hand, and a ‘Preliminary Distinction of Positive Laws into Two Classes; and the Relation of these to Political Economy’ in the corresponding part of the published *Lectures* on the other. By the way, the ‘two Classes of Positive Laws’ referred to in *Lectures* are, first, those ‘which *are*, or at least which *ought to be*, common to all the different kinds of political society’, and second, those ‘which are peculiar to a society which has made some progress in Agriculture, in Commerce, and in the more refined arts of life’. The former includes the laws which ‘sanction the right of property’, ‘settle the formalities of marriage’ and ‘regulate the punishment of crimes’, and the latter, such laws as concern ‘inheritances, successions, sales and contracts’, which regulate the common transactions of civil life, and the particular interests of the different members of the community: namely, laws ‘which must necessarily vary according to the climate, genius, and particular circumstances of different nations’ (Stewart 1854–60: 8, 57).¹¹ And he goes on to note in the published *Lectures on Political Economy*:

In the course of the following disquisitions, I shall have occasion to illustrate some of the causes which produce a diversity in the municipal institutions of different countries; and at the same time to investigate those general principles which ought to be common to them all. It will afterwards appear, that even in the *second* class of positive laws, there are certain principles which are never departed from, without *injustice* and *inexpediency* [my italics]: And, indeed, *one* great object which I have in view in this course, is to ascertain what these principles are. This, I conceive, to be the proper aim of *Political Economy*, in the extensive sense in which I employ that expression.

(Stewart 1854–60: 8, 58)

The problems concerning the principles of justice and inexpediency, therefore, are far from disappearing, but conceived to be the main theme of Political Economy. As to the laws regulating the ‘right of property’ in the first class of positive laws, he passes them over in his *Lectures on Political Economy*, ‘as being more immediately connected with some of the doctrines of *Ethics*’ (Stewart 1854–60: 8, 58), and treats of them in the ‘supplement’ to the chapter on Justice in his *Philosophy of Active ... Powers* (published in the year of his death). The aim of the ‘supplement’ was to illustrate the notion that ‘we possess rights antecedent to the establishment of the political union’, and to point out the following impor-

tant distinction, seldom attended to by writers on Jurisprudence, between the ‘right of property as recognised by the law of nature’ and the ‘right of property as created by municipal institutions’:

In such a state of things, therefore, as that with which we are connected, the right of property must be understood to derive its origin from *two* distinct sources; the one is, that *natural sentiment* of the mind which establishes a moral connexion between labour and an exclusive enjoyment of the fruits of it; the other is the *municipal institutions* of the country where we live. These institutions everywhere take rise partly from ideas of natural justice, and partly (perhaps chiefly) from ideas of supposed utility — two principles which, when properly understood, are, I believe, always in harmony with each other, and which it ought to be the great aim of every legislator to reconcile to the utmost of his power.

(Stewart 1854–60: 7 260, 271–73)

In tracing those general views concerning the development of Natural Jurisprudence made by Stewart, we have been confronted with the problem of the relationship between natural Justice derived from the constitution of the mind and Utility or Expediency derived from the political union, or the constitution of society. This problem of Justice and Expediency, as well as their ‘Coincidence’, was for Stewart, we may assume, his lifelong theme. This also turns out to be the problem of Theory and Practice (or Economic Policy) of Political Economy in modern commercial society, or the problem which he considers to be the relationship between ‘what is *abstractly right* and what is *practically expedient*’ (Stewart 1854–60: 9, 86). The new science of ‘Political Economy’, which formed itself from the development of Natural Jurisprudence, via a new approach to Ethical studies, and which concerns itself with ‘the General Principles of Legislation’ — including, according to Stewart, ‘what concerns Justice, police, revenue and arms’ — had to inquire into the ‘universal principles of justice and of expediency’, as he had already suggested in his ‘Account of the Life of Adam Smith’ (Stewart 1854–60: 10, 54). According to Stewart, the task of Smith, who succeeded to the legacy of Bacon concerning the general principles of legislation, can be found exactly in the same direction.¹²

Stewart concluded his ‘General View’ of the progress of sciences in Europe with the following remarks which, referring to the tree of knowledge, stress the importance of the relationship of his tripartite division of the system of Moral Philosophy:

The swelling of the buds [i.e. the new science of Politics or Political Economy] ... affords a sufficient proof that the roots [i.e. the Philosophy of the Human Mind] are sound, and encourages the hope that the growth of the trunk [i.e. the science of Ethics], though more slow, will, in process of time, be equally conspicuous with that of the leaves and blossoms.

(Stewart 1854–60:1, 483)

Adam Smith didn't or couldn't publish his treatise on Natural Jurisprudence. For him the science of Natural Jurisprudence, though 'of all the sciences by far the most important' (Smith 1759: 218), worked, as it were, by uniting itself with History and Philosophy, as a leaven or catalyst for the development of the science of Political Economy — a valuable leaven indeed, but one which was, as the fourth species of ideas of Jurisprudence in the above genealogy by Stewart, destined to be exhausted after the publication of the *Wealth of Nations*.

Notes

- 1 See the following remark:

The Sciences to which I mean to confine my observations are Metaphysics, Ethics, and Political Philosophy; understanding, by Metaphysics, not the Ontology and Pneumatics of the schools, but the inductive Philosophy of the Human Mind; and limiting the phrase Political Philosophy almost exclusively to the modern science of Political Economy ... The close affinity between these three departments of knowledge, and the easy transitions by which the curiosity is invited from the study of any one of them to that of the other two, will sufficiently appear from the following Historical Review.

(Stewart 1854–60: 1, 22).

