ADAM SMITH ON WEALTH AND AUTHORITY

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ABSTRACT

There is a question over whether or not Adam Smith, in *The Wealth of Nations* (1776), contended that the rich devise structures of authority (especially civil government) to protect their wealth. At issue is whether significant, private wealth can exist prior to forms of authority. Smith seems to me not to have thought so. It is true that he asserts that, "antecedent to any civil institutions", superiority of fortune can "give some men superiority over the greater part of their brethren" (p.670). However, I argue that there is strong reason not to take the word "antecedent" here in a temporal sense. In numerous and important examples Smith depicts the relationship between wealth and authority as non-empirical (or at least not simply empirical). This connection flows naturally from Smith's epoch-making redefinition of wealth as the productive capacity which a society can command within its given social and political framework. Appreciating this point leads one to see Smith as developing an early form of historical materialism.
Adam Smith on Wealth and Authority

In an often-overlooked section of The Wealth of Nations (Book V, Chapter 1, Part II) Adam Smith ventures a theory about the connections between authority ( principally civil government) and wealth. He writes, for example: "It is only under the shelter of the civil magistrate that the owner of that valuable property, which is acquired by the labour of many years, or perhaps of many successive generations, can sleep a single night in security... The acquisition of valuable and extensive property, therefore, necessarily requires the establishment of civil government. Where there is no property... civil government is not so necessary." 1 On one natural reading of this passage Smith is making the seemingly obvious point that, without ( civil) authority, no substantial wealth can be kept (it will be stolen). So the possessors of property band together and devise a governmental structure to provide themselves and their wealth with "the shelter of the civil magistrate".

Let us call this reading of Smith's views the 'economistic' (or 'vulgar Marxist') view. It would seem to receive added support when Smith goes on to state that wealth is the most important original source of authority. "Birth and fortune are... the principal causes which naturally establish authority and subordination among men", although "the distinction of birth [is] subsequent to the inequality of fortune" (673).

Accepting this as an accurate reading of Smith one might go on to argue against it on the grounds that (a) it posits the temporal priority of wealth to systems of authority, and (b) in so doing it gets the matter just backwards: there must be some system of effective authority prior to any significant inequality of wealth. Such legitimizing bases for unequal property might be those systems of religious and customary authority which in fact seem to have

1Adam Smith, The Wealth of Nations, E. Cannan, Editor, New York, (1937) p. 670. All page references in my text will be to this edition.
preceded civil institutions. 2

Furthermore, one might add that Smith's text itself precludes an economicist reading. It is not the only function of civil government to protect the rich from the poor. The security of property benefits all who have possessions, not merely the wealthy (674). Indeed, it is a "duty of the sovereign" to protect "as far as possible, every member of society from the injustice or oppression of every other member of it" (669). To see in government an instrument for the protection of rights is to cast it in a very different light from those who regard it as the confection of the rich to protect their wealth.

The two readings of Smith which I have been discussing - economicist and anti-economicist - agree on one crucial point: that Smith asserts an empirical hypothesis (perhaps of "conjectural history"), namely inequality of wealth temporally preceded civil government (and perhaps all forms of authority and subordination).

My own theory is that Smith's historical hypothesis about wealth and authority is neither temporal nor straightforwardly empirical. Nor should it be, given the analysis of the concept of wealth on which much of his pioneering work rests. As I understand that concept, a society's wealth is the productive capacity which it can command within its given social (and usually political) framework. As a result, in all but the limiting case of the simplest form of society (that of the hunters), wealth and a system of socio-political authority go hand in hand. Let me first outline this notion of wealth and then show the use Smith makes of it in several of his more important examples.

