



Andrew Walter

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Originally published in Review of international studies, 22 (1). pp. 5-28 © 1996 Cambridge University Press.

**You may cite this version as:**

Walter, Andrew (1996). Adam Smith and the liberal tradition in international relations [online]. London: LSE Research Online.

Available at: <http://eprints.lse.ac.uk/archive/00000748>

Available online: May 2006

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**Adam Smith and the Liberal Tradition in International Relations**

**by**

**Dr Andrew Walter**

**University Lecturer in International Relations (Oxford),**

**and Fellow (St Antony's College)**

St Antony's College, Oxford, OX2 6JF, tel. (0865) 274473, fax. (0865) 274478

December 10, 1994

# **Adam Smith and the Liberal Tradition in International Relations**<sup>1</sup>

## **1. Introduction**

The name of Adam Smith is most commonly associated with the notion of a natural ‘harmony of interests’ between individuals in the market, whereby the ‘invisible hand’ of competition turns self-regarding behaviour into aggregate social benefits. Joseph Cropsey echoes this view in suggesting that ‘Smith is of interest for his share in the deflection of political philosophy toward economics and for his famous elaboration of the principles of free enterprise of liberal capitalism.’<sup>2</sup> Smith is often seen as standing in a long line of British political philosophers stretching back to Hobbes and Locke and onto Bentham to culminate in John Stuart Mill, his principal contribution to the liberal tradition being his role as the great spokesman of *laissez-faire* and the minimalist state.<sup>3</sup>

This common view of Smith is mirrored in international relations literature, with Smith usually being portrayed as one of the founding fathers of ‘economic liberalism’ in political economy and of the ‘liberal internationalism’ that E.H. Carr was to attack so sharply in the 1930s for its utopianism. Carr saw Smith as the spokesman ‘of a wishful vision of universal free trade’ or *laissez-faire*, believing that ‘the individual could be relied on, without external control, to promote the interests of the community for the very reason that those interests were identical with his own.’<sup>4</sup> In similar fashion, Kenneth Waltz held Smith to have ‘laid the formal foundations of English liberalism,’ with its emphasis on individual initiative regulated by competition rather than an interventionist state, and its belief in progress and the irrationality of war.<sup>5</sup> Martin Wight appears to have placed Smith (along with the *laissez-faire* doctrine) in his ‘Revolutionist’ tradition, firmly setting him apart from Realism.<sup>6</sup>

A variant of this view in the international relations literature is that Smith represents the bridge between the liberal internationalist tradition identified by Carr and the liberal tradition in international political economy. Robert Gilpin argues that ‘from Adam Smith to [liberalism’s] contemporary proponents, liberal thinkers have shared a coherent set of assumptions and beliefs about the nature of human beings, society, and economic activities.’<sup>7</sup> A key element in this tradition is the idea that economic linkages between peoples are a uniting, pacifying force in international affairs, and that the realm of economics operates according to its own powerful logic. Smith’s apparent belief in the possibility of progress at the international level locates him firmly in the idealist or utopian tradition of liberal international relations theory for most commentators, often represented by the term ‘commercial liberalism’.<sup>8</sup>

This conventional view of Smith derives its force from the picture of Smith as the great ideological opponent of the mercantilists. He is widely held to have rejected the key tenets of mercantilist thought: the obsession with national power, the strong association between power and national economic wealth, and the emphasis upon war that the mercantilists share with realist thinkers on international affairs. While Smith himself is not always explicit on such matters, the conventional view holds the implications of his ideas to be clear. For James Shotwell: ‘The political doctrine of international peace is a parallel to the economic doctrine of Adam Smith, for it rests similarly upon a recognition of common and reciprocal material interests, which extend beyond national frontiers.’<sup>9</sup> Michael Howard similarly places Smith broadly in this liberal anti-war tradition, based on the view that ‘Providence had linked mankind by a chain of reciprocal needs which made impossible, *a priori*, any clash of economic interests,’ leading to Thomas Paine’s declaration little more than a year after Smith’s death that free trade ‘would extirpate the system of war.’<sup>10</sup>

Though there are variations, the conventional view is that Smith is firmly situated within the liberal internationalist tradition in international relations of the late eighteenth century to the early twentieth century, and clearly at odds with the realist and mercantilist traditions. In addition, since Smith's thought is seen as prefiguring that of later liberals and radicals, its value for international relations scholarship has been seen as limited on the presumption that these later authors, from Paine to Shotwell, were more explicit than Smith himself.

This essay argues that this conventional view of Smith is mistaken, owing more to a tendency to read back nineteenth century ideas into Smith than to a close analysis of Smith's own works, his purposes, and his intellectual milieu.<sup>11</sup> Two main questions will be asked here. First, to what extent can Smith be associated with the harmony of interest idea in social theory, which achieved its fullest fruition in the nineteenth century? Second, and more specifically, to what extent did he hold to the view that 'irrational politics' would gradually be displaced by the rising primacy of commerce in human affairs, leading to more rational, peaceful, and productive relations between states? I wish to argue that Smith firmly rejected the idea of a natural harmony of interests in his most important book, *The Wealth of Nations* [1776], and that on international matters, Smith is often closer to the realist and mercantilist traditions in international relations than to liberal internationalism.<sup>12</sup> In addition, Smith is especially worth reading for students of international relations and political economy for his sophisticated analysis of the sources of international conflict, and the bridge he offers between realist and liberal analyses of the relationship between wealth and power in international relations. More generally, however, Smith's thought leads us to reject the necessary association between liberalism and utopianism that is implied in the criticisms of Waltz, Carr, Gilpin and Howard.

The essay has the following structure. First, Smith's concept of a natural underlying order in the social world will be examined, and its relation to the harmony of interests doctrine discussed. Second, Smith's understanding of the relationship between the rise of commerce and of 'liberty' in human affairs will be considered, and the extent to which this might spill over into progress in international relations. Third, his apparent pessimism regarding the reform of international relations and its institutions is outlined. The conclusion discusses the grounds for and consequences of Smith's divergence from idealist liberalism, while also noting elements of convergence with the liberal tradition in international relations more broadly defined.

## **2. The natural order: a harmony of interests?**

### ***The system of natural liberty***

Smith's central concern, like that of many eighteenth century thinkers and those of the Scottish enlightenment in particular, was how to reconcile the acquisitive and materialistic pursuits of people in commercial society with the concerns of the civic republican and Christian traditions relating to the virtue of the good citizen.<sup>13</sup> Bernard Mandeville's solution in his *Fable of the Bees or Private Vices, Publick Benefits* (1714) was that men's vices could not be eliminated but could work to the public benefit if channeled through the appropriate institutions. While Smith felt a need to reject the cynicism of Mandeville, he made good use of this idea in *The Wealth of Nations*, particularly in his notion that private interests were the generator of economic and social progress. In *The Theory of Moral Sentiments* [1759], Smith had given more attention to the way in which social institutions might channel men's passions towards virtue. Yet it is his portrayal of the public benefits which flow from the pursuit of economic interest which is best known and most often quoted:

As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestick industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the publick interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.<sup>14</sup>

Smith is closest to Mandeville when he goes on to argue that:

Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the publick good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.<sup>15</sup>

According to Smith, there is an underlying natural order built upon the unintended consequences of self-interested behaviour, discoverable through the application of scientific method to human affairs. This natural order will operate most effectively through a system of ‘natural liberty,’ a programme of economic liberalization which was required due to the myriad of regulations and proscriptions by which governments had fettered commerce. As Viner has pointed out, Smith’s radical programme involved the promotion of free choice of occupation, free trade in land, free internal trade and free trade in foreign commerce (the latter of which is commonly associated with the ‘mercantile’ system).<sup>16</sup> It proposed the abolition of laws relating to settlement and apprenticeships, laws of entail and primogeniture, local customs taxes, and the plethora of duties, bounties, prohibitions and trading monopolies associated with foreign commerce in Smith’s time. In these areas, there was a close correspondence between private and public interest, and in contrast to the discussion of the role of human sympathy and benevolence in *The Theory of Moral Sentiments*, it was safe in this case to rely upon greed:

It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but a beggar chuses to depend chiefly upon the benevolence of his fellow-citizens.<sup>17</sup>