- 2 'Seven volumes, in quarto, of [Stewart's] manuscripts' on the Science of Politics were handed down to his son, Colonel Stewart, but he unfortunately destroyed them after suffering 'an attack of coup-de-soleil' on professional service in India. 'Lectures on Political Economy' (Stewart 1855–56) are composed mainly of the original manuscripts written at the beginning of the nineteenth century which 'escaped the fate of others' and of some of the student notes. Cf. Stewart (1854–60: 8, vii–xii, xxii).
- 3 In the table of contents of the second edition, 'Sections' and 'Chapters' are changed to 'Chapters' and 'Sections' respectively, but I have used the same terminology as the first edition so as not to obscure the comparison. *Outlines* went through four editions in Stewart's lifetime, but the titles of the contents of the second and subsequent editions remained unchanged. Cf. Stewart (1854–60: 8, [3]–4 footnote).
- 4 These six divisions were to be arranged into four divisions of 'Population', 'National Wealth', 'the Poor – their Maintenance' and 'Education of the lower Orders' in the published Lectures.
- 5 But after recognizing the logical errors in D'Alembert's 'Intellectual Map', Stewart abandoned his original intention to give 'a general survey of the various departments of human knowledge' (Stewart 1854–60: 1, 1).
- 6 After referring to the 'just neglect' into which they have lately fallen in the Scottish universities, Stewart quotes the following sentences from the *Wealth of Nations* as an additional confirmation: 'The greater part of universities have not even been very forward to adopt those improvements, after they were made; and several of those learned societies have chosen to remain, for a long time, the sanctuaries in which exploded systems and obsolete prejudices found shelter and protection, after they had been hunted out of every other corner of the world' (Smith 1776: 772). Considering Smith's own 'successful exertions, in his academic capacity, to remedy the evil', Stewart goes on to note: 'it is more than probable that Mr. Smith had Grotius and Pufendorf in his view when he wrote the foregoing sentences' on the 'exploded

- systems and obsolete prejudices' (Stewart 1854–60: 1, 178, footnote). We can find in this comment the views of Natural Jurisprudence peculiar to Stewart.
- 7 Stewart notes that these peculiarities, 'although explained fully by Hume and Smith, were too prominent to escape altogether the notice of preceding moralists' (Stewart 1854–60: 1, 175).
 - 8 This kind of 'fiction' is explained more fully by Thomas Reid (Reid 1788: 389–90), to which Stewart refers in his *Philosophy of the Active ... Powers* (Stewart 1854–60: 7, 258).
 - 9 He adds, however, that Grotius was more completely aware of the essential distinction between Natural and Municipal Laws, compared with those natural lawyers (e.g. Henry and Samuel Cocceil or Leibniz) who, 'from the superstitious veneration for the Roman code', identified it with the Laws of Nature (Stewart 1854–60: 1, 185).
 - 10 He refers to the analogy between 'Universal Grammar' and 'Universal Jurisprudence', and quotes from Lowth's Preface to his *Short Introduction to English Grammar* (1763): 'Universal grammar cannot be taught abstractly; it must be done with reference to some language already known, in which the terms are to be explained and the rule exemplified' (Stewart 1854–60: 1, 188, footnote).
 - 11 Stewart's distinction between two different classes of positive laws draws on the one made by De Goguet in his 'very learned and valuable work' *On the Origin of Laws, Arts, and Sciences* (1775). The reason why he refers to the first class of positive laws is that 'in the late rage ... of political innovation ... and, in various philosophical theories an attempt has been made to expose them [the fundamental principles of this class of positive laws] to general reprobation and ridicule', especially by William Godwin in his *Inquiry concerning Political Justice* (1793). See Stewart (1854–60: 8, 58, 68–69).
 - 12 See the following remark:

The precise aim of the political speculations which he [Smith] then [in the conclusion of *The Theory of Moral Sentiments*] announced, and which he afterwards published so valuable a part in his *Wealth of Nations*, was to ascertain the general principles of justice and expediency, which ought to guide the institutions of legislators on these articles [concerning justice, police, revenue, and arms]; — in the words of Lord Bacon, to ascertain those *Laws of laws* 'which we can determine what is right or wrong in the appointments of each individual law'.

(Stewart 1854–60: 10, 57; Cf. 1, 71–2)

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13 Adam Smith in Japan

Hiroshi Mizuta

There has been a sort of Adam Smith cult in Japan. On a fine day in the 1930s Professor C.R. Fay met two Japanese gentlemen on a street in Edinburgh. They asked him where Adam Smith's tomb was, so he took them to the Canongate churchyard. To his surprise, they sat on the ground to bow down to the tomb to express their veneration, as if they were in a Shinto shrine. Despite their veneration of Adam Smith and British liberalism, the people of Japan, including the two gentlemen, could not prevent the Pacific War. Nevertheless, Smith has been studied continuously even under the militarist regime, the scholarship coming to a peak in 1941, just before war broke out. In spite of this tradition of Smith scholarship, almost all of his friends in the Scottish Enlightenment had been ignored. An apparent exception was David Hume, but he has been studied in the context of pure philosophy. Adam Ferguson and John Millar were mentioned by a few sociologists. William Robertson and Ferguson were discussed rather lengthily in Ken Chiyoda's studies on the *Historiography of the Enlightenment* (in Japanese), published in 1945. This was the only exception to studying them as a group before Roy Pascal's article on the Scottish Historical School (in the *Modern Quarterly*, 1938) was introduced by the author in 1956.

