

# Returning to the Roots of Society

## An Analysis of Adam Smith's Natural Law Theory

Government has traditionally been seen as one of the fundamental institutions of the civilized society. Since ancient times, it has proved an immeasurably potent tool for forming and altering the course of humanity. Though few would disagree on the *necessity* of some form of government in every civilization, dispute arises over the *ends* for which government exists: to exercise control over its subjects? To provide guidelines for living? To ensure happiness or to ensure compliance? Still, all these questions are moot if we do not consider this elementary thought: *is the government the highest authority in any society?* This is the essential inquiry that Adam Smith (1723-1790), the great Scottish political theorist and economist, sought to answer. He approached the question by analyzing the common-sense rudiments of human nature: sense that is so common that it is almost never considered. By beginning with undisputed truths about the human predicament and going on to formulate a robust and supremely logical theory of government, Smith concludes that the final endeavor of all governments should be to secure and maintain, above all else, the liberty of its populace. But what is liberty, and why should it be prioritized? What is its connection to material prosperity and personal virtue? These are the immeasurably significant ideas we will approach in this essay. We will study the ideas of Adam Smith in tripartite fashion: beginning with the origins and worldview of Smith's assertions, moving on to the impact of Smith's thought on the construction of political ideals in contemporary government structures, and finally, considering potential ethical concerns with Smith's philosophy that have arisen through the centuries.

### **I. A Worldview For The New World**

Smith's fertile ideas were born into a European culture that was still dominated by imperialist monarchies. With governments heralding themselves as divinely-ordained institutions, Western political theory centered not around the rights of the individual but the magnitude of the ruling order in expanding empires to new horizons, amassing power and wealth in the process. It took a relatively minute grain of novelty to plant the revolutionary seeds of America- the sect of Englishmen who aimed to cultivate a

boundless field for the propagation of the the limited-government ideals of the Magna Carta. The majority of colonialists instead used the allures of the New World to propagate their mercantilist agendas, which had the manipulation and accumulation of imperial wealth as its main endeavor. Mercantilism, fueled by jealous and prideful rivalries of sparring governments, could not viably endure as the chief political philosophy into the age of the New World. Some saw the unfolding of great unknown vistas in the Americas as a mere excuse to prolong the legacy of the Old World. But others viewed the opportunities exposed as a chance to reevaluate the proper roles of government, religion, and civic duty in a thriving society, and implement systems based off these axioms in the sprawling *tabula rasa* of the newfound continent. This is why, concurrently with the rise of Enlightenment thinkers, the philosophy of Adam Smith began to take root.

Smith was deeply influenced by the thought of Francois Quesnay, who founded a group of political thinkers known as the Physiocrats. The Physiocrats blended elements of the burgeoning free-market intellectual environment with an acute focus on social justice and the conditions of the lower class. They observed that the immense disparity between the highest and lowest classes in France was not only a symptom of economic inequality, but philosophical bankruptcy. To successfully reform society, they argued, we must dispose of the assumption that a wealthier and more powerful central government is the ultimate arbiter of prosperity in a nation. Mercantilist, imperialist ideas were empirically proven to increase poverty and strife, and they simply could not survive. Instead, Quesnay and the Physiocrats advocated for a *natural law* that is intrinsically higher and more powerful than any government. This law had been instituted since the beginning of time, and governed the motion of all human activities. In many ways, this flowed from the rationalist philosophy of Rene Descartes, who believed in a universal *logos* through which all information could be deduced by reason. Natural law guides the circulation of currency, the pattern of investments and withdrawals, and the significance of commodities in any economy. When a government steps in to try and impose their own order upon this organic ecosystem, evils like poverty, war, and crime ensue. The Physiocrats envisioned a France where all restrictions on the exchange of goods were eliminated. Farmers, merchants, and industrial workers were able to freely sell and earn profit from their labor, since society is based on the prosperity of the individual, not the government. The majority of taxes would be abolished in order to promote investment. If the government would let the economy operate as an organism instead of a script, poverty would be practically eradicated and the French nation would be the most successful on the planet.