However, self-interest had to be kept within the confines of justice,<sup>18</sup> and the ironic suggestion that the public is better off with overtly self-interested behaviour than with superficial public-minded virtue is not the only theme of *The Wealth of Nations*, let alone *The Theory of Moral Sentiments*. Anyone who could believe, as did Gunnar Myrdal, that Smith was ‘blind to social conflict’ and adhered to a naive harmony of interests doctrine, need only casually peruse *The Wealth of Nations* to obtain a sense of Smith’s concern over how easily powerful private interests, particularly that of merchants and manufacturers, might subvert the public interest through their influence in the political process.<sup>19</sup> It was these ‘merchants and manufacturers...[who] seem to have been the original inventors of those restraints upon the importation of foreign goods, which secure to them the monopoly of the home-market.’<sup>20</sup> In general, ‘People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the publick, or in some contrivance to raise prices.’<sup>21</sup> As one of many examples of this, Smith noted that ‘Whenever the legislature attempts to regulate the differences between masters and their workmen, its counsellors are always the masters.’<sup>22</sup>

The fundamental flaw in the natural order derives from man’s nature, which in Smith’s view is far from the *homo economicus* of later, more formal economic theorizing. As Nathan Rosenberg has pointed out, Smith’s natural man is slothful, given to indolence and dissipation, particularly once wealth has been acquired. The effect of high profits, Smith suggests, is to threaten the very process of capital accumulation, since it ‘seems every where to destroy that



parsimony which in other circumstances is natural to the character of the merchant. When profits are high, that sober virtue seems to be superfluous, and expensive luxury to suit better the affluence of his situation.’<sup>23</sup> Hence, *laissez-faire* is a misleading description of Smith’s prescriptions, since what is necessary is not complete freedom from constraint and the prevention of collusion between agents, but on the contrary, institutional mechanisms which bring people to act in socially beneficial ways.

There were various institutional solutions to these flaws in the natural order. Central to Smith’s ideal institutional structure was the institution of the market itself, which by balancing the interests of merchants, manufacturers, masters, and apprentices, could produce public opulence. The mercantile system had benefited those who enjoyed monopolies at the expense of society at large, and was therefore highly undesirable. Extending the market would take greater advantage both of the possibilities of the division of labour and of man’s natural propensity to exchange, the two motors of economic growth which had been constrained under the mercantile system.<sup>24</sup> But a market solution was not appropriate or sufficient in all cases, and the market itself had to be supported by other appropriate institutions. Smith briefly outlines in Book IV what could be seen as a ‘minimalist’ role for government:

According to the system of natural liberty, the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understandings: first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain publick works and certain publick institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain.’<sup>25</sup>

Yet in order to judge how ‘minimalist’ Smith’s conception is, we must remember his rhetorical purpose; after all, the rhetorical dilemma of just how much to emphasize flaws in the

natural order, and how to assess the potential for ‘market (and government) failure’ has plagued economists ever since Smith.<sup>26</sup> As Viner argued, it did not suit Smith’s rhetorical purpose overly to emphasize the positive roles of government, given his strong sense of the misapplication of government authority in his day.<sup>27</sup> His scepticism concerning the ability of government, especially British government, to intervene judiciously and effectively was deep. ‘It is the highest impertinence and presumption, therefore, in kings and ministers, to pretend to watch over the oeconomy of private people...[when] they are themselves always, and without any exception, the greatest spendthrifts in the society.’<sup>28</sup> Even this was more a matter of experience than dogma, since Smith actually approved of the mercantile projects of small, ‘aristocratic’ governments such as those of Venice and Amsterdam, whom he noted for their ‘orderly, vigilant, and parsimonious administration,’ in contrast to Britain’s ‘slothful and negligent’ government.<sup>29</sup>

It is clear from Smith’s scattered remarks throughout his works that he envisaged a significant role for government which went well beyond nineteenth century *laissez-faire* dogma. First, Smith did not dispute the claim of what came to be known as the ‘mercantilist’ writers that national defence was a primary condition of national wealth, and that wealth in turn laid the foundation of an adequate system of defence.<sup>30</sup> The pre-eminence of Britain as a trading and investing nation made both her navy and her merchant marine crucial to her national security, as recognized by the mercantile system in the navigation act of 1660, which ‘endeavours to give the sailors and shipping of Great Britain the monopoly of the trade of their own country’ through various prohibitions and burdens upon foreign shipping.<sup>31</sup> For Smith, as is well-known:

The act of navigation is not favourable to foreign commerce, or to the growth of that opulence which can arise from it...As defence, however, is of much more importance than opulence, the act of navigation is, perhaps, the wisest of all the commercial regulations of England.<sup>32</sup>

As for ‘the administration of justice,’ Smith’s failure to write his planned third major work on jurisprudence has left us only with the short outlines in his *Lectures on Jurisprudence* (based upon the reports of two students in the 1760s) and in Book V of *The Wealth of Nations*. This function of government appears potentially all-encompassing at first sight, the duty of the sovereign being said to be ‘that of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it.’<sup>33</sup> Yet this amounts in large measure to need for a system of positive law to enumerate rules of justice providing for the security of the property of individuals and the enforcement of contracts, without which accumulation is impossible.<sup>34</sup> In a broader sense, however, Smith framed his criticisms of restrictive legislation which entrenched privilege and inequality on the basis of their *injustice* as well as their inefficiency, and justifies his system of natural liberty as leading to ‘that universal opulence which extends itself to the lowest ranks of the people.’<sup>35</sup>

The third function, of providing ‘certain publick works’ in addition to defence and justice, includes institutions for the facilitation of commerce and for public education. The former category includes ‘good roads, bridges, navigable canals, [and] harbours,’ and the latter local schools for the education of the lower orders of society, though Smith held wherever possible to the ‘user pays’ principle.

Finally, there were various pragmatic exceptions to the system of natural liberty. Smith accepted the argument that free trade should not be introduced so rapidly as to incur unacceptable costs of adjustment, for reasons of ‘humanity’ (and, presumably, good politics).<sup>36</sup> He also outlines more than a hint of an ‘infant industry exception’ to free trade in his defence in some cases of ‘temporary monopolies,’ which later critics such as Alexander Hamilton and Friedrich List were to emphasize as the appropriate path towards industrialization for countries

which followed Britain.<sup>37</sup> He even recommends legislation fixing an upper limit to the rate of interest, lest a high market rate encourage ‘prodigals and projectors, who alone would be willing to give this high interest’ (for which he was criticized by Bentham).<sup>38</sup> Of course, all these examples of market failure did not negate the fact that the system of natural liberty was in general the best practical guide to policy, especially because government was often incompetent and more often subject to special interest pressures. Some things, such as the secret conspiracies of merchants, were impossible to prevent in a tolerably free society, but the government certainly ought not to encourage them.<sup>39</sup> Quite in contrast to the conventional view of Smith as an idealist, in fact he was very sober as to the prospects for his proposed system of natural liberty:

To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the prejudices of the publick, but what is much more unconquerable, the private interests of many individuals, irresistibly oppose it...This monopoly [of manufacturers] has so much increased the number of some particular tribes of them, that, like an overgrown standing army, they have become formidable to the government, and upon many occasions intimidate the legislature.<sup>40</sup>

### ***International anarchy as a flaw in the natural order***

If there is little prospect of an approximate harmony of private and public interest in practice, and only in theory with appropriate institutions to balance and channel people’s actions, what does this imply about the international realm? Although Smith rarely addresses the issue head on, this essay argues that there is implicit in much of his argument the idea that there are irreconcilable conflicts of interest between states which produce a security dilemma for individual states, and that this constitutes another fundamental flaw in the natural order. The oft-quoted sentence from *The Wealth of Nations*, that ‘defence is of much more importance than opulence,’ is not the ‘trivial exception’ to the system of natural liberty that it is so often seen to

be.<sup>41</sup> Rather, it is firmly grounded upon what could be seen as a fundamentally realist view of international relations.

This is reasonably clear from Smith's discussion of defence as a core state function, and his various 'national security' exceptions to the system of natural liberty. There is a crucial strategic industry exception to free trade, 'when some particular sort of industry is necessary for the defence of the country,' as with the manufacture of gunpowder and sail-cloth.<sup>42</sup> Smith certainly holds that the mercantile system prompted excessive and irrational enmity between states and accepts that 'the act of navigation...may have proceeded from national animosity.' But he goes on to argue that such 'animosity at that particular time aimed at the very same object which the most deliberate wisdom would have recommended, the diminution of the naval power of Holland, the only naval power which could endanger the security of England.'<sup>43</sup>

In other words, although Smith holds mercantile policies with their zero-sum view of international relations to have been pursued in the partial interests of 'rapacious merchants and manufacturers,' he makes a clear distinction between such partial interests on the one hand and national interests on the other. The latter dictate prudence and caution on the part of the statesman but often demand essentially similar policies to the mercantile system. Accordingly, war could not be merely a product of ignorance or the folly of statesmen, as it was for Bentham and other nineteenth century radicals, but more fundamentally a product of international anarchy. Sensible policy was to maximize wealth as a means to national defence, making exceptions to the free trade principle where necessary for national security purposes:

The riches, and so far as power depends upon riches, the power of every country, must always be in proportion to the value of its annual produce, the fund from which all taxes must ultimately be paid. *But the great object of the political oeconomy of every country, is to encrease the riches and power of that country.*<sup>44</sup>

In this, Smith was in agreement with the mercantilists. The core mercantilist premise, as Viner argued, was that ‘wealth and power are each proper ultimate ends of national policy’ and that ‘there is long-run harmony between these ends, although in particular circumstances it may be necessary for a time to make economic sacrifices in the interest of military security and therefore also of long-run prosperity.’<sup>45</sup> Smith not only agreed with this doctrine, but actually went further than many mercantilists in suggesting that ‘defence is more important than opulence,’ a view implicit in the italicized quotation above. In contrast to many later liberal writers, Smith did not lose sight of the complex relationship between wealth and power in international relations.