Japan opened its doors to western culture only in the 1850s, but some books on western economics, including that of Smith, had been brought into Japan by Dutch merchants before this, including *Untersuchungen Über das Wesen und Ursachen des National Reichthums* (a German translation of the *Wealth of Nations* by Max Stirner), 1846; A. Sandelin's *Répertoire Général d'Economie Politique Ancienne et Moderne*, 1846; and E.W. De Rooy's *Geschiedenis der Staathuishoudkunde in Europa van Vroegste Tijden tot Heden*, 1851. The first systematic lessons on social sciences were given in Leiden in the Netherlands from 1863 to 1865 by Professor Simon Vissering, for two Japanese students who had been sent by the Shogunate Government of Tokugawa (they were attached to a military mission that had been sent to take delivery of a warship from a Dutch shipyard). Vissering's lectures on political economy were based on the abstract of his *Praktische Staathuishoudkunde*, which included some references to Adam Smith on the rent of land and the farming of tax. But there is no record that Vissering actually mentioned the name of Smith in his lectures. Of Vissering's five courses of

lectures, those on natural law, international laws, constitutional laws, and statistics were translated from the notes taken by the two Japanese, Amane Nishi and Mamichi Tsuda. But the notes on political economy were left in the form of the numbered sections of Vissering's book, to which he referred in his lectures. It may seem easier to translate the book than the lecture-notes, but those sections of the book were much more difficult for Japanese to understand exactly. For example, the differential rent of land which was mentioned in the book did not exist in Japan under its feudal hierarchy of land ownership, to say nothing of the farming of tax.

As another example of the difficulty of transplanting western liberalism into a semi-feudal nation, J.S. Mill's *On Liberty* was translated into Japanese in 1872, the fifth year of the Meiji Restoration. The translator could not understand what was meant by the word 'society', which did not exist in Japan then in the strict sense of Mill's terminology. It was translated as government or village elders and thus completely missed Mill's idea of the tyranny of the majority. Paradoxically, by this very misunderstanding the translation proved to be a useful weapon of the 'Liberty and People's Rights Movement' against a despotic and imperial government. It simplified the picture of democracy as 'men versus state', but at the same time the principles of free exchange of ideas between individuals in a democratic society was hidden from the Japanese. This is a society which is delineated by Adam Smith as follows: 'Society may subsist among different men, as among different merchants, from a sense of its utility, without any mutual love or affection ... [and] it may ... be upheld by a mercenary exchange of good office according to an agreed valuation' (*The Theory of Moral Sentiments*, II. ii. 3. 2). Smith was known only as the author of the *Wealth of Nations*, and no attempt had been made, at least during the Meiji era which ended in 1912, to understand his moral philosophy, or that of J.S. Mill, as a system or social philosophy of democracy.

Yukichi Fukuzawa and Francis Wayland

The first course of lectures on political economy given in Japan by a Japanese was perhaps that given by Yukichi Fukuzawa (1835–1901), the founder of Keio University and a representative thinker of the Japanese Enlightenment. In his private school in Tokyo (then called Edo), he was giving his course based on *The Elements of Political Economy* (1837) by Francis Wayland, when there was a skirmish at the northern entrance to Tokyo between the Shogunate and Imperial armies. Fukuzawa wrote later that when he read Wayland's book he was so excited by its entirely new knowledge that he forgot to sleep or eat — and his excitement seems to have been the same when he read Wayland's other book, *The Elements of Moral Science* (1835). In spite of the excitement of Fukuzawa, and perhaps of his pupils, an American colleague of mine to whom I told the story wondered how it was possible to have been so excited by such boring books as Wayland's. Excited or not, it may be that Wayland's books suggested to him a system of social science consisting of political economy and moral philosophy, as

we see in Adam Smith. But it was not the case. For Wayland, who published his *Elements of Moral Science* as one of the educational series of the Religious Tract Society, 'civil society is an institution of God', and in his political economy the role of the Creator was far greater than the 'invisible hand', which appeared only once in the *Wealth of Nations*. For Fukuzawa, while he might have been excited by finding in Wayland a replacement for the feudal moral teachings of Confucianism, he had no idea of society as a whole, to say nothing of a social philosophy to understand its structure.

As Wayland mentioned Smith in his *Elements of Political Economy* chiefly in connection with the division of labour, Fukuzawa at first understood Smith's political economy as such. In his later works he referred to Smith's criticism of mercantilism and monopoly, but he could not decide whether Smith's idea of free trade was better than Henry Charles Carey's protectionism. In any case, his writing as a journalist, together with the translation of *Political Economy for Beginners* (1870) by M.G. Fawcett, contributed very considerably to propagating the name of Adam Smith as a liberal economist. Fawcett introduced Smith as a critic of Thomas Mun's mercantilism and referred to Smith's ideas on the division of labour, differences in wages, and principles of taxation. These were the elements that made up the portrait of Adam Smith in the mind of Japanese intellectuals before the Sino-Japanese war of 1894–95, which also marked the end of the Japanese industrial revolution.

From 1882 to 1888, the first full translation of the *Wealth of Nations* was made by two pupils of Fukuzawa, Eisaku Ishikawa and Shosaku Saga, and was published in instalments under the sponsorship of Ukichi Taguchi (1855–1905), who was another representative liberalist or free-trader, more consistent and radical than Fukuzawa. In his *Japan's Economy on Free Trade* (1878) Taguchi tried throughout to explain all the activities of human beings by the principle of self-love. According to him, since all human beings live according to the natural principle of self-love, they are equal regardless of employment and there should be no privilege among them. This was the fundamental belief behind his attack on those political merchants who were demanding special protection or financial aid from government. To those who advocated the need for a protectionist trade policy for industries of the emerging Japanese state, on the basis of Friedrich List's doctrine of national economy, Taguchi replied that although he agreed with List as far as he argued for national unification, there should be no difference between nations in economy and economics. He would have liked to say that this was the reason why Adam Smith wrote on the *Wealth of Nations*, not the wealth of a nation.

Thanks to the work of Fukuzawa, Taguchi, and other liberal journalists, Smith appeared even in textbooks for primary schools, together with James Watt, as two famous Scots. But in the meantime, the general political situation of Japan changed considerably. On the one hand, in politics (in the strict sense of the word), the imperial government chose imperial Germany as its model, partly because it had won the Franco–Prussian war of 1871 and partly because at that time it was the only imperial power that had successfully modernized itself in

constitutional and military terms in an effort to overtake Britain and France. In 1878, Karl Friedrich Hermann Roesler was invited as a legal adviser to help in the codification of the imperial constitutional law (which was eventually promulgated in 1889); this was followed in 1890 by the Imperial Message on Education, based on a Japanese version of Confucianism. On the other hand, protectionism became prevalent in political journalism and trade policy, being presented as a natural course of action for a latecomer in international trade in the age of imperialism. In such a situation the position of the followers of Adam Smith became more defensive.