Smith, who was a close friend of Quesnay, soaked up these ideas and pondered them. The passion that drove him on to write *The Wealth of Nations*, one of the most influential economic works of all time, stemmed from a desire to advocate a theory that would transcend the tension between the Old and New

Worlds, end the infinite squabbles over land and religion that dominated both worlds, and usher in a new era for mankind based off simple, self-evident principles. To Smith, government should not be centered around which theology was most accurate or which monarchy had the most gold and silver. The real concern of the matter is the human tendency towards self-interest, which is a characteristic that has never been erased from the collective consciousness. To have good government, we must have an honest assessment of what we as humans are capable of. Before we push blindly forward, we ought to look carefully back at our duties. The economy is not an aimless, impersonal force; there are real human beings behind it who are subject to the dictates of human nature. Since these laws cannot be changed, Smith argues, the only way to have success is to allow them to work their course and to get all extraneous hands off the economy. Only then will we be on the track to forming a society that truly works for all who inhabit it.

*The Wealth of Nations* became such a well-read and much-appreciated text because of the inexorable force of Smith's logic. He began with truths that few would dispute: "The man of system...is apt to be very wise in his own conceit; and is often so enamoured with his ideal plan of government, that he cannot suffer the smallest deviation from any part of it." Those who hold political power (the "men of system") become caught up in the pursuit of self-interest, just as everyone does. But since their platform for advancing self-interest is artificially elevated by the mirage of "authority," their agendas are pushed aggressively and unwittingly on the populace, who find their liberty suppressed. "He goes on to establish it completely and in all its parts, without any regard either to the great interests or to the strong prejudices which may oppose it. He seems to imagine that he can arrange the different members of a great society as the hand arranges the different pieces upon a chess-board." Thus, the man of system seems to envision his ideal government structure as a great game that can be won through strategy. In reality, the game is won by following the rules that are already instituted- the axioms written into the fabric of the universe concerning humanity. All central planning of a society constitutes a form of "cheating" or attempting to alter the unmoveable rules. In other words, "[the man of system] does not consider that the pieces upon the chess-board have no other principle of motion besides that which the hand impresses upon them; but that, in the great chess-board of human society, every single piece has a principle of motion of its own, altogether different than that which the legislator might [choose] to impress upon it." This explanation gives way to Smith's most famous phrase: the "invisible hand" that arranges the elements of society according to natural law. The hand is always at work, but is most effective when it is allowed to operate free of outside attempts to "change the rules." Smith's reasoning, then, deduces the necessity of a universal set of governing laws that, when applied properly to economics, leads to the highest attainable quality of life for society and the individual.

## **II. "We Hold These Truths"- Smith's Philosophy in Implementation and Opposition**

The era into which Smith's theories were released was an ample proving ground for the tenets of natural law. From the admiration of his treatise ran an honest reassessment of humanity's place in the world, and a widespread adoption of the Enlightenment conception of a universal law. For men like the Founding Fathers of the United States, natural law theory was not a brave ideal to strive towards; but a tangible, immutable reality that transcended the stagnant pillars of monarchy and imperialism to serve as an undeniable guideline for virtuous living. \* Smith rang in the Age of the New World not by reinventing mankind's purpose, but by reminding us of it. Historian Daniel J. Boorstin argues in *The Discoverers* that "[Smith] lifted the vision of European man to a new scene. He saw economic well-being not as the possession of treasure but as a process. Just as Copernicus and Galileo helped raise men above the commonsense fact that the sun circulated the earth, so Adam Smith helped his generation rise above the specious proposition that a nation's wealth consisted of its gold and silver." (Boorstin 655-656). Still, we do Smith's thought a disservice when we treat it as a Hegelian step in the ladder of historical advancement. Like all revolutionary polemics, *The Wealth of Nations* was not invented out of sheer novelty, but was a return to ideas of the past, carefully expounding upon them so as to remind adherents of fundamental truths.