Indeed, this understanding of the complexity of the issue prevented Smith from elaborating any hard and fast rules on statecraft in this area. A good example is his treatment of the navigation acts. After explicitly stating how enlightened this legislation was as an exception to the free trade principle, he appears to have second thoughts when he recommends the gradual end to monopoly restrictions on the colonial trade later in Book IV.<sup>46</sup> In this repetitious section, Smith seems to suggest that in encouraging an ‘overgrown’ trade with the colonies to the detriment of trade with Europe, the acts reduced British wealth and thereby reduced British naval power and national security. Consistent with this is his argument that Britain’s historic naval supremacy over the Dutch and French may have owed nothing to the acts. This is somewhat at odds with his earlier view, and shows how Smith was capable of switching position to suit a particular rhetorical purpose.<sup>47</sup> He even adds a new argument which is interesting in the present context. The navigation acts may not only have reduced British power by limiting its opulence, but also because of a strategic consideration:

The monopoly of the colony trade... by forcing towards it a much greater proportion of the capital of Great Britain than would naturally have gone to it,

seems to have broken altogether that natural balance which would otherwise have taken place among all the different branches of British industry...Her commerce, instead of running in a great number of small channels, has been taught to run principally in one great channel. But the whole system of her industry and commerce has thereby been rendered less secure... The expectation of a rupture with the colonies, accordingly, has struck the people of Great Britain with more terror than they ever felt for a Spanish armada, or a French invasion... Some moderate and gradual relaxation of the laws which give to Great Britain the exclusive trade to the colonies, till it is rendered in a great measure free, seems to be the only expedient which can, in all future time, deliver her from this danger...<sup>48</sup>

Characteristically, Smith suggests that it was best left ‘to the wisdom of future statesmen and legislators’ as to how and to what extent all restraints upon colonial trade, including the navigation acts, ought to be removed.<sup>49</sup> States had to balance issues of power and wealth with issues of strategic dependence upon particular markets, and practical statesmen rather than philosophers were the best judge on such matters. Where Smith truly departed from the mercantilists, then, was in the realm of *means* rather than ends, arguing that his system of natural liberty for the most part constituted a much superior means of maximizing national wealth and power.

It was for this reason that Smith criticized the rather extreme mercantilist view of the likes of Colbert and Josiah Child that international commerce was ‘perpetual combat’ or war with economic means.<sup>50</sup> By the maxims of mercantilism, Smith held, ‘nations have been taught that their interest consisted in beggaring all their neighbours. Each nation has been made to look with an invidious eye upon the prosperity of all the nations with which it trades, and to consider their gain as its own loss.’ The wealth of neighbours ought to be a matter for ‘national emulation, not of national prejudice or envy...In such improvements each nation ought, not only to endeavour itself to excel, but from the love of mankind, to promote, instead of obstructing the excellence of its neighbours.’<sup>51</sup>

Against the line of argument taken in this article, it might be suggested that the last quotation shows that Smith did hold to a harmony of interests doctrine in international relations. Indeed, in the previous passage from *The Wealth of Nations*, Smith says that under the mercantile system, ‘Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity.’<sup>52</sup> But this objection is not sustainable, as Smith goes on to argue that the mutual interests of nations are limited. There is a fundamental contradiction in the natural order, since the accumulation of national wealth is both politically threatening and economically advantageous to other states:

‘The wealth of a neighbouring nation, however, *though dangerous in war and politicks*, is certainly advantageous in trade. In a state of hostility it may enable our enemies to maintain fleets and armies superior to our own; but in a state of peace and commerce it must likewise enable them to exchange with us to a greater value.’<sup>53</sup>

The contradiction between national economic and political interests is particularly acute for neighbouring countries. Britain and France could gain much from removing the mercantile restrictions on their economic intercourse:

But the very same circumstances which would have rendered an open and free commerce between the two countries so advantageous to both, have occasioned the principal obstructions to that commerce. *Being neighbours, they are necessarily enemies, and the wealth and power of each becomes, upon that account, more formidable to the other*; and what would increase the advantage of national friendship, serves only to inflame the violence of national animosity...Mercantile jealousy is excited, and both inflames, and is itself inflamed, by the violence of national animosity.<sup>54</sup>

Mercantile doctrine and vested interests are not, then, the cause of national animosity, though they tended to fan it to new heights of intensity. Geographical propinquity and wealth itself creates conflict between states, since wealth provides the means to wage war and because



‘a wealthy nation, is of all nations the most likely to be attacked.’<sup>55</sup> There is little trace of the nineteenth and twentieth century liberal argument that war is an irrational and wealth-destroying enterprise. The ‘love of mankind’ could hardly constitute a major constraint upon international conflict, since the possibilities of sympathy and actions of benevolence were confined to individuals’ families above all, to their closest neighbours and, at most, the state itself.<sup>56</sup> As a result, envy and prejudice tend to reign in international relations, and there is an inherent tension between man and citizen. Notice how Smith reconciles private interest with public national interest in the (single) invisible hand passage in *The Wealth of Nations*, where ‘every individual...*by preferring the support of domestic to that of foreign industry...*[is] led by an invisible hand to promote an end which was no part of his intention.’<sup>57</sup> The love of one’s country might help reconcile the interests of citizens and state, but it creates conflict at the international level between states.

### **3. Commerce, progress and war**

#### ***Commerce and social conflict***

The preceding analysis suggests that Smith can hardly have believed that even if mercantilist policies were to be abandoned and trade flourished, conflict between states would disappear, since mistaken economic doctrine was not the problem. Nevertheless, since Smith does hold to the view that expanding commerce brings with it progress of sorts in human affairs, it is worthwhile to consider whether he believed commerce might increase the prospects for international peace. This means to international harmony took two interconnected routes in utopian thought in the eighteenth and nineteenth centuries. First, in the notion that reform of the international realm could be achieved through domestic political reform, largely by constraining

the irrational passions of the rulers of humankind. Second, in the idea that commerce could reveal a true harmony of interests between nations, which even unrepresentative governments might not ignore. Did Smith hold to either of these propositions?

For Smith, the rise of commercial society brings with it considerable social benefits, including the gradual introduction of ‘order and good government, and with them, the liberty and security of individuals, among the inhabitants of the country, who had before lived almost in a continual state of war with their neighbours, and of servile dependency upon their superiors.’<sup>58</sup> Characteristically, Smith allows a key role for the unintended consequences of individual and class behaviour in producing such benefits. The rise of the towns and of manufactures led the feudal lords in their vanity to promote the commercialization of agriculture and of the tenant-landlord relationship. ‘For a pair of diamond buckles perhaps,...for the gratification of the most childish, the meanest and the most sordid of all vanities, they gradually bartered their whole power and authority.’<sup>59</sup>

The benefits of this miscalculation (or in Hirschman’s terms the triumph of passion over rational self-interest) were considerable, since it allowed for the development of less demeaning and more interdependent social relationships between people of different ranks of society, and since ‘the great proprietors were no longer capable of interrupting the regular execution of justice, or of disturbing the peace of the country.’<sup>60</sup> Thus Smith hoped to explain how commercialization of society could allow a greater scope for liberty and justice, in the sense of security of property as well as greater social interdependence, a common theme amongst liberal thinkers.<sup>61</sup>

Did this greater domestic social stability afforded by the commercialization process spill over into more peaceful international relations? After all, Smith had written that

‘Commerce...ought naturally to be, among nations, as among individuals, a bond of union and friendship.’<sup>62</sup> Does this not suggest a similar view to that of Montesquieu, who held that ‘the natural effect of commerce is to lead to peace,’ or of his friend Melon, who believed that the ‘spirit of conquest and the spirit of commerce are mutually exclusive in a nation’?<sup>63</sup>

It is very doubtful that Smith ever subscribed to such a view. There is little sense of the restraining role of representative government in his writings, as in those of other eighteenth century writers such as Kant and Paine. Indeed, he noted how the British government ‘in time of war has constantly acted with all the thoughtless extravagance that democracies are apt to fall into.’<sup>64</sup> Smith’s realism on this score is in marked contrast to that of later liberal writers such as the Mills, Bentham, Cobden, Bright and Angell. For Smith, as for J.K. Galbraith more recently, wars amuse rather than disgust the modern citizen, and ‘this amusement compensates the small difference between the taxes which they pay on account of the war, and those which they had been accustomed to pay in time of peace. They are commonly dissatisfied with the return of peace, which puts an end to their amusement, and to a thousand visionary hopes of conquest and national glory, from a longer continuance of the war.’<sup>65</sup> Neither democracy nor commerce might ensure peace. As citizens have passions as well as economic interests, Smith (like Galbraith) might have seen the argument of Michael Doyle, that liberal democracies have a low propensity to war, as resting upon an excessively narrow view of human nature.<sup>66</sup>

Smith’s attitude to the colonies also brings out his complex view of human nature and the emphasis upon man’s non-pecuniary passions. He saw the relationship between European states and their colonies as economically inefficient and unprofitable, but doubted that this in itself would be sufficient to bring these states to surrender their colonies voluntarily.

