

A wealth of notions

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*The wisdom of Adam Smith is evident in a rereading of his 1776 classic, **The Wealth of Nations***

As older economists are prone to do, I've started teaching the history of economic thought. In class this term we're reading Adam Smith's *Wealth of Nations*, in my case for the first time in almost 40 years. Working through it, I wish I'd returned to it more regularly. There are so many wise bits — such a wealth of notions.

One of the wisest is about whom you should listen to for policy advice. The owners of land are good, Smith says, because careful economic analysis shows that when economies are progressing, land rents rise. Thus landowners' interests usually accord with those of society. Unfortunately, not actually having to work for a living, they're often light in intellect and therefore don't understand their own good. "That indolence, which is the natural effect of the ease and security of their situation, renders them too often, not only ignorant, but incapable of that application of mind which is necessary in order to foresee and understand the consequences of any public regulation."

How about workers? As with land-owners, policies that encourage general improvement are good for wages, so their interests usually also accord with the general interest. Trouble is, work is so demanding it "leaves [the worker] no time to receive the necessary information, and his education and habits are commonly such as to render him unfit to judge even though he was fully informed." (Smith's view of workers' interest might have been different in an era of enforced unionization, but in his time, as he argued, successful organization in restraint of trade was simply too hard for workers. When striking meant starving, it simply wasn't on.)

Among the three great classes of the 18th century — workers, landowners and businessmen — that leaves the third, businessmen. Smith regards them as almost completely unreliable for policy advice. Their interest is "always in some respects different from, and even opposite to, that of the public." They always want to "widen the market," which is good for the general interest, but they also invariably want to "narrow the competition," which is always bad for it.

Accordingly, "the proposal of any new law or regulation of commerce which comes from this order ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men whose

interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public.... ”

Elsewhere, Smith notes that the wages of tanners not having risen quite so quickly as those of clothiers is in part because “our tanners ... have not been quite so successful as our clothiers, in convincing the wisdom of the nation, that the safety of the commonwealth depends upon the prosperity of their particular manufacture.” Rex Murphy couldn’t have put it more archly.

This page is not anti-business. Far from it. Like Smith, it understands that the undertaking spirit is the principal source of progress and that all a government needs to do in order to encourage business is “some tolerable security that it shall enjoy the fruits of its own labour.” But, being the regular object of petitions for different forms of protection and other special favours from this or that industry association, it also understands the tendency of all groups in society to seek favours from government that, while they may or may not be good for the society at large, are without exception good for the party proposing them.

Self-interest obviously isn’t bad. Smith’s most famous thought is that “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.” Self-interest is what makes a civilized and prosperous society work — but it only does so when tempered by competition. Self-interest that leads people to lobby for and achieve the privileges and monopolies that were the bread and butter of politics in Smith’s day, and still are now, is inimical to improvement and progress.

Life in Smith’s time was riven with conflict. Shortly before he moved to Edinburgh in the 1740s, it had been occupied militarily by Scots separatists. How to encourage people to get along and be civil, or in the 18th-century term, polite to one other, was a preoccupation of the era’s thinkers — as it has been in our own world since the Arizona shootings. Smith’s view was that commerce helped. Commerce forces people to consider each other’s interests.

But how about politics? It’s often a zero-sum game. How do we keep its inevitably sharp edges from hurting all of us?

Smith’s own writing provides a clue about how best to conduct vigorous political discussion politely. His commentaries about the different orders of society are tart and pointed, and remain vivid more than two centuries later. His analyses of just whose interest is served by the various privileges and monopolies that different groups continually propose are telling and effective. And they get the point across unmistakably.

We do need to try to take the mud and venom out of our politics, but let’s not remove the vinegar. There can and should be sharp and sharply worded disagreement about whose interests are served by one policy or another. On Wednesday, a *National Post* editorial about the harm done by supply management was deadly in effect but perfectly civil. The

key thing is not to let such disagreement slip into the assumption of moral or intellectual superiority, even if the other side gives in to that temptation (as it does all too regularly).

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