First of all, as announced in the Introduction to The

2This kind of line has been coherently argued by Professor Leonard Billet, "Just Inequality: Adam Smith on Property and the Purpose of Government", delivered at the Bicentennial Conference: Adam Smith and The Wealth of Nations, 1776-1976, held at Eastern Kentucky University, March 24-26, 1976. Professor Billet's paper appears in the Proceedings of the Conference, Eastern Kentucky University Press, 1977. I would like here to acknowledge my debt to the many people who have helped me to appreciate the importance of Adam Smith's work, including Leo Weinstein, the participants at the Adam Smith Conference, and especially my colleague Kathryn Pyne Parsons.
Wealth of Nations, it is "the annual produce" of land and labor which is "the real wealth" of a society (p.Lx), as opposed to its treasure or accumulated funds. The "annual produce of land and labour" (i.e. wealth) depends upon three factors: (a) "the skill, dexterity, and judgment with which labour is applied", (b) "the quantity of (accumulated) capital stock" and the particular way in which it is employed, and (c) the "plan" or "policy" which underlies "the general conduct or direction of (labour)." In a later terminology introduced by Marx we could label the first two of these "social forces of production," while the third amounts to "the social relations of production." Smith's book is itself aimed at an alteration in the economic "plan" or "policy" of Great Britain. The liberalized or deregulated relations of production which he championed would have the effect of unshackling the forces of production, thus leading to a growth in per capita income.

Let us return to Smith's examples in Book V to see how he uses this notion of wealth and how the concept of authority "fits in."

Hunting societies have no civil institutions because there is "scarce any property" (669). That is, hunters accumulate no "surplus produce" (385); in their "universal poverty" (672) they produce only what is needed to satisfy basic needs and nothing more. The domestication of animals, however, introduces the possibility of a surplus (which for Smith seems to lead inevitably and unproblematically to an actual surplus, presumably because social life is everywhere dominated by "the uniform, constant and uninterrupted effort of every man to better his condition" (326)). Typically, Smith is silent on the mechanism by which the surplus finds its way into the hands of a few: "a Tartar chief, the increase of whose herds and flocks is sufficient to maintain a thousand men" (671), finds himself in a quandary. The "rude state of his society" offers neither commodities nor luxury goods to which he may devote his surplus. Hence "he cannot well employ that increase in any other way than in maintaining a thousand men," who therefore "must both obey his orders in war, and submit to his jurisdiction in peace" (671 emphasis added).

On the view I have been proposing wealth is the power to control or command the production of consumable goods or services within a given social framework. The wealth of the Tartar chief is not to be understood as consisting merely of control over a large number of sheep; Smith is very clear that one must see that control in its social context, to wit the absence of a market (and therefore of commodities, as well as of wage-labor: "the rude state of his society does not afford him any manufactured produce. . . for which he can exchange that part of his rude produce which is over and above his own consumption" (671)) and the resultant complete personal dependence of "a thousand men" on the chief. Smith assumes, of course, that "for one very rich man, there must be at least five hundred poor" (670). Thus, in these same primitive or "rude" circumstances if one shepherd's flocks somehow increased remarkably, while all other shepherds maintained their own flocks at a comfortable subsistence level, then the first shepherd is not rich, nor are the others poor. For there is literally nothing (no commodities, luxuries, or personal services) for which he can exchange his surplus. And a surplus which cannot be exchanged or consumed is economically no surplus at all. Possession of 'things' makes one wealthy only in certain circumstances.

The wealth of the Tartar chief consists in his capacity to command - via his surplus sheep and the penury of his fellows - the service and loyalty of "a thousand men." In other words, in those circumstances his wealth "conceptually includes" his authority just as much as it includes his sheep. In Smith's words, "he is necessarily both their general and their judge, and his chieftainship is the necessary effect of the superiority of his fortune" (671, emphasis added). Thus it seems to me that for Smith the relationship between wealth and authority is not empirical (or at least not simply empirical). Smith himself says that the chief's authority is the "necessary effect" of his superior fortune. In the philosophic circles in which Smith moved, influenced by the Newtonian and Enlightenment world-views and the towering figure of David Hume, it was generally agreed that no connections are both necessary and empirical. Necessity is a relationship among "ideas"
or concepts. 4