No nation ever voluntarily gave up the dominion of any province, how troublesome soever it might be to govern it, and how small soever the revenue

which it afforded might be in proportion to the expense which it occasioned. Such sacrifices, though they might frequently be agreeable to the interest, are always mortifying to the pride of every nation, and what is perhaps of still greater consequence, they are always contrary to the private interest of the governing part of it.<sup>67</sup>

Nevertheless, he made some powerful economic arguments in favour of voluntary British decolonization. The existing system, he argued, was the worst of both worlds, since the resentful Americans refused to pay taxes while the British had to defend their interests there. The very last sentence of *The Wealth of Nations* is a powerful plea for the British to give up the failed project of empire which might have made Cobden or Bright proud:

If any of the provinces of the British empire cannot be made to contribute towards the support of the whole empire, it is surely time that Great Britain should free herself from the expense of defending those provinces in time of war, and of supporting any part of their civil or military establishments in time of peace, and endeavour to accommodate her future views and designs to the real mediocrity of her circumstances.<sup>68</sup>

Yet Smith is more conservative on the issue than his radical successors. He was fascinated with the subject of the American rebellion around the time of the publication of *The Wealth of Nations*, and in a private memorandum of February 1778 to Alexander Wedderburn (Solicitor-General in Lord North's government) he worried about the loss of domestic and international prestige that a voluntary withdrawal might entail for the government. At the same time, he offers a Realpolitik solution which would have horrified nineteenth century liberals: by restoring 'Canada to France and the two Floridas to Spain; we should render our [independent] colonies the natural enemy of these two monarchies and consequently the natural allies of Great Britain.'<sup>69</sup> In his public writings on the subject in *The Wealth of Nations*, however, Smith preferred to put faith in the post-decolonization revival of a 'natural affection of the colonies to the mother country.'<sup>70</sup>

Understanding that there was little chance of a voluntary British withdrawal from America, Smith proposed as an alternative a full political and economic union between Britain and America. The ‘natural aristocracy’ of every nation was motivated primarily by considerations of their own self-importance, power, and prestige. A union could allow the British to retain their sense of self-importance, while ‘a new method of acquiring importance, a new and more dazzling object of ambition would be presented to the leading men of each colony.’<sup>71</sup> If it were to be objected that such attitudes were the preserve of a doomed aristocracy, it need only be countered that Smith simply did not think in such terms. Smith did not, of course, identify ‘liberty’ with democracy, and for him absolutism was not incompatible with a flourishing commercial society.<sup>72</sup>

In contrast to Montesquieu, and the liberal internationalists of a later time, then, for Smith the passions of men could not be overcome by mere economic interest. What accounts for this ‘realism’? Fundamentally, it is because Smith, unlike these other writers, sees people as motivated by a more complex and powerful set of passions than simply economic self-interest. It posed no difficulty for him to envisage people acting ‘irrationally’ from the point of view of their economic interest. And if this is true for individuals, it is even more true for nations, whose behaviour is so often dominated by the passion of national sentiment. For Montesquieu, however, human character was more simple: ‘it is fortunate for men to be in a situation in which, though their passions may prompt them to be wicked, they have nevertheless an [economic] interest in not being so.’<sup>73</sup> This was the basis of his belief that the growth of commerce might constrain the tendency to war. For Smith, even if the irrational mercantilist pursuit of national economic advantage could be prevented from further disrupting international relations, this would hardly be sufficient to envisage the elimination of conflict in human affairs.

For example, even excessively burdensome taxes might not be sufficient to reduce public support for war: ‘When a nation is already over burdened with taxes, nothing but the necessities of a new war, nothing but either the animosity of national vengeance, or the anxiety for national security, can induce the people to submit, with tolerable patience, to a new tax.’<sup>74</sup>

Finally, it should be emphasized that despite this emphasis upon human passions, Smith’s account of the causes of war is not, to employ Kenneth Waltz’s categories, an entirely ‘first image’ explanation.<sup>75</sup> As our discussion of the flaws in the international order that Smith observed has shown, the existence of international anarchy creates a security dilemma for every state: ‘Independent and neighbouring nations, having no common superior to decide their disputes, all live in continual dread and suspicion of one another.’<sup>76</sup> Yet it is the passions of citizens which work to exacerbate this potential for conflict between states, as ‘the mean principle of national prejudice is often founded upon the noble one of the love of our country.’<sup>77</sup> This accounts for his scepticism as to the likelihood that democracy would eliminate war, since international anarchy is the permissive cause of conflict and war, and the passions of individuals the driving force.

### ***Commerce, finance and corruption***

As is clear from the above observations, when Smith refers to the way in which commerce renders the feudal landlords ‘no longer capable of interrupting the regular execution of justice, or of disturbing the peace of the country,’<sup>78</sup> he is speaking of domestic peace rather than international, the domestic scene being the whole focus of Book III of *The Wealth of Nations*. In Book V, chapter 3, he takes up the subject of the constraints that commercialization places upon the sovereign (as opposed to feudal lords). Here, Smith discusses how the process of commercialization has some corrupting effects, and accordingly may not restrain national

passions. The sovereign's 'frivolous passions' are all too likely to lead him to indulge himself 'with all the costly trinkets which compose the splendid, but insignificant pageantry of a court' and in so doing to 'spend upon those pleasures so great a part of his revenue as to debilitate very much the defensive power of the state.' Yet because of the institutionalization of the system of public debt in a commercial society, the government 'is very apt to repose itself upon this ability and willingness of its subjects to lend it their money on extra-ordinary occasions...and therefore dispenses itself from the duty of saving.' It is the very ease of financing such extraordinary expenditures which prevents the financial constraint upon profligate sovereigns (or for that matter profligate democracies) from biting, even if it 'will in the long-run probably ruin, all the great nations of Europe.'<sup>79</sup>

True to form, Smith proposes a reform of institutional mechanisms to overcome such problems. He suggests that all wars should be financed only by taxes, so that 'The foresight of the heavy and unavoidable burdens of war would hinder the people from wantonly calling for it when there was no real or solid interest to fight for.' Wars might then 'be more speedily concluded, and less wantonly undertaken.'<sup>80</sup> Here, however, his penchant for reform gets the better of him, since it rests on the view he had earlier dismissed that economic interest properly channeled might constrain the appetite to war. In any case, with such an efficient system of public finance as Britain had developed by the late eighteenth century, this reform was not politically realistic. Nor could Smith seriously have believed it would be very effective in curbing war, on the basis of his own arguments. It must be suspected that Smith's intense distaste for public indebtedness allowed his rhetoric, not for the first time, to run beyond his core beliefs on this matter. Indeed, Smith the pessimist shines through when he goes on to despair 'of

making such progress towards that liberation [of the publick revenue] in time of peace, as to prevent or to compensate the further accumulation of the publick debt in the next war.<sup>81</sup>

Moreover, far from hoping that commerce would eradicate the motivation to war by undermining the political position of the aristocracy, Smith feared that it might rather make civilized nations weak and vulnerable. As noted earlier, Smith feared that the attainment of wealth was corrupting of civic republican values, and he extends this theme in his discussion of the decline of the ‘martial spirit’ of society. The basis of this corruption was the very source of economic progress itself, the division of labour:

In the progress of the division of labour, the employment of the far greater part of those who live by labour, that is, of the great body of the people, comes to be confined to a few very simple operations...The man whose whole life is spent in performing a few simple operations has no occasion to exert his understanding, or to exercise his invention...He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become. The torpor of his mind renders him, not only incapable of relishing or bearing a part in any rational conversation, but of conceiving any generous, noble, or tender sentiment, and consequently of forming any just judgment concerning many even of the ordinary duties of private life. Of the great and extensive interests of his country, he is altogether incapable of judging; and unless very particular pains have been taken to render him otherwise, he is equally incapable of defending his country in war...His dexterity at his own particular trade seems, in this manner, to be acquired at the expense of his intellectual, social, and martial virtues. But in every improved and civilized society this is the state into which the labouring poor, that is, the great body of the people, must necessarily fall, unless government takes some pains to prevent it.<sup>82</sup>

History had shown that the great civilizations of Greece and Rome collapsed because commerce made them vulnerable to attack by highly militarized barbarian nations (and remember that wealth invited attack).<sup>83</sup> The wealthy European nations of Smith’s time were vulnerable in a similar way. Although the invention of firearms had shifted the balance of power away from barbarian nations in favour of wealthier commercial nations, which was ‘certainly favourable both to the permanency and to the extension of civilization,’ this only enhanced the



importance of wealth for purposes of national security.<sup>84</sup> Wealthy nations, because of their vulnerability, needed professional standing armies because of ‘the natural superiority which the militia of a barbarous, has over that of a civilized nation.’<sup>85</sup> But Smith was not content to leave it at this. The need for the state to inculcate martial virtues amongst even its lowliest citizens receives substantial treatment both in his *Lectures* and in *The Wealth of Nations*. Such virtues might be instilled through citizens’ militias, supplementing a standing professional army.<sup>86</sup>

Therefore, while Smith agreed with the liberal view that economic progress could promote the spread of more gentle and pacifistic sentiments amongst the body politic, for him this was something to be lamented (due to international anarchy and the inconsistent march of progress) and hopefully reversed by appropriate reforms. In view of his stress on the role of national animosity and of envy of wealthy nations, his real fear seemed to be that Britain might become lazy and neglect its defence while other nations (even wealthy ones) would be only too pleased to see Britain diminished. While it is surely a fundamentally realist proposition that the only secure way to preserve civilization and liberty is to prepare for war, a position Smith adopts without faltering, he does not elaborate on this possible contradiction in his argument. As such, he falters between realism and liberalism. One might only add that in the case of barbarous countries, he seemed to place more hope in a Hobbesian solution than in commercialization: ‘As it is only by means of a well-regulated standing army that a civilized country can be defended; so it is only by means of it, that a barbarous country can be suddenly and tolerably civilized.’<sup>87</sup>

#### **4. International politics and institutional reform**

Given Smith’s scattered yet sophisticated remarks on war and international affairs, is it not surprising that he does not address himself directly to questions of international relations, as other eighteenth century writers such as Kant and Rousseau had done? It might not be too unfair

to pose such a question, since Smith took a characteristically broad eighteenth century view of his chair in moral philosophy. It is of particular interest for scholars of international relations because of Smith's emphasis upon the role of social institutions in shaping and channeling human interests and action. As Rosenberg suggested, Smith's argument in this regard 'applies to the whole spectrum of social contrivances and is not restricted to economic affairs.'<sup>88</sup> In considering in such detail the institutional process of channeling and balancing the interests across the whole spectrum of human affairs at the domestic level, Smith gave relatively minimal attention to how this might be done at the international level. Having rejected the notion that our deliverance from war might follow from democratization and commercialization at the domestic level, why did he not go further?

Smith follows his institutional instincts to some extent in briefly referring in *The Theory of Moral Sentiments* to the way in which statesmen, by pursuing national interests through alliances, may indirectly preserve the independence of states and the peace through the operation of the balance of power.<sup>89</sup> Yet further than this he does not go, despite the ground had been covered on this by thinkers with whom Smith was very familiar, such as Grotius, Pufendorf, Montesquieu, Hume, and the mercantilists. His scepticism concerning the equilibrating role of the balance of power seems to prevent him from making a possible analogy with the invisible hand of domestic economic self-interest.

Another factor which one might expect to have brought Smith to deliberate on international matters more fully was the absence of moral relativism in his thought. This is implicit in the device of the 'impartial spectator' of *The Theory of Moral Sentiments*, the objective basis by which people might distinguish virtuous from base behaviour. However, as we have seen, Smith states practical limits to this device, and the tension between man and citizen which appears so

clearly in *The Wealth of Nations* is also apparent in his moral philosophy. In *The Theory of Moral Sentiments*, Smith recognizes how our ‘love of nation’ places geographical limits on our sympathy for and love of humankind. We envy and fear the wealth and power of neighbouring nations, and while we usually bear no ill-will to distant nations, ‘It very rarely happens, however, that ...[this] can be exerted with much effect.’<sup>90</sup> This is not simply a resigned acceptance of the obstinacy of the base sentiments of man, but more a recognition of their complexity, since love of country is one of the main drivers of human progress. Smith is disdainful of the detached view of the philosopher who, contemplating the totality of God’s creation, takes a universalist moral standpoint and thereby risks neglecting ‘the care of his own happiness, of that of his family, his friends, his country.’<sup>91</sup> In his *Lectures*, Smith brings these contradictions to the fore:

The real cause why the whole nation is thought a reasonable object of resentment is that we do not feel for those at a distance as we do for those near us. We have been injured by France, our resentment rises against the whole nation instead of the government, and they, thro’ a blind indiscriminating faculty natural to mankind, become objects of an unreasonable resentment. This is however quite contrary to the rules of justice observed with regard to our own subjects.<sup>92</sup>

Because of the depth of national passions, international politics is even more prone than domestic politics to the domination of partial interests, making it much more difficult in international affairs to obtain the position of an impartial spectator.<sup>93</sup>

Nevertheless, Smith condemned the ‘savage injustice’ of European policies against the colonial peoples.<sup>94</sup> International law, which is only discussed briefly in *The Theory of Moral Sentiments* and in one account of his *Lectures*, is dismissed as a fairly weak rod with which to constrain the passions and interests of powerful nations. ‘From the smallest interest, upon the slightest provocation, we see those same rules every day, either evaded or directly violated without shame or remorse.’<sup>95</sup> Smith repeats this point in the *Lectures*, arguing that ‘This must necessarily be the case, for where there is no supreme legislative power nor judge to settle

differences, we may always expect uncertainly and irregularity.<sup>96</sup> Even the laws of war are constantly violated, and are ‘laid down with very little regard to the plainest and most obvious rules of justice.’<sup>97</sup> Like most realists, Smith by implication places limited faith in the institutions of international society to constrain state behaviour and to promote international justice. Furthermore, he argues in explicitly realist language that it is only through increased power that weaker nations might eventually come to prevent such injustice and instill mutual respect:

Hereafter, perhaps, the natives of those countries may grow stronger, or those of Europe may grow weaker, and the inhabitants of all the different quarters of the world may arrive at that equality of courage and force which, by inspiring mutual fear, *can alone overawe the injustice of independent nations into some sort of respect for the rights of one another.* But nothing seems more likely to establish this equality of force than that mutual communication of knowledge and of all sorts of improvements which an extensive commerce from all countries to all countries naturally, or rather necessarily, carries along with it.<sup>98</sup>

This passage is also revealing because it suggests that the real contribution that commerce might make to peace and justice between nations is by reducing the inequality of wealth and power that characterizes relations between states over the long term. In other words, it is the balance of power (a term which Smith does not employ here and to which he only briefly alludes in his other works<sup>99</sup>) through which greater mutual respect between nations might emerge, rather than through international law or ‘love of mankind.’ While Smith could hardly, therefore, have agreed with Bright and later liberals that commerce would eventually outmode national borders and the balance of power,<sup>100</sup> nor did he place much faith in other institutions of international society to ensure international peace and justice. He devotes some attention in the *Lectures* to the way in which growing commerce between nations in modern times exacerbates rather than reduces conflict, necessitating the exchange of permanent ambassadors between states. Yet his assessment of the potential contribution of this particular institution is characteristically cautious.<sup>101</sup>

Smith therefore fails to consider the possibility of institutional reform at the international level, though clear flaws exist in the international order. There is a pessimism reminiscent of Rousseau in his suggestion that ‘The violence and injustice of the rulers of mankind is an ancient evil, for which, I am afraid, the nature of human affairs can scarce admit of a remedy.’<sup>102</sup> In contrast to Bentham and later liberals, he is sceptical that international law can maintain the basic principles of natural justice in the face of inequality of power between states. For Smith, power politics ruled in international affairs, and he was therefore far from the view, common to both liberal utopians and Marxists, that economic forces would ultimately triumph over politics.