Arising from this misconception about the flow of intellectual history, many have patriotically branded the founders of the American republic as "grand experimenters" who saw the budding nation as nothing but rich ground to try out new ideas. This is a monumental misreading of the founders' philosophical influences. Just like Smith, they sought to fashion a system that tapped into the deeply sensical well of natural law. From this well they drew ideals of government structures that they believed best matched the truth about man. That immortal exordium of the Declaration of Independence: "We hold these truths to be self-evident- that all men are created equal, that they are endowed with certain unalienable rights, that among these are life, liberty and the pursuit of happiness..." is the backbone of the American prognosis and the most plausible vision for humanity. Smith published *The Wealth of Nations* in 1776, the same year as the Declaration of Independence was written. In it, he foresaw the inevitable collapse of British imperialism in the American colonies and pleaded for a fresh start based off natural law (even, incredulously enough, recommending a union-based system consisting of states). Smith's thought was to become an integral component of the philosophical fabric that the Declaration's writers

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\* Part III of this essay contains deeper explanation of the ethical side of natural law theory.

would weave into it, and strains of *The Wealth of Nations* can be detected in the literature of the Revolution, such as Paine's *Common Sense* and the *Federalist* papers. The founders' most crucial application of Smithism is the phrase *self-evident*, which is equal to *axiomatic, unexplainable, assumed, necessary*. For them, that men required liberty to seek after their self-interest was not an argument or conclusion, but a non-negotiable premise- the equivalent of a tautology in logic (*All A is A*) or Euclid's proposition that a line was infinite. None of these things can be necessarily obtained through empirical or rational evidence; they must simply be assumed if anything is to make sense at all. Thus, mathematics, ethics, artistic aesthetics, and the rights of man all flow from the same source of irreversible truth. Smith began with this preconception and formulated an economic model that would best demonstrate its veracity. The sculptors of America melded Smithism with the more empirical philosophy of John Locke that stressed individual rights of ownership and contractual law to craft a uniquely practical government that, for almost 300 years, has remained the world's most tenable example of the success possible when natural law theory is put into practice.

The Age of Revolution, as the general period corresponding to the Enlightenment would come to be monikered, was an age of weighing and testing various ideas to determine their feasibility. America was the great triumph of the Revolutionary Era; an almost unheard of instance where a bloody, prolonged, and costly war of revolt resulted not in increased turmoil but in a bastion of liberty that bathed the world in hope and light. Other revolutions were not nearly so fortunate, chief among the most disastrous being in France, where rebels proudly stamped the ideals of "Liberty, Fraternity, Equality" onto the Reign of Terror that ushered in the rise of Napoleon, who would throw France and all of Europe into disarray and leave his imprint on an entire continent for decades. The French Revolution was a model of self-indulgent government, laughably wasteful and impractical economic policies, and the immense perils of mob rule (which many American founders detested to such a degree that they associated democracy with the Reign of Terror), among many other negatives. But for our purposes, it produced chaos because it was founded upon a shaky worldview. The revolutionaries of France believed that men could achieve liberty through their own doing, and that the key to freedom lay in the humanistic potential of mankind. Humanism runs in direct opposition to everything that Smithism, natural law theory, and the Declaration of Independence stand for. Its basic assumption that humans are inherently good and are capable of achieving anything contradicts the ideology of natural law that men cannot overrule the order that is set in stone and guided by the invisible hand. In many ways, Smith did empower the spirit of humanism in separating government from human nature and allowing for free practice of self-interest. But his philosophy is also a humbling one where omnipotent authority lies in the abstraction of nature rather than concrete ideals of the material world that humanism so espouses. When Smith wrote that "the man of system...is very wise

in his own conceit," he can be considered legitimately responsible for forecasting the horrors of humanism that would spark the follies of the French Revolution- the same horrors that have led to countless inadequate government structures throughout the sea of history.

### **III. Anathema to Altruism? Problems of Ethics and Morality in Smith's Philosophy**

Many advocates of Smithism both in Smith's time and now tend to adopt the system through a model of pragmatism or utilitarianism rather than ethics. Indeed, Smith seemed to embrace natural law theory simply because "it worked best." Marxism, with its arduous pleas for the liberation of the commonplace citizen from the dehumanizing rotary of unchecked capitalism, is often seen as having a firmer grounding in morals than Smith's advocacy for unmitigated self-interest, which, Marxism argues, has led to the oppression of the everyman at the mercy of the wealthy. Perhaps the most challenging argument against Smith's philosophy is the inherent "selfishness" and lack of benevolence in the obedience to self-interest that seems to run contrary to traditional morals of charity and altruism. Thus, those that adhere to this theory must be equipped to answer these inevitable objections from a Western culture where neo-Marxism is rapidly and alarmingly becoming a dominant force in social thought. In addition, natural law theory has seen frequent attacks from both theistic and deistic skeptics. In this section, we will address three outstanding criticisms of Smith's philosophy: its reduced role for government, its apparent tendency towards social inequality, and its basis in religion.