If - as I have been claiming - it is Smith's view that wealth is command over productive resources in, and mediated by, a given social and political framework (and thus includes in each case some characteristic form(s) of authority), then one should expect him to associate a change in the framework with changes in the structure of authority (and possibly of wealth as well). I have already made note of the fact that Smith hoped his book would contribute to changes in the framework of the British economy and thus lead to an increase in real national wealth. But we must not overlook that Smith expected these changes to contribute to a no less radical alteration in the forms of authority. He completes his example of the Tartar chief with the contrast of a rich man in an "opulent and civilized society," i.e. one with an established market economy. "Though the produce of his estate may be sufficient to maintain, and may actually maintain, more than a thousand people, yet as those people pay for everything which they get from him, as he gives scarce anything to anybody but in exchange for an equivalent, there is scarce anybody who considers himself as entirely dependent upon him, and his authority extends over only a few menial servants" (672). The same productive capacity in absolute terms is conjoined, in a market society, with immensely less authority. Conversely, most citizens are 'freer' (though not necessarily wealthier). Indeed, there is some reason to think that this diminution of personal authority was one of the principal recommendations to Smith of "the system of natural liberty." This does not, of course, mean that there is less authority in a society with a market economy, merely that this authority manifests itself indirectly (e.g. through laws, the judicial system, the market) rather than through personal dependence.

4 In discussion at the Adam Smith Conference, Professor José Sorzano of Georgetown University impressed on me the prevalence of teleological notions in The Wealth of Nations. A discussion of that issue here would take us too far afield. Whether Smith is a Humean or a "covert" teleologist does not affect my point, which is to deny that Smith is asserting an empirical, temporal priority of wealth over authority. For an insight into the teleology issue, cf. José Sorzano, "David Easton and the Invisible Hand," American Political Science Review, Vol. LXIX, No. 1, (March 1975) pp. 91-106.
This last example shows that Smith does not equate wealth with personal authority over one's fellows. Indeed his view of the good society seems to be one in which such personal authority and subordination is reduced to a minimum. In their place is the impersonal authority of the civil magistrate, to whose judgments all must bow. This development is the legal counterpart of those changes in the economic sphere by which economic dependence (among, say, the shepherds) is replaced by economic interdependence mediated by the market. There are still rich and poor. But now, to be rich means to be able to purchase much in the market; whereas the poor are no longer dependent on any one rich man (at least in the absence of monopoly): they can always take their business to one or another competitor.

In practice Smith had an acute sense of how far all actual European societies were from embodying his ideal. He realized, for instance, how much influence the wealthy had over the legislative process, thereby obtaining protective tariffs, export subsidies, prohibitions against labor unions, and so on. The condition of Britain illustrated to him how undesirable it was for society to be ruled by merchants and manufacturers. Just how he proposed to prevent this state of affairs remains to my mind one of the major unanswered questions of The Wealth of Nations.

There are other important sections in The Wealth of Nations where Smith uses his new and complex notion of wealth to illuminate the phenomena of historical change. In each such case we can see how changes in the type and pattern of "wealth" go hand in hand with changes in social framework and the structure of authority and subordination (i.e. civil government). Let me describe one of them.

In Book III, chapter IV, Smith describes "how the commerce of the towns contributed to the improvement of the country" (384). The thesis is that in the primitive state of Europe after the fall of the Roman Empire order was maintained by a system which, although built on tenure of land, otherwise resembled the society of the Tartar chief­tain. The great lords took allodial possession of the land. In the absence of commerce and manufacture, they were forced to consume the surplus produce directly, in "rustic hospitality" (385). Thus hundreds or even thou­sands of people - retainers and tenants alike - came to rely directly on the "great proprietors," who "necessarily became the judges in peace, and the leaders in war, of all who dwelt upon their estates" (387). The authority and
jurisdiction of the lords "all necessarily flowed from the state of property and manners just now described" (387 emphasis added).

This condition of "property and manners" was overthrown, not by external violence or conscious design, but rather by "the silent and insensible operation" (388) of new productive forces, namely "commerce and manufacture." These gradually furnished the great proprietors with something for which they could exchange the whole surplus produce of their lands, and which they could consume themselves without sharing it either with tenants or retainers (388). Gradually the retainers were dismissed, together with a portion of the tenants, while the remaining tenants were given leases, thus becoming considerably less dependent on the lord. The result was that "the great proprietors were no longer capable of interrupting the regular execution of justice, or of disturbing the peace of the country. . . a revolution of the greatest importance to the public happiness, was in this manner brought about by two different orders of people (the lords and the commercial classes), who had not the least intention to serve the public" (390-391). [Smith gives fundamentally the same sort of account for the secularization of European society, in Book V, pp. 752ff.]