Perhaps the main reason for this gap in Smith’s oeuvre is his view of the very limited role for the application of Kantian pure reason in international affairs. Whereas he saw a role for the ‘legislator’ acting according to general principles in the domestic realm he tended to leave the international realm to the pragmatic political skills of the ‘crafty statesman or politician.’ Consider, for example, his interesting departure from what was to become the policy dogma of free trade unilateralism in Britain in the later nineteenth century:

The case in which it may sometimes be a matter of deliberation how far it is proper to continue the free importation of certain foreign goods, is, when some foreign nation restrains by high duties or prohibitions the importation of some of our manufactures into their country. Revenge in this case naturally dictates retaliation, and that we should impose the like duties and prohibitions upon the importation of some or all of their manufactures into ours. Nations, accordingly seldom fail to retaliate in this manner...There may be good policy in retaliations of this kind, when there is a probability that they will procure the repeal of the high duties or prohibitions complained of...*To judge whether such retaliations are likely to produce such an effect, does not, perhaps, belong so much to the science of a legislator, whose deliberations ought to be governed by general principles which are always the same, as to the skill of that insidious and crafty animal, vulgarly called a statesman or politician, whose councils are directed by the momentary fluctuations of affairs.*<sup>103</sup>

This passage is particularly revealing because Smith’s general view is that ethics and political economy were ‘sciences’ in which the consistent application of Newtonian method were

appropriate.<sup>104</sup> Here and elsewhere in his writings, he explicitly excludes the international realm from ‘the science of the legislator’ and the application of Newtonian method, arguing pragmatically that we had best rely upon the prudence of the statesman. In other words, Smith does not employ the analogy of so many theorists of international relations, that the scientific method used in the study of human nature might equally be applied to states in the international realm, and in this he departs company with many realists and liberals alike. The international realm for Smith is unpredictable and dangerous, and general principles for foreign policy other than prudence and vigilance are difficult to formulate. In addition to Rousseau, then, another parallel is with Martin Wight, who was sceptical about the very possibility of elaborating any general international theory, on the basis of his sharp distinction between the domestic and the international spheres of life.<sup>105</sup> Smith is similarly reluctant to envisage large roles for morality and for theory in international affairs. In the end, it is perhaps this which deflects Smith from a thorough analysis of international relations.

## **5. Conclusion**

There is a considerable danger in interpreting Adam Smith’s views on international relations, since he rarely addresses directly the issues normally associated with the subject. In addition, there is Viner’s comment that ‘Traces of every conceivable sort of doctrine are to be found in that most catholic book, and an economist must have peculiar theories indeed who cannot quote from *The Wealth of Nations* to support his special purposes.’<sup>106</sup> However, this point can be exaggerated, and what is reasonably clear is the considerable divergence between Smith’s thinking about international relations and the thought of contemporary and later liberal internationalists with whom he is commonly associated. As we have seen, for Smith there is no natural harmony of interests between nations. Nor is the tendency to international conflict for

him necessarily ameliorated by the rise of responsible government and of commerce; indeed, Smith suggests that in important respects the rise of commerce can exacerbate conflict. Finally, Smith is sceptical concerning the possibility of reforming the institutions of international society to lessen conflict, preferring instead to focus upon the requirements of an adequate system of national defence, and relying ultimately upon the balance of power to instill mutual respect between states. As Winch and others have shown, while it is possible and indeed tempting to project back nineteenth century images into Smith's works, to do so does considerable injustice to his particular and complex form of political scepticism.

This essay has attempted to show that this is also true for Smith's thought concerning international relations. It is also interesting that in this area, there is no significant disjuncture between *The Wealth of Nations* and *The Theory of Moral Sentiments*; Smith's realism pervades his discussion of international relations in all his major works.<sup>107</sup> This, it should be noted, is also true for his correspondence, which reveals the same pragmatism and irony so evident in *The Wealth of Nations*. Smith's letters reveal that he was intensely interested in the affairs of his day, but with the important exception of his letters on the conflict in America, they are disappointingly devoid of significant additional reflections on international affairs.

What distinguishes Smith's 'realism' as something more than a pessimism derived from the existence of international anarchy is his complex view of human nature. The notion that people are prone to self-indulgence and misperception of their own interests, but are in the end social beings with a passion for the approbation of others and with some capacity for sympathy and benevolent imagination is crucial. Such sympathies conspicuously fail to extend beyond national borders, and not even extensive international commerce (let alone democracy) promises to deliver human society from the flaws due to international anarchy. While Smith is concerned

to establish the benefits to civilization and opulence of liberty and predictability in the domestic realm, he was relatively unconcerned with the problem of constraining the exercise of arbitrary power in international affairs, which for Michael Smith is the defining characteristic of the liberal perspective in international relations.<sup>108</sup>

It might even be said that there is a hint of complacency in his view of war as an ever-present reality which required the citizens to be educated in the republican martial virtues, and on a number of occasions he implies that the bad policy of the mercantilists was at least as destructive of human advancement and prosperity as war. Perhaps if he had lived through the Napoleonic wars, as many of his more outraged successors did, he might have shifted his emphasis somewhat. This complacency may also have been due in part to Smith's 'national perspective'; he was above all preaching to *British* legislators to reform their practices and institutions in *The Wealth of Nations*, and Britain was the dominant economic and political power, relatively immune to the disorders of the European continent. However, he can hardly be accused of excessive partiality in his works, which are marked rather by their humanism and the acuteness of perception of human frailty, and thus it might be more accurate to hold to the comparison with Rousseau's despair about progress in international relations.

On the question of Smith's responsibility for the impoverishment of the political in the 'political economy' of the nineteenth century and beyond, the conclusion must be an ambiguous one, though there is little question in this author's mind that Smith was more sinned against than sinning in this regard. Smith undoubtedly gave an unparalleled boost to the subject of economics (as it eventually came to be known) in providing a powerful metaphor of a self-ordering system which captured the imagination of those that came after, above all the more analytical mind of David Ricardo. This metaphor came in nineteenth century Britain to underpin



the doctrines of free trade and the minimalist state, its power deriving in part from the coincidence with British national interest which Smith himself did much to elucidate. There are also certainly occasions on which Smith characterizes economic forces as verging on the all-powerful. In his critique of Quesnay's 'exact regimen of perfect liberty and perfect justice,' Smith chides him for failing:

to have considered that in the political body, the natural effort which every man in continually making to better his own condition, is a principle of preservation capable of preventing and correcting, in many respects, the bad effects of a political oeconomy...[which] though it no doubt retards more or less, is not always capable of stopping altogether the natural progress of a nation towards wealth and prosperity, and still less of making it go backwards. If a nation could not prosper without the enjoyment of perfect liberty and perfect justice, there is not in the world a nation which could ever have prospered. In the political body, however, the wisdom of nature has fortunately made ample provision for remedying many of the bad effects of the folly and injustice of man; in the same manner as it has done in the natural body, for remedying those of his sloth and intemperance.<sup>109</sup>

However, this faith in the resourcefulness of individuals and markets who are pitted against the folly of governments does not bring Smith even close to the idealism of many later liberals and radicals. For writers such as Bentham, the Mills, Cobden, and Angell, the progressive *Zeitgeist* of history was individual self-interest, but one which was so powerful as to overcome the passions of people and to displace politics almost entirely.<sup>110</sup> Since economic bonds between people were displacing other kinds of social bonds, nationalism ceased to be important and the balance of power mere folly or (in Cobden's words) 'a chimera.' From the nineteenth century perspective, a corollary of this was that as industry gradually displaced agriculture and territory as the basis of national power, war became the most irrational of human endeavours. Finally, the displacement of the feudal elites as part of the process of the commercial revolution would gradually bring governments to act in the interests of the common people.

Yet Smith's consistent refusal to presume that human motivation could be reduced to mere economic self-interest prevents him from succumbing to the political naivety which has often plagued liberal thought, particularly liberal economic thought, since he wrote. He might well have found some agreement with the more reactionary Thomas Carlyle who criticized in 1843 'that brutish god-forgetting Profit-and-Loss Philosophy' with its tendency to reduce all social bonds between people to mere 'cash-nexus'.<sup>111</sup> George Stigler, a noted Chicago economist, criticizes Smith for failing to apply the assumption of self-interested behaviour to the political realm: 'Do men calculate in money with logic and purpose, but calculate in votes with confusion and romance?' Stigler goes on to answer the question: 'no clear distinction can be drawn between commercial and political undertakings: the procuring of favourable legislation *is* a commercial undertaking.'<sup>112</sup>

This criticism is unfair, since self-interest (as well as passion) plays an important role in Smith's analysis of politics. Furthermore, it was precisely Smith's point *not* to reduce political, or for that matter economic, behaviour to the textbook *homo economicus* of later generations, and the contemporary vogue for 'economic theories of politics' would have been alien to him.<sup>113</sup> The analytical 'clarification' of Smith's model, which occupied economists for a century or more after the publication of *The Wealth of Nations*, lost the sense of history, of rhetoric and irony, and above all of the complexity of human nature that is present in Smith's thinking. In the process, the perspective associated so often with Smith's name, liberal internationalism, also lost that which is useful in Smith's thought for contemporary scholars of international relations and political economy. For the importance of Smith's thinking, particularly that about political economy, is that a central role for the economic in human affairs need not marginalize the importance of institutions nor trivialize the political.