Roesler was not a simple lawyer but the first academic reviewer (1869) of Marx's *Das Kapital*, and a pioneer of the German ethical school of political economy. In his review, he wrote that nobody could deny the fact that Adam Smith's theories were essential weapons for socialism. In 1868 Roesler published *Über die Grundlehren der von Adam Smith begründeten Volkswirtschaftstheorie* to criticize Smith, and enlarged it in the second edition of 1871. During his stay in Japan he encouraged German studies and assisted in the establishment of the Society for German Studies. In a lecture he gave in 1885 before the general meeting of the society, he mentioned Adam Smith as one of the representative thinkers of the British way of thinking, which was founded on the principles of individualism and self-love. According to him this way of thinking was dangerous to society and not suitable to the spirit of the Japanese people. German studies were strengthened by the Japanese government's educational policy of sending professors of the newly established imperial university to Germany. The German discussion on social policy and factory legislation were found useful by Japanese leaders of business and politics, who had to cope with the social problems of the industrial revolution.

In 1897 the Society for Social Policy was established under the leadership of the professors who had returned from Germany. Needless to say, they tried to follow the German model of Bismarck and Wagner. According to Noburu Kanai (1865–1933) of Tokyo Imperial University, who was one of those professors, Smith considered self-love to be the only motive of human beings in economic phenomena. While he rejected Smith's political economy for this reason, he mentioned *The Theory of Moral Sentiments* as a way of balancing what he saw as Smith's error in economics. Although Kanai agreed with the German economists in seeing a contradiction between Smith's political economy of self-love and his moral philosophy of sympathy, his general judgement is rather favourable to Smith. According to Kanai, Smith was an impartial scientist and quite conscious of the abstract character of his economic theory based on self-love. He wrote that we must make a distinction between Smith and his epigones in the Manchester school. Kanai was not the first Japanese to mention *Moral Sentiments*. In 1891, an abridged translation of a small part of it was published by Tamotsu Shibue. It was abridged from the part in which Smith discussed the deception of nature to accelerate unlimited human effort to improve the situation in life (TMS IV. 1. 10). But Shibue interpreted the text as a teaching of resignation to the given situation. Apart from this defeatist vision of individu-

alism surrounded by a rising tide of totalitarianism, Nietzsche was introduced in 1898, strangely as an opponent of individualism — but this is not the place to tell that story. In short, instead of the common man, the superman was placed against the tide.

Japan won the Russo–Japanese war in 1905 and annexed Korea in 1910. To intimidate the infant democracy movement in Japan, the government framed 26 anarchists for an attempt to assassinate the emperor, and arrested them on charges of high treason. Even in this dark age, Smith's ideas did not stop penetrating Japan's intellectual atmosphere. In 1907, Takeo Arishima, who was to become a famous novelist, visited Peter Kropotkin in London, on his way home from Harvard University. Although it is not clear what he learned from Kropotkin, we can mention the latter's two books in which Smith is discussed. In *Fields, Factories and Workshops* (1899) Kropotkin criticized Smith's idea of the division of labour, and in *Modern Science and Anarchism* (1912) he expressed a high opinion of the *Theory of Moral Sentiments*, though with some misunderstanding of Smith's idea of sympathy, which I shall discuss later. In 1907 Smith's two books were mentioned in Japan by a leading economist, Tokuzo Fukuda (1874–1930), who was very productive not only of books but also of academic followers. As far as Smith is concerned, though, it is enough to note that he knew the two books in the earliest stage of the history of economics in Japan. Perhaps this was a prelude to the academic studies of Smith which began with a symposium to commemorate Smith, held at Keio University in 1911. Lectures given chiefly by the teaching staff concerned Smith's theories of ethics, politics, value, colonization, public finance and so forth. Teiichi Kawai, who spoke on Smith as a moral thinker, criticized Smith's idea of sympathy as a relativist one which denied any absolute standard of virtue. This was in line with a similar criticism made earlier by Thomas Reid and his followers, though it is uncertain whether Kawai knew of this history.

Hajime Kawakami and the Theory of Moral Sentiments

In 1912, another leading economist referred to Smith. Hajime Kawakami (1879–1946), an associate professor of the newly established Kyoto Imperial University, wrote a book entitled *Change of Tide* (in Japanese) in which he discussed the contemporary social and economic conditions of Japan with regard to the recent development of science, socialism, feminism, etc. In his argument for modernizing Japan he referred to Smith's idea of the increase of production by the division of labour and the consequent increase of population. He admitted that Smith's political economy was founded on the idea of self-love. But as he knew that Smith wrote another book on morals, he wondered how it was possible to make the two books compatible. Actually this was his own problem. As the son of a *samurai* of a great feudal power he was raised in Confucian ethics and culture quite incompatible with western ideas of individualism and self-love. However, at the same time, as professor of economics at one

of the two imperial universities, he had to study and teach western economic thought, including that of Adam Smith. His problem was similar to that of Fukuzawa, who tried to find a replacement for the Confucian ethics in the moral theory of Wayland. But in contrast with Fukuzawa, who was a journalist in a transitional period, Kawakami was deeply conscious of the backwardness of Japanese society as a whole and the necessity of its modernization.

In 1916, as a columnist of a leading newspaper, Kawakami wrote on Adam Smith referring to Smith's letter to Hume when he left for London with the manuscript of the *Wealth of Nations*. After asking himself '... is it natural that he spoiled his health to the extent that he expected a sudden death on the way? ... This is a question I have entertained for a long time', he answered it as follows:

However, now I think I have at last resolved my doubts completely. Smith was originally a scholar of ethics ... His work during his six years' retirement in Kirkcaldy lay in breaking down his own boundaries as an ethics scholar, and to revolutionize himself into a scholar of political economy for the first time in history.