Prevalently in these postmodern times, we see increased calls for strengthening the power of the federal government. Government, it is commonly viewed, is an overwhelmingly positive institution whose ethical responsibility is to eliminate immoral behavior, take care of the needy, keep a policing eye on the world, and provide services that the free market cannot handle as adequately. Indeed, Smith's assertions that government planning constitutes an artificial hijacking of the natural order can seem incredibly foreign in these days of bureaucracy and promises of expanded "rights" from the central hand of a benevolent State. A crucial point to understand is that Smith was not whatsoever against the *institution* of government- this, after all, would be anarchy, which has never resulted in progress or prosperity. Smith instead questions the *abuse* of governmental powers by the "men of system." The reality is, since the transformative years of the 20th century, that we have become highly accustomed to government ballooning drastically beyond its original function. To Smith, that function is essentially twofold: to enforce contracts and criminal law, and to protect property rights (a theory shared by Locke, and one which is best demonstrated in practice through the U.S. Constitution's Bill of Rights). Rather than

trying to coerce its citizens into a master plan for social progress, government should exercise a light yet necessarily firm hand in order to ensure liberty- namely, making sure that everyone does what they agree to do (honesty and integrity), and that no one encroaches on the rights of anyone else (crime). Those who cite Smith's lack of moral sympathy are unaware of his true vision for government. In an ideal society as Smith imagined it, the only things the government can rightfully do are discourage and punish crimes such as trespassing, theft, murder, and fraud (Smith did also see a small role for government in curing social ills; see below for more information). These are all actions that infringe on the dignity of the individual and violate their God-given rights to live, keep their rightful property, and to receive the end of the deal that they were promised. In such a society, the invisible hand is allowed to work unencumbered and every person is truly free. The government is a servant to liberty and gatekeeper of the rights of man. The role of the government in a Smithian society is not whatsoever limited- it only appears that way in the modern West where its role has been grossly inflated.

The second major objection, and the one that Marxism is most concerned with, is the plight of the less fortunate under a perfectly free system. Marx argued in his mammoth magnum opus *Das Kapital* that capitalism is but an illusion of liberty, since it is a rigged system where the "bourgeoisie" (upper class) inflict tyranny on the middle and lower classes. The "proletariats" (lower class) live only for a paycheck and as a cog in the impersonal machine of capitalism. First, the assumption that capitalism is intrinsically geared towards the success of the wealthy is patently false. In fact, Smith was much more liberal in his social thought than we might expect him to be. In *The Wealth of Nations*, he championed certain forms of government aid to the poor and needy, as well as a federal education system. He also realized that taxation was inevitable to support virtually any government, but remained uncomfortable with the idea and advocated for taxes that were as minimally intrusive and fairly administered as possible. This proved that Smith had a keen affection for the downtrodden of society, and was leagues away from merely being an egotistical advocate for treading on others in pursuit of one's own ambitions. This was, after all; the fulcrum of the outmoded mercantilist imperialism that he railed so passionately against. However, his concepts of these "big government" institutions were drastically different than the overblown programs that are commonplace in developed countries today. Undoubtedly, he expressed reservations about capitalism being a perfect system to cure all ills (as indeed, no system is), and he believed that government should occasionally step in to assist the "losers of capitalism." However, he still held the firm conviction that capitalism was the most powerful model yet conceived for achieving the good life- as a well-built society, and as virtuous individuals. As genuinely well-meaning as it may be, a government that attempts to control society "as a hand arranges the pieces upon a giant chessboard" will inevitably upset its delicate balance, directly causing suffering and inequality, as shown through the numerous

Marxist experiments of the previous century that resulted in some of the most inhumane tragedies that have ever occurred.