Each system of social wealth (animal husbandry among the Tartars, allodial tenure of land, the era of commerce and manufacture) has its own characteristic system of authority and subordination, or civil government. Returning now to the text on page 670 we can understand more clearly what Smith might mean by "subordination. . . antecedent to any civil institution." Furthermore we can distinguish what is clearly correct from what is misleading in both the economic and anti-economic interpretations.

First of all, Smith discusses four "causes or circumstances" which account for social subordination. Of these the first two (superior personal traits and age) operate in all forms of society, even primitive hunting societies which produce no surplus. These are forms of authority antecedent to civil government. It is only with the appearance of a genuine economic surplus (which means for Smith the appearance of both rich and poor) that we find "a degree of authority and subordination which could not possibly exist before," namely "civil government" (674). The emergence of civil government is conceptually part and parcel of the emergence of wealth. Wealth is not temporally antecedent to civil government in any of the examples Smith gives. What then could he mean on p. 670
by listing it among the causes of subordination which do exist "antecedent to any civil institution"? Does he merely contradict himself?

I think not. There is an important, non-temporal sense in which wealth antecedes authority for Smith. Think again of the transition from feudal to commercial society. The important changes in polity or civil institutions came about through the "silent and insensible operation" of economic developments, i.e. changes in the forces of production (388). According to Joseph Cropsey, "the distinguishing criterion, or essence of society is disclosed by Smith's summary history to be the manner of procuring the means of existence, what we speak of now as economic organization. . . change in economic organization not only marks - but is, change in 'society' and in the level of excellence thereof." It is true that forms of wealth and of civil institutions cannot ultimately be separated; but if we think of wealth as the economic pole of society and civil institutions as the political pole, then generally (though not exclusively) for Smith the motive force in history is the dynamism of the economic pole.

It seems to me that we have here a form of historical materialism and an anticipation of the theory of history developed by Marx in the mid-19th century, with the difference that Smith does not assume that social inequality is necessarily the product of injustice, theft, expropriation or exploitation. Inequality of property may be perfectly just, though I believe that Smith is somewhat ambivalent on this score. Let me say briefly why I feel this.

It is true that Smith portrays the sovereign as protecting the members of society from "injustice and oppression"; and he speaks of "valuable property, which is acquired by the labor of many years, or perhaps of many successive


6For a similar view of Smith see Warren J. Samuels, "Adam Smith and the Economy as a System of Power", Review of Social Economy, vol. XXXI, (October 1973) pp. 123-137. We do know that both Hegel and Marx read Adam Smith with great interest and care, as did other Continental thinkers.
generations" (in contrast to the property of the hunter, the product of 2 or 3 days' labor) (670). But this same Adam Smith tells us that "landlords, like all other men, love to reap where they never sowed, and demand a rent even for [the] natural produce" of their land (48). So part, at least, of their property comes from rent, not labor. And it is important, according to Smith, not to confuse the entrepreneur's profit with his wages for "the labour of inspection and direction" (48). Profit derives - not from the owner's labor, but from an "altogether different" source, namely "the value of the stock employed" (48). And, finally, Smith describes some of the rich as idle: they "do not labour at all," and yet "consume the produce of ten times, frequently of a hundred times more labour than the greater part of those who work." (Lviiti). It is hard to believe that Smith regarded this as just.

In sum, I believe we can find in The Wealth of Nations abundant evidence that Adam Smith worked on a model of social reality which postulates the existence of non-empirical, "internal" connections between important aspects of a society. The form of wealth in given social circumstances bears to the forms of power and authority an intimate conceptual relationship worthy of closer study. Against the mercantilism of his day Smith urged the non-reified view of wealth as a social relation of considerable complexity. Accordingly wealth will assume different forms in different societies, here associated with close personal dependence, there with the impersonal forces of the market and the civil magistrate. Smith's great work can be viewed as an attempt to depict clearly the historical position of the British economy so as to show, equally clearly, the enlightened "plan or policy" which would foster the maximum growth of Britain's wealth.

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