It is clear that Kawakami thought that Smith's economics were completely independent of his ethics. This means that Kawakami failed to discover in Smith's ethics a replacement for the Confucian ethics of subordination and loyalty. What Kawakami should have tried to find in *The Theory of Moral Sentiments* was an ethics compatible with Smith's political economy of self-love. In other words he should have tried to find the morals of the horizontal relationships of human beings on an equal footing, instead of the vertical relationships of power. However, Kawakami rejected self-love and tried instead to superimpose the western ideas of *Salus Populi Suprema Lex Dei* and *Noblesse Oblige* on his Samurai ideal, which was a by-product of the Confucian idea of the sage who led the populace.

As an economist, Kawakami had started his analysis of the *Wealth of Nations* in 1911, before his remarks mentioned above. He raised five points, including the similarity of Smith's labour theory of value to Marx's. As a matter of fact, he came across the so called 'transformation problem' which Marx left unsolved, but he did not realize Smith's actual position and concluded that his theory failed to explain actual phenomena in society. In 1920, however, he tried to interpret Smith's political economy as a whole from a Marxist point of view, stating that both Smith and Marx founded their theories on the principle of self-love. According to Kawakami, Smith's concept of free competition and anti-monopoly can be developed into the socialist idea of the social ownership of capital against monopoly-capitalists. In this connection he quoted from the *Moral Sentiments* the less-known passage of the 'invisible hand':

They [rich and poor alike] are led by an invisible hand to make nearly the same distribution of necessaries of life, which would have made, had the

earth been divided into equal portions among all its inhabitants, and thus without intending it, ... advance the interest of the society ...'

(TMS IV. 1. 10)

According to Kawakami, self-love was a moral evil, but a sort of necessary evil upon which a system of political economy should and could be built, independent of moral philosophy. In the Scottish Enlightenment, he contended, there were three thinkers (the so-called Scottish Triangle) who tried to build their systems of political economy presupposing human selfishness: Adam Smith built a system of moral philosophy in accordance with his political economy; David Hume did nearly the same; Sir James Steuart, however, did not write anything on moral philosophy but wrote: 'Man we find acting uniformly in all ages ... from the principles of self-interest, expediency, duty, or passion' (Steuart 1767:) and tried simply to build a system of political economy 'practicable in our degenerate age' (Steuart 1767: 69). Because of this sense of resignation, he did not bother with ethics. Kawakami admitted self-love as a matter of fact but he had neither the resignation of Steuart nor the moral philosophy of Smith to replace the Confucian ethics in which he had been bred. Although he criticized official Confucianism, stating that it put the nation in a situation of total slavery, at the level of private morality he remained as a Confucian humanist. To resolve the antinomy, he studied Ruskin, joined a religious sect, and later joined the then-illegal Communist Party. While Kawakami failed to construct moral philosophy based on self-love as Smith did, the triumphant Marxism imported from revolutionary Russia rejected almost all moral thought as a bourgeois prejudice that prevented a scientific understanding of capitalist society. Thus, in the pre-WW2 Japan there was no stable basis for individualist moral thought of any kind. On the one hand, it was attacked from the right as anti-national and disloyal, and in the late 1930s it was called a hot-bed of dangerous thought — especially Marxism. But on the other, it was attacked from the left as the opium of the people.

From Marx to Smith

However, even in this unfavourable climate, the *Wealth of Nations* was studied continuously, and this scholarship increased especially after the violent suppression of Marxism. It may seem curious, but the truth was that Smith and David Ricardo were good substitutes for Marx. Marxists in retreat found a temporary asylum in the study of Smith's labour theory of value and theory of reproduction, and in the study of Ricardo's theories of value and falling rate of profit. They attempted to read Marx's theory of exploitation into the labour theory of value and the subsistence theory of wage of these predecessors. Marx's *Theories of Surplus Value* was considered the best guide for these studies. The *Wealth of Nations* and Ricardo's *Principles of Political Economy and Taxation* were permitted as textbooks. In 1938, a Regius professor of public finance of Tokyo Imperial

University was arrested as a leader of the popular front movement, but he was allowed to translate the *Wealth of Nations* while he was in prison.

It is undeniable that to students and intellectuals in Japan, Marxism was the most attractive system of social science in the 1920s and 30s, in spite of fierce and cruel suppression. It was widely believed then that all the clever students would become Marxists. This was for reasons partly unique to Japan but it was also partly a universal phenomenon among intellectuals of the time — Eric Hobsbawm told me that when he was a student in the late 1930s, there were a thousand socialist students in Cambridge, including many communists like himself, in the total five thousand. The peculiarly Japanese reason for the popularity of Marxism among intellectuals was their critical consciousness of the backwardness of Japanese society under the imperial and militarist regime. Peasants, especially in north-eastern Honshu (Japan's main island), suffered from bondage and rack-rent under absentee landowners, in addition to the unfavourable climate of the area. When harvests failed, many peasants of the lower strata were forced to sell their daughters into prostitution. The idea of a revolutionary change in society, as suggested by Marxist-Leninist theory and practice, could not fail to attract students with a naive sense of social justice. Some of them came from the families of the parasitic landowners.

Needless to say, the Communist International of Moscow was trying hard to penetrate Japan, a neighbouring and fairly industrialized country. It issued at least two programmes for the socialist revolution of Japan. The fundamental character of Japanese capitalism was much discussed in the late 1920s and early 1930s under the implicit leadership of the illegal Communist party. Adam Smith scholars, or intellectuals in general, of these generations were more or less influenced by this 'Japanese capitalism debate'. Marxists divided themselves into two groups, the feudalists and the modernists. The feudalists, who stressed the feudal and backward character of Japanese society, were more popular than their opponents, who argued that Japanese society was already fairly modernized. The former characterized contemporary Japanese society as being under semi-feudal and militarist ruling classes. *The Theses on the Situation of Japan and the Tasks of the Communist Party*, issued by the Communist International in 1932, determined 'the character of the forthcoming revolution in Japan as a bourgeois-democratic revolution with a tendency to grow rapidly into a socialist revolution'. If it was meant to suggest that the idea of a two-staged or dual revolution could be explained by a theory of history either of Marx or Hegel, Adam Smith and other thinkers of the western Enlightenment might have been studied in this connection.

