



Adam Smith Was Not the Anti-Government Ideologue Conservatives Want Him to Be

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The Cato Institute, the Adam Smith Institute, and the Leadership Institute are all right-wing think-tanks that evoke and claim the name and philosophies of Adam Smith along with false notions and oversimplifications of liberty, low taxation, unfettered free trade and unregulated capitalism. Publications and news outlets like the *American Thinker* and *International Investor* claim that "the invisible hand" goes hand in hand with a "capitalist economy." These ideological sources often advance policies that contradict the sentiment found in Smith's writings. Furthermore, this typical appropriation of Smith is heavily misguided.

For example, *The Wall Street Journal*, highly dedicated to concepts of Reaganomics embraced Adam Smith throughout the 1980s and 1990s without ever taking into consideration Smith's actual words: "The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state."

First of all, Adam Smith was a pre-capitalist figure of the 18th century, so he did not have an opinion of the type of capitalist system critiqued by Karl Marx in the 19th century. Second, if Smith had seen capitalism take shape, it is highly possible that he would find elements of capitalism appalling. Consider his words and observations relating to the origins and early stages of imperialism and industrialization, best characterized by Smith as, "the savage injustices of the Europeans," who served as the "vile rulers of mankind." Smith provided an argument for free markets, but the thesis was that only under conditions of perfect liberty, could markets lead to perfect equality.

In May 2011 Louis René Beres of the Christian Science Monitor wrote, "What conservatives ignore in Adam Smith's message is killing our economy." He rejected the concept and "classic argument of Adam Smith" that remains as "the fashionable mainstay of conservatives." Beres pointed out how Smith articulated "persuasively that a system of private property, although naturally unequal, would nonetheless permit the poor to live tolerably."

March 9, 2016 marked the 240th Anniversary of Smith's *The Wealth of Nations*.

In 1776 Adam Smith authored *The Wealth of Nations* and put the study of modern economics on the map. Professor Noam Chomsky has called Smith, "someone you are supposed to revere, but not read." Chomsky points to how often the term "invisible hand" is used disproportionately to Smith's actual words and teachings. Smith barely mentioned the metaphor in his writing.

Chomsky wrote in *World Orders, Old and New*, that "GATT, NAFTA, and the like are called "free trade" agreements. That is a misdescription. Firstly, the term "trade" hardly applies to a system in which some 40 percent of U.S. "trade" is intrafirm, centrally managed by the same highly visible hands that control planning, production, and investment. Over half of U.S. "exports" to Mexico, for example, do not enter the Mexican market, consisting of transfers from one to another branch of a U.S. corporation, to maximize gains from lower labor costs and environmental standards."

When I asked Columbia Professor Moshe Adler for some basic ideas regarding Adam Smith he indicated that, "The invisible hand means that an employer does not hire a worker because he wishes to alleviate the scourge of unemployment, but because he wants to make money, and yet, in spite of the total egoism on the part of the employer, the employee benefits."

Adler further elaborated that ". . . Smith also investigated what determines how much the employer will pay the worker, and his investigation led him to conclude that wage and working conditions are determined by the very visible hand of government that a) enacts anti-labor laws and enforces them with a police force; and b) enacts private property laws that rob workers of the fruits of their labor."

Adler, the author of *Economics for the Rest of Us: Debunking the Science That Makes Life Dismal*, explained to me that "Smith's discussion of the role of government in particular and of power, both political and economic, in determining the bargaining power of workers vis-a-vis employers, is totally absent from the discourse about him."

When read closely, and completely, much of Smith's pre-capitalist economic theory comes across very critical of what passes for eventual state-capitalism. This is not the traditional portrayal of Adam Smith. Smith, like well-known polemicists Thomas Paine and George Orwell, is a famous historical figure that the right-wing often cites and claims for conservative causes and support of reactionary ideologies. Adam Smith is often diametrically opposed to Karl Marx in secondary social studies curricula as well.

Smith is obviously widely known as one of the leading economists in world history. He is also considered a "moral philosopher." When I reached out to Nancy Folbre of the University of Massachusetts at Amherst, to explain Smith's moral philosophy she indicated that he was actually "a utopian capitalist, because he was confident that innate moral sentiments would prevent the pursuit of individual self-interest from doing much harm to others."

Professor Folbre, an American feminist economist focuses on economics and writes this about Adam Smith in her book entitled: *Greed, Lust, and Gender: A History of Economic Ideas*.

Professor Julie Ann Matthaei is a Marxist-feminist-anti-racist-ecological economist, specializing in women, gender, feminism, and work, and involved in research about the emerging solidarity economy encouraged and reminded me to read and revisit the writing of Patricia Werhane. Werhane authored *Adam Smith and His Legacy for Modern Capitalism* in 1991. The thesis is interesting compared to the so called "traditional" perspective of Smith's thought on economics and society, and provides a better understanding of the famed economist's actual positions.

Matthaei is the author of *An Economic History of Women in America: Women's Work, the Sexual Division of Labor, and the Development of Capitalism*. She has also worked on numerous additional books and articles focused on economics from a perspective of race, class and gender.

So this April 15, it might help to revisit the true memory and meaning of Smith along with recalling the words of former Supreme Court Justice Oliver Wendell Holmes Jr. who remarked that "taxes are what we pay for a civilized society."