This brings us to conclude on the question of Smith's relation to the liberal tradition in international relations, since there are many contemporary liberal theorists who would share his 'realism' on a number of matters.<sup>114</sup> There can be no doubt that Smith is an important figure in the liberal tradition conceived broadly, if not of the idealist pre-1914 part of that tradition with which he is often associated. With many liberals, Smith shares a belief in the powerful effects of economic progress through the market, the way in which human reason can be applied to the issue of institutional reform, and the need to constrain overbearing government and powerful interest groups.

Yet his belief in progress at the international level is tenuous to say the least, and his scepticism regarding the likely success of his suggested reforms is deep. His emphasis on the fundamental insecurity of states due to structural factors and human nature suggests that he could be seen as a bridge between economic liberalism and the realist and mercantilist traditions of thought in our subject. Alternatively, and more satisfyingly, we ought to accept that traditions of thought in international relations are neither watertight nor mutually exclusive. The richness of Smith's thought on such issues ought to be interpreted as an indication of the richness of the liberal tradition itself (and, more specifically, of 'commercial liberalism'). Smith is refreshing above all because his thought demonstrates that a theory of 'natural liberty' could systematically avoid the utopianism on international affairs which critics such as Carr and Waltz have argued was part and parcel of the liberal tradition and its central weakness.

## Footnotes

<sup>1</sup>I would like to thank Ian Clark, Iver Neumann, Adam Roberts, Tim Dunne, Byron Auguste, Holly Wyatt-Walter, Mark Zacher and Martin Ceadel for helpful comments on earlier drafts of this article. The author is responsible for remaining errors.

<sup>2</sup>Joseph Cropsey, 'Adam Smith and Political Philosophy,' in Andrew S. Skinner and Thomas Wilson (eds), *Essays on Adam Smith* (Oxford, 1975), p.132.

<sup>3</sup>See also E.H. Carr, *The Twenty Years' Crisis 1919-1939* (London, 1946), pp.43-45.

<sup>4</sup>*Ibid.*, p.43.

<sup>5</sup>Kenneth N. Waltz, *Man, the State and War: A Theoretical Analysis* (New York, 1959), pp.86,90. It ought to be noted, however, that Waltz does view Smith's comments on international relations as 'uniformly more perspicacious than those of most liberals of the period.' (*Ibid.*, p.96, note 33).

<sup>6</sup>Martin Wight, *International Theory: The Three Traditions*, ed. Gabriele Wight and Brian Porter (Leicester and London, 1991), p.263. See also p.115.

<sup>7</sup>Robert Gilpin, *The Political Economy of International Relations* (Princeton, 1987), p.27.

<sup>8</sup>For a discussion, see Mark W. Zacher and Richard A. Matthew, 'Liberal International Theory: Common Threads, Divergent Strands', in Charles W. Kegley (ed.), *Controversies in International Relations Theory: Realism and the Neoliberal Challenge* (New York, 1995).

<sup>9</sup>James Shotwell, *War as an Instrument of National Policy* (New York, 1921), quoted in Waltz, *Man, the State and War*, p.98.

<sup>10</sup>Michael Howard, *War and the Liberal Conscience* (Oxford, 1981), pp.25,29.

<sup>11</sup>Michael J. Shapiro, *Reading 'Adam Smith': Desire, History and Value* (London, 1993), also departs from the conventional view in claiming Smith as 'a quintessential critical theorist,' a different line of enquiry to that taken in this essay.

<sup>12</sup>The full title of Smith's work is *An Inquiry into the Nature and Causes of the Wealth of Nations* [1776], edited R.H. Campbell and A.S. Skinner, (Oxford, 1976). Citations from this and other of Smith's works will use the now standard format associated with the Glasgow bicentennial edition of Adam Smith's works and correspondence (published by Oxford University Press), including the following abbreviations:

*WN* *The Wealth of Nations* [1776], edited Campbell and Skinner (1976).

*TMS* *The Theory of Moral Sentiments* [1759], edited A.L. Macfie and D.D. Raphael (1976).

*LJ* *Lectures on Jurisprudence* [Reports of 1762-3 and 1766], edited R.L. Meek, D.D. Raphael, and P.G. Stein (1978).

*Corr.* *Correspondence of Adam Smith*, edited E.C. Mossner and I.S. Ross (2nd edition, 1987).

<sup>13</sup>See Jerry Z. Muller, *Adam Smith in his Time and Ours: Designing the Decent Society* (New York, 1993), ch.3, and more generally, Istvan Hont and Michael Ignatieff (eds), *Wealth and Virtue: The Shaping of Political Economy in the Scottish Enlightenment* (Cambridge, 1983).

<sup>14</sup>*WN*, IV.ii.9.

<sup>15</sup>*Ibid.*

<sup>16</sup>Jacob Viner, 'Adam Smith and Laissez Faire,' *Journal of Political Economy*, 35, April 1927, pp.198-232, reprinted in Viner, *The Long View and the Short: Studies in Economic Theory and Policy* (Glencoe, 1958), p.227.

<sup>17</sup>*WN*, I.ii.2.

<sup>18</sup>*WN*, IV.ix.51. For a discussion of the role of benevolence and sympathy in the moral order of *TMS*, see Viner, 'Smith and Laissez Faire,' and Thomas Wilson, 'Sympathy and Self-Interest,' in Thomas Wilson and Andrew S. Skinner (eds), *The Market and the State: Essays in Honour of Adam Smith* (Oxford, 1976).

<sup>19</sup>Gunnar Myrdal, *The Political Element in the Development of Economic Theory* (London, 1953), p.107.

<sup>20</sup>*WN*, IV.ii.21.

<sup>21</sup>*WN*, I.x.c.27.

<sup>22</sup>*WN*, I.x.c.61. For similar concerns, see *TMS*, VII.iv.36.

<sup>23</sup>*WN*, IV.vii.c.61. See Rosenberg, 'Institutional Aspects,' p.558, and also Viner, 'Smith and Laissez Faire,' pp.228ff. .

<sup>24</sup>*WN*, I.iii.

<sup>25</sup>*WN*, IV.ix.51.

<sup>26</sup>For an assessment of the role of rhetoric in economics and the social sciences in general, see Donald N. McCloskey, *The Rhetoric of Economics* (Madison, 1986).

<sup>27</sup>Viner, 'Smith and Laissez Faire,' pp.231-5.

<sup>28</sup>*WN*, II.iii.36.

<sup>29</sup>*WN*, V.ii.a.4.

<sup>30</sup>For a similar argument, see Jacob Viner, 'Power versus Plenty as Objectives in Foreign Policy in the Seventeenth and Eighteenth Centuries,' in Viner, *Long View*, and Edward Meale Earle, 'Adam Smith, Alexander Hamilton, Friedrich List: The Economic Foundations of Military Power,' in Earle (ed.), *Makers of Modern Strategy: Military Thought from Machiavelli to Hitler* (Princeton, 1971).

<sup>31</sup>*WN*, IV.ii.24ff.

<sup>32</sup>*WN*, IV.ii.30.

<sup>33</sup>*WN*, V.i.b.1.