For both Marx and Hegel, the *bürgerliche Gesellschaft* (bourgeois society) had a positive role in the history of the emancipation of mankind. Marx wrote clearly that socialist revolution would be possible only after the full development of capitalist society. Even Lenin wrote on his deathbed that for the time being they should be content with a better sort of bourgeois culture. Hegel, though rather reluctantly, admitted that the *bürgerliche Gesellschaft* was a necessary stage in the historical development of mankind. Here is the origin of the Japanese idea of

Shimin-Shakai, which has been rather misleadingly translated as Civil Society. It is misleading because in the historical context of the Scottish Enlightenment that term meant, as we read in Adam Ferguson's *Essay on the History of Civil Society*, a society with private property and government of any kind. The better translation may be *Civilized* or *Citizens' Society*. Adam Smith also termed it Commercial Society. In any case, many Japanese intellectuals who were interested in western ideas, especially of the Enlightenment, took civil society to be the *bürgerliche Gesellschaft* of Marx or Hegel, and understood it more positively as a picture of modern society which they did not actually have in their own country.

The more they were impressed by the backwardness of Japanese society, the more strongly they longed for a normal modern society, with or without any prospect of a socialist revolution. Sometimes their hope to modernize society was replaced by a simple and empty longing for the west. In this connection, I have to make it clear that there are two aspects of the Japanese usage of *civil society* – logical and historical. In the logical aspect, it is a purely logical fiction consisting of independent commodity producers on an equal footing given the sacred right of property and the freedom of trade, and its political form must be that of a pure democracy. Although this is nothing more than a logical abstraction of a moment in the transitional period from feudal to capitalist society, there are some historical examples in the history of ideas, such as those of Thomas Hobbes, the Levellers and so on. In the historical aspect, there is an example in Smith's concept of civilized or commercial society. It consists of three classes with their respective class interests, but there is no class struggle such as we see in the later labour movement. Indeed in his earlier work, the *Moral Sentiments* (especially in its first edition of 1759), Smith seems to have been more loyal to the equality principle.

Such was the pre-history of Smith scholarship in Japan — a mixture of Marxist illusion and insight — and it was a necessary product of Japanese history. Without understanding this historical vantage point, no-one can see the correct picture of the subject. I cannot help but add that it is by no means easy to understand, even for Japanese of the post-war generations.

In 1941, just before the Pacific War broke out, two professors wrote on Adam Smith: Zenya Takashima (1904–90) of the Tokyo University of Commerce (later Hitotsubashi University) wrote a book entitled *The Fundamental Problems of Economic Sociology: Adam Smith and Friedrich List as Economic Sociologists* (in Japanese), and Kazuo Okochi (1905–84) of Tokyo Imperial University started to write for learned journals a series of articles on Smith and List which he published in 1943 as a book entitled *Smith and List* (in Japanese). Takashima tried to reconstruct Smith's system of social science as it developed from the *Moral Sentiments* to the *Wealth of Nations* via *Lectures on Jurisprudence*. Okochi clarified the unity of ethics and economics, that is to say, of the *Moral Sentiments* and the *Wealth of Nations*. In both works, the role of List was rather secondary. Both authors considered that List's ideas of national union and productive forces were included in Smith's political economy. By such an evaluation, they implicitly criticized the nationalist and moralist interpretations of economics that were in

fashion in wartime Japan. Okochi quoted the following passage from the additions to the sixth edition of the *Moral Sentiments* as evidence of the union of ethics and economics in Smith. 'In the middling and inferior stations of life, the road to virtue and that to fortune ... are, happily in the most cases, very nearly the same' (I. iii. 3. 5). In addition, he pointed out the importance of the domestic market and the high-wage economy in Daniel Defoe and Smith, perhaps with a view to criticizing the invasionist policy of Japan.

In 1944, Hisao Otsuka (1907–96), later professor of economic history at the University of Tokyo, wrote an article entitled 'Capitalism and Civil Society' in which he referred to Okochi's quotation from the *Moral Sentiments* mentioned above. Otsuka identified Smith's idea of the union of ethics and economics of self-love with Max Weber's view of the ethos of capitalism. In his earlier articles, Otsuka had been trying to clarify the character of merchant capital in English and Dutch economic history of the early-modern period. Merchant capital extracts profits from commercial transactions, that is to say, from the difference of the prices of buying and selling, and not from the process of production, which constitutes the difference between the price of commodity and the wage of labour to make it. According to Smith, the natural price, or real value, is determined by the quantity of labour bestowed on the commodity, whereas the wage is decided by the cost of subsistence. Free competition in the market will reduce the profit of merchant capital to zero, unless some privilege is given to limit competition. By its own nature, merchant capital seeks monopoly and privilege guaranteed by political power. We learned from Otsuka's theory of economic history how to understand Smith's anti-monopolist position. At the same time, we understood that his theory was tightly connected with the 'Japanese capitalism debate' mentioned above.

Of these three pioneers of the serious study of Adam Smith in Japan, Takashima perceived, though vaguely, the importance of Smith's moral philosophy of sympathy, thanks to his great friend and colleague Yoshio Ota (1904–67). Okochi connected clearly and tightly, perhaps too tightly, the two works of Smith as if the *Moral Sentiments* could be entirely resolved into the *Wealth of Nations*, ignoring the fact that Smith revised and enlarged the first work after publishing the second. Okochi said nothing on sympathy or Smith's moral philosophy as such, even when he quoted the above passage from the *Moral Sentiments* — it was quoted only to criticize the moralism prevalent at that time. As a faithful Christian, Otsuka was not interested in any moral philosophy other than the religious creed of individuals before God. He might as well have referred to Okochi's other quotation from Smith on the austere system of morality of the common people (WN, V. i. g. 11), and connected it also with the Calvinist ethos. Friedrich Engels wrote in his introduction to the English translation of *Socialism: Utopian and Scientific* (1892), 'Calvin's creed was one fit for the boldest of the bourgeoisie of his time' because 'His predestination doctrine was the religious expression of the fact that in the commercial world of competition success or failure does not depend on a man's activity or cleverness, but upon circumstances uncontrollable by him'. Engels means that it was suitable only for

the period of the primitive accumulation of capital, or mercantilism, but by no means for the mature capitalism of the time of Adam Smith. As was the case with Kawakami as a Confucian moralist, Otsuka had no idea of the morality governing horizontal relationships between citizens on an equal footing. Therefore, Otsuka's favourite example of a typical man of civil society was Robinson Crusoe, who had no fellow citizens at all (or Benjamin Franklin's Poor Richard). Otsuka's concept of such independent and isolated producers as Robinson and Richard are the fittest components of civil society, understood as a purely logical construction.

Post-war developments of Smith studies: Japan and the West

In 1945, the Pacific War ended with the defeat of Japan and there began the dismantling of some essential parts of its semi-feudal regime. Intellectuals who survived the war, often having had narrow escapes in the Pacific, Philippines and Okinawa, returned to their studies. Some of them returned directly to Marx or Lenin, and then to post-war radical politics, but others found something to learn in the thought of the western Enlightenment including that of Adam Smith, especially because they found there were many remains of the *ancien régime* in Japan, despite some democratization by the occupation army. The pre-war Communist programme for the two stages of a Japanese socialist revolution seemed to be convincing as far as the first half was concerned. It must be added, however, that the more clearly they envisaged the second stage, the more clearly they could delineate the first. In other words, the picture of the typical capitalist society drawn by Karl Marx in his *Kapital* was thought the best guide to understanding Smith. Yoshihiko Uchida (1913–89) was a representative scholar of this Smith–Marx perspective which was more or less common to the post-war generation of Smith scholars in Japan. He made his position clearer in his first book, entitled *The Birth of Political Economy* (in Japanese, 1954). The book marked the start of post-war Smith studies, succeeding the three pioneers mentioned above. Perhaps it may be better to say that this was the beginning of Smith Studies in the strict sense of the word.

Noboru Kobayashi (1916—) published a study of Friedrich List as early as 1943 before he was called up to serve in the army. His post-war studies on List, Smith, and British mercantilism, including James Steuart, made him the doyen of historians of economic thought. First he intended to give historical evidence for Otsuka's idea of the development from independent producers to industrial capitalists. He called his method an approach to economic history by way of the history of economics. But as a result of his strictly documented study of this field, which he called the 'delta' of thought, he had to rectify the utopian or illusory pictures of the age drawn by his predecessors and colleagues. For example, his study of Josiah Tucker proved that in spite of the conservative political point of view, Tucker was much more advanced than Smith in his understanding of capitalist economy. Corresponding to Smith's idea of the domestic market,

which had been emphasized by Okochi, Kobayashi found in the national economy of List the important role of inland emigration to the lower Danubian valley.

Following these two pioneers of post-war Smith scholarship, I myself approached him in the light of the history of social thought. In my two papers of 1973 and 1975 I sketched the process of the formation of individualist moral philosophy, from Machiavelli to Smith, to show how the embryonic modern individual in isolation, as exemplified by the Machiavellian prince, developed into one of the individuals of Adam Smith's commercial society, by way of Hobbes, Locke, Rousseau and Helvétius. In the late 1960s, when I was preparing an essay for the volume to commemorate the late Yoshio Ota, I discovered the difference between the first and second editions of *Moral Sentiments* and the discrepancy between conscience and public opinion as exemplified by the Calas case in the sixth edition. In an essay of 1968, I wrote (in Japanese) that the function of sympathy in *Moral Sentiments* was to cool down egocentric or self-interested passions of agents so as to be sympathized with by 'an assembly of strangers' (TMS I. i. 4. 10). In 1971, I read a paper entitled 'Adam Smith and the Calas Affair' before the third International Congress on the Enlightenment held at Nancy in France. About that time I started the translation of *Moral Sentiments* in the form of a variorum edition, which was published in 1976 as the second full Japanese translation, the first having been done by Tomio Yonebayashi in 1948 (based on the sixth edition).

On the basis of the survey so far — which began for me personally in 1940 when I was a student — I can summarize Smith's moral or social philosophy in the following way. When Smith recommends that everybody in civilized society should regulate their self-interested passions and actions so as to be sympathized with by 'an assembly of strangers', the reason why they could sympathize with the agent is that both parties are the components of a homogeneous civil or commercial society which 'may subsist among different men, as among different merchants ... by a mercenary exchange of good offices according to an agreed valuation' as Smith put it (TMS II. ii. 3. 2). In other words, being homogeneous, all self-interested members can easily sympathize with each other by an imaginary change of situations. In this society, according to Smith, benevolence is 'the ornament which embellishes, not the foundation which supports the building [of society]' (II. ii. 3. 2). Later, in the sixth edition, in the same chapter quoted by Okochi, he wrote as follows: 'This disposition to admire ... the rich and the powerful ... is ... the great and most universal cause of the corruption of our moral sentiments' (I. iii. 3. 1). As sympathy directed downwards, which may be called compassion or pity, is nothing more than the ornament of society, and sympathy directed upwards, which may be called veneration, is the cause of the corruption of moral sentiments, there remains no healthy function of sympathy other than a horizontal one among citizens of equal footing.