- <sup>34</sup>*TMS*, VII.iv.36; *WN*, V.i.b.2-3,12, and V.iii.7.
- <sup>35</sup>*WN*, I.i.10, and editors' introduction, p.37.
- <sup>36</sup>*WN*, IV.ii.40-44.
- <sup>37</sup>*WN*, IV.vii.c.95, V.i.e.30. See also Gilpin, *Political Economy*, pp.180-183.
- <sup>38</sup>*WN*, II.iv.15.
- <sup>39</sup>*WN*, I.x.c.27.
- <sup>40</sup>*WN*, IV.ii.43.
- <sup>41</sup>See Carr, *Twenty Years' Crisis*, p.45.
- <sup>42</sup>*WN*, IV.ii.24. See also *WN*, IV.v.a.36, where Smith also recommends for national security reasons bounties upon the exportation of British sail-cloth and gun-powder.
- <sup>43</sup>*WN*, IV.ii.29.
- <sup>44</sup>*WN*, II.v.31, italics added.
- <sup>45</sup>Viner, 'Power versus Plenty,' p.286.
- <sup>46</sup>*WN*, IV.vii.c.22-64.
- <sup>47</sup>Note the potential contradiction with his earlier views on the acts: compare *WN*, IV.vii.c.23 with IV.ii.29. It is also notable that this potential contradiction was pounced upon by Governor Thomas Pownell, MP, in his letter to Smith of 25 September 1776. [*Corr.*, Appendix A, pp.357-358.]
- <sup>48</sup>*WN*, IV.vii.c.43-44. See also *Corr.*, letter 262.
- <sup>49</sup>*WN*, IV.vii.c.44.
- <sup>50</sup>Albert O. Hirschman, *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph* (Princeton, 1977), p.79.
- <sup>51</sup>*WN*, IV.iii.c.9, and *TMS*, VI.ii.2.3.
- <sup>52</sup>*WN*, IV.iii.c.9.
- <sup>53</sup>*WN*, IV.iii.c.11, italics added.
- <sup>54</sup>*WN*, IV.iii.c.13, italics added.
- <sup>55</sup>*WN*, V.i.a.15.
- <sup>56</sup>*TMS*, VI.ii.2-3.
- <sup>57</sup>*WN*, IV.ii.9, italics added.
- <sup>58</sup>*WN*, III.iv.4. As Smith notes, this was a theme on which Hume also had much to say (and indeed the Scottish enlightenment as a whole). Smith in his writings identified four stages of socio-economic development: the stages of hunters, of shepherds, of agriculture, and of commerce.

<sup>59</sup>*WN*, III.iv.10. See also *WN*, III.iv.17.

<sup>60</sup>*WN*, III.iv.15.

<sup>61</sup>See Zacher and Matthew, 'Liberal International Theory'.

<sup>62</sup>*WN*, IV.iii.c.9.

<sup>63</sup>Both quoted in Hirschman, *Passions and Interests*, p.80. Hirschman's book is a fascinating account of the origins of the idea of the civilizing effects of commerce, but I depart from his view that in *WN*, there is no place for non-economic drives to human behaviour (*Ibid.*, pp.107-113). On the contrary, it is precisely this role for non-economic passions which leads Smith to depart so fundamentally from much eighteenth and nineteenth century radical thought on social conflict.

<sup>64</sup>*WN*, V.ii.a.4.

<sup>65</sup>*WN*, V.iii.37. For an equally cynical and remarkably similar view of the relationship between democracy and war, see John Kenneth Galbraith, *The Culture of Contentment* (London, 1993), ch.9.

<sup>66</sup>See Michael W. Doyle, 'Kant, Liberal Legacies, and Foreign Affairs,' *Philosophy and Public Affairs*, 12 (3&4), Summer and Fall 1983 (parts 1 and 2).

<sup>67</sup>*WN*, IV.vii.c.66.

<sup>68</sup>*WN*, V.iii.92.

<sup>69</sup>*Corr.*, Appendix B: 'Smith's Thoughts on the State of the Contest with America, February 1778,' pp.382-383.

<sup>70</sup>*WN*, IV.vii.c.66.

<sup>71</sup>*WN*, IV.vii.c.74,75. Smith's proposal entailed full equality of representation and taxation, freedom of trade, and even a provision for the future removal of the seat of the Empire to that part 'which contributed most to the general defence and support of the whole.' (See *WN*, IV.vii.ci.75-79).

<sup>72</sup>For Smith's scepticism regarding the relationship between commerce and representative government, see Duncan Forbes, 'Sceptical Whiggism, Commerce, and Liberty,' in Skinner and Wilson, *Essays on Adam Smith*. Forbes also indicates how Smith emphasis upon man's baser instincts led him to scepticism that economic progress would bring about the demise of slavery, which Smith held to be economically inefficient as well as immoral (*Ibid.*, pp.199-200).

<sup>73</sup>Montesquieu, *De l'esprit des lois* [1748], XXI, 20, quoted in Hirschman, *Passions and Interests*, p.73.

<sup>74</sup>*WN*, V.iii.40.

<sup>75</sup>Waltz, *Man, the State, and War*.

<sup>76</sup>*TMS*, VI.ii.2.3.

<sup>77</sup>*TMS*, VI.ii.2.3.

<sup>78</sup> *WN*, III.iv.15.

<sup>79</sup> *WN*, V.iii.3,8,10. Smith shared with Burke, Hume and others of his time a grave concern about the corrupting influence of increasing public indebtedness. See J.G.A. Pocock, 'The Political Economy of Burke's Analysis of the French Revolution,' *Historical Journal*, 25(2), June 1982, pp.331-349. For the classic account of the 'financial revolution' of the 17th century which enhanced the war-making capabilities of the British state, see P.G.M. Dickson, *The Financial Revolution in England: A Study in the Development of Public Credit, 1688-1756* (London, 1967).

<sup>80</sup> *WN*, V.iii.50.

<sup>81</sup> *WN*, V.iii.67.

<sup>82</sup> *WN*, V.i.f.50.

<sup>83</sup> *WN*, V.i.a.36, and V.i.f.59.

<sup>84</sup> *WN*, V.i.a.43-44.

<sup>85</sup> *WN*, V.i.a.39.

<sup>86</sup> See the discussion in Winch, *Adam Smith's Politics*, pp.105-112.

<sup>87</sup> *WN*, V.i.a.40. In his Lectures, Smith is more Lockean in the case of Britain (*LJ(A)*, iv.178), though his general position is that a standing army loyal to King and country is the best guarantor of domestic liberty. (*LJ(A)*, iv.179, and *WN*, V.i.a.41).

<sup>88</sup> Rosenberg, 'Institutional Aspects,' p.560.

<sup>89</sup> *TMS*, VI.ii.2.4.

<sup>90</sup> *TMS*, VI.ii.2.6. See also *TMS*, III.3.4.

<sup>91</sup> *TMS*, VI.ii.3.6.

<sup>92</sup> *LJ(B)*, 344-5.

<sup>93</sup> See Knud Haakonssen, *The Science of a Legislator: The Natural Jurisprudence of David Hume and Adam Smith* (Cambridge, 1981), pp.133-4, and *TMS*, III.3.42.

<sup>94</sup> *WN*, IV.i.32, and IV.vii.c.80,100.

<sup>95</sup> *TMS*, VI.ii.2.3.

<sup>96</sup> *LJ(B)*, 339. Smith's discussion is largely confined to the laws of war and diplomatic immunity (based on reciprocity). See *LJ(B)*, 339-358, and *TMS*, III.3.43, VI.ii.2.2-5, and VII.iv.37.

<sup>97</sup> *TMS*, III.3.42.

<sup>98</sup> *WN*, IV.vii.c.80. (italics added).

<sup>99</sup> *LJ(B)*, 355-356, and *TMS*, VI.ii.2.6.

<sup>100</sup> See Howard, *War and the Liberal Conscience*, pp.42-44.

<sup>101</sup> *LJ(B)*, 353-358.



<sup>102</sup>*WN*, IV.iii.c.9.

<sup>103</sup>*WN*, IV.ii.38-39 (italics added).

<sup>104</sup>See *WN*, editors' introduction, pp.1-4.

<sup>105</sup>Martin Wight, 'Why Is There No International Theory?,' in Herbert Butterfield and Martin Wight (eds), *Diplomatic Investigations* (London: Allen & Unwin, 1967).

<sup>106</sup>Viner, 'Smith and Laissez Faire,' p.221.

<sup>107</sup>For a discussion of the long-debated 'Adam Smith problem' concerning the supposed inconsistency of *WN* and *TMS*, see editors' introduction, *TMS*, pp.20-25.

<sup>108</sup>Michael Joseph Smith, 'Liberalism and International Reform,' in Terry Nardin and David R. Mapel (eds), *Traditions of International Ethics* (Cambridge, 1992), p.202.

<sup>109</sup>*WN*, IV.ix.28.

<sup>110</sup>For an account of the apoliticism of much liberal thought, see Sheldon S. Wolin, *Politics and Vision: Continuity and Innovation in Western Political Thought* (London, 1961), pp.299ff.

<sup>111</sup>Quoted by Albert O. Hirschman, 'Interests,' in *The New Palgrave: The World of Economics*, edited John Eatwell, Murray Milgate and Peter Newman (London and Basingstoke, 1991), p.355.

<sup>112</sup>George J. Stigler, 'Smith's Travels on the Ship of State,' in Skinner and Wilson, *Essays on Adam Smith*, pp.237-8. See the more extended critique of Stigler in Winch, *Adam Smith's Politics*, pp.165-172.

<sup>113</sup>In *TMS*, VII.iii.I, Smith firmly rejects the idea that moral theory could be based entirely upon individual 'self-love'.

<sup>114</sup>See Zacher and Matthew, 'Liberal International Theory', pp.120ff.