Even in the last year of his life, Smith was faithful to the egalitarian principles of the first edition of 1759 in which conscience was to be established as a result of the repeated experience of being sympathized with by strangers in society. As

he admitted at the same time, that this cause of corruption was ‘necessary both to establish and to maintain the distinction of ranks and the order of society’, and that there was an unconquerable gap between public opinion and conscience as exemplified by the Calas case, so he might have felt that his egalitarian principles were on the verge of dissolution. It is true that in the *Wealth of Nations* he modified his egalitarianism, but he did not abandon it. On the contrary, he developed it into his system of natural liberty. Smith knew that the system of natural liberty was a utopia like Harrington’s *Oceana*, and that the society which he delineated in the *Wealth of Nations* was not at all homogeneous. Nevertheless, he did not change the basic structure of his picture of a society which consists of independent producers who were strangers to each other.

In the first few chapters of the *Wealth of Nations* we read that in a society where ‘every man thus lives by exchange, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society’ (WN I. iv. 1), independent producers exchange their products with each other on the basis of everybody’s self-love and according to the agreed evaluation which is actually decided by the quantity of labour bestowed on each commodity (WN I. ii. 2 and vi. 1). Smith’s fierce attack on monopoly is more understandable if we know more about the basic structure of his commercial society of independent producers. This is another picture of the same society that can be ‘upheld by a mercenary exchange of good offices’ mentioned above. It must be added here that because of the independent producers’ position, Smith did not pay enough attention to the role of money as James Steuart did, and to the role of machines as Tucker did. However, it does not mean he was a civic humanist, simply because he had a political economy as Hume and Steuart did.

However, there is a new interpretation of this picture of the exchange among independent producers in a commercial society. C.L. Griswold writes as follows:

Contrary to a common reading of these lines, they are not an encomium to greed or depraved selfishness but morally acceptable statement of a fact that may hold in any instance of exchange ... In normal exchanges with us, the shopkeeper acts virtuously, that is, in accordance with ordinary prudence and justice; the sphere of the shopkeeper’s benevolence ought not to extend indiscriminately to all those who want the goods he sells, though on occasion it may extend to some.

(Griswold 1999: 209)

Griswold presupposes that in our daily life ‘sellers and buyers know one another’, and at the same time he rightly admits that ‘his [Smith’s] point does not require such mutual knowledge. He is writing about a context in which economic relations will largely be connected among strangers ...’ (Griswold 1999: 210). Understanding exactly what Smith meant by his picture of a commercial society, why does Griswold try to deform it into ‘the picture of a town in which sellers and buyers know one another’? This is surely an expression of his deeply critical

consciousness of the fragmentation of American society today. He seems to emphasize the function of sympathy to intensify mutual attachment and affection among the members of society, whereas I think, as mentioned above, that they are connected to each other only by cool sympathy and exchange of equivalents. While Griswold refers to the pleasure of sympathizing, we read in Smith of this kind of pleasure only in the form of admiration or wonder — especially of works of art or natural scenery — but not of fellow citizens. He refers to Smith's passage on 'the great school of self-command' (TMS, III. 3. 25) but ignores the fact that according to Smith the school was 'the bustle and business of the world'. Remembering only the beginning of Smith's argument and forgetting the end, he puts stress on family education for self-command.

The following advice of Smith tells us that society is much more important than family. 'Are you in adversity? Do not ... regulate your sorrow according to the indulgent sympathy of your intimate friends; return, as soon as possible, to the day-light of the world and society' (TMS, III. 3. 39). It is true that Smith did not neglect education in the family, but what he said is that it is better than the education in monasteries. The difference between us is that Griswold tries to extract from Smith an effectual prescription against the fragmentation of American society today, whereas I think Smith is a representative individualist of the Enlightenment who provides us with a theoretical weapon to dissolve the semi-feudal social bondages of Japan. I do not think this is simply another example of 'everybody reads his own Kant'.

The *Wealth of Nations* gives us also, in a vivid manner, a case of 'a man of low condition' who comes from a village community to a great town:

While he remains in a country village his conduct may be attended to, and he may be obliged to attend to it himself ... But as soon as he comes into a great city, he is sunk in obscurity and darkness ... He never emerges so effectually from this obscurity ... as by his becoming the member of a small religious sect.

(WN V. i. g. 9)

The passage seems to be emphasizing the role of small communities or religious sects in conquering or preventing alienation in a great town or industrial society. Perhaps Griswold sees sympathy functioning in these small communities. But actually the role of communities is only transitional before the village man acquaints himself with the way of life of a great town where he meets everyday with an assembly of strangers to sympathize with and be sympathized with. This is the place in which the role of sympathy in cooling down the egocentric passions of agents is most useful and effective. Thus, everybody forms his or her own conscience as an independent existence in the desert of modern society. However, where I see, as a Japanese, the self-identity of modern man (and woman, of course), western scholars read the self-alienation and Griswold finds there the danger of religious fanaticism (Griswold 1999: 195) as exemplified recently by some occult sects. I am afraid that he considers Jean Calas as one of

them. On the contrary, I think the case of Calas is an early example of the tyranny of the majority which was to be formulated later by John Stuart Mill and expressed in a different way by Max Weber. Smith realized in the *Wealth of Nations* of 1776 and in the sixth edition of the *Moral Sentiments* of 1790 that his society was not so homogeneous as he thought in 1759. As both the case of Calas and the corruption of moral sentiment to sympathize with the rich and great appeared in the last edition of the *Moral Sentiments*, we may take them as evidence of Smith's pessimism, as Shoji Tanaka argues in this volume.

Western readings of Smith are more acutely conscious of the crisis of society today, though critical consciousness is not at all alien to us in the East. The problem expressed in the following caption of the British newspaper *The Guardian* is exactly the same as that with which we are confronted, but it is not Adam Smith's. The caption reads: 'Are we turning into a nation of loners? Marriage is down, and so is childbirth. But divorce is up, along with single-person living. This is Britain today' (27 March 2000).

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