Self-interest may indeed seem an odd and antipodal remedy for an ailing society steeped in poverty. In *The Wealth of Nations*, Smith explains brilliantly the sublime antidote of the invisible hand: "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." (Smith/Parthasarathi xii). Smith also believed that self-interest in a free society would never reach decadent, immoral excess because men would restrain themselves in order to achieve their goals. Thus, Smith's capitalism revolved around a moral framework that Marxism never achieved. Marx believed labor to be the ultimate driving force of society, and his economic model was an end in itself for a utopian vision. His outlook was highly pessimistic, as he longed for a future realization of his theories rather than turning to the natural order for solutions. Smith began not with materialistic concepts like labor, but with the fundamental natural law of all mankind.\* He believed natural order not to be inherently evil and oppressive, but beautiful and beneficial if only it would be obeyed. He diverted the outlook of politics, economics, and everyday living from the fallacious operations of wasteful, inefficient government upwards to the celestial ruling principles of mankind. Marx's vision divided men into sects in order to earn equality. Smith's plea was one of brotherhood in liberty- a bond among men that, once realized, had no end to its potential.

The final argument against natural law theory we will assess is the thought that natural law theory derides religion, replacing it with a cold, detached worldview where the purpose of life is reduced to one's own gain. Even if following one's self-interest indirectly contributes to the thriving of society, does it truly correspond to the prevailing ethical maxim of "doing to others only what you would want done to you?" Does it place emphasis on forming an economy that works well, or a code of behavior that leads to well-being? Dr. Prasannan Parthasarathi explains in the introduction to the Barnes and Noble edition of *The Wealth of Nations*: "*The Wealth of Nations* was certainly a celebration of a modern market society, but not as an end in itself. Rather it was a means by which the larger goals of individual liberty and social order could be obtained." (Smith/Parthasarathi xii). For Smith, simply achieving a free market and *laissez-faire* capitalism was never the final goal. Smith recognized that essential virtues like justice, honesty, and charity were necessary for a thriving society. But being a hard-headed, practical-minded man, he believed that virtue can never be forced, and ethics was a minimal component of his writings. He wanted to crack open the door for moral strongholds in both the Old and the New World by supplying

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\* In his economic theory, Smith did write that labor was the principal factor in driving the economy, as opposed to wealth. However, he believed that labor was controlled by the invisible hand, not by class hierarchies, as Marx did.



them with an irrefutable model for prosperity. We must be free to choose the right way; forced virtue is no virtue at all. To encourage self-interest leads to greater personal responsibility. To leave men to their own designs maximizes the significance of positive actions. Proper behavior begins within the soul, not the state. *Ergo*, the only requisite axiom for a virtuous society is liberty to make one's own decisions. Smith's thought does not trample on morality, it allows room for it.

However, Smith was not interested in metaphysical assumptions due to his disdain for religion. This disdain stemmed from the futile religious wars that had been raging over Britain for centuries and were still ongoing in Smith's time. This led Smith to believe that religion was a tool for division and for the evil ambitions of the "men of system." He genuinely held that natural law could be deduced through pure reason, and saw no need for a personal God to institute it. In this way, he was quintessentially a man of the Enlightenment.\* Natural law and moral law have often been seen as antithetical, but a robust reading of Smith's theories proves that one is necessitated by the other. The fact that men are slaves to their own self-interest infers a set of guidelines for virtuous living. The natural law theist believes that the fallibility of human nature is unavoidable. But he also believes that God cares deeply about His fallen creatures, and gave them natural law to prove His concern for their dignity and rights. Virtuous living is ensured by an obedience to natural law and a government devoted to securing and maintaining liberty. The good life is ensured by virtuous living. There has been no system of thought more concerned with the practice and promotion of virtue for the sake of higher truth than Adam Smith's natural law theory.

Adam Smith was many things- a sensible pragmatist, an erudite economist, a shrewd craftsman of political theory, and an ardent social activist. But above all else, he was a man who wished to reform society by returning to basics. To him, truth mattered, and he wanted deeply for the West to realize the truth about human nature. He went on to devise an economic system that produced some of the West's chief triumphs of prosperity. Smith relegated government to its proper role as guardian of liberty, recognized the fact of self-interest and the existence of universal rights, and proposed a society that, through freedom from contrived schemes of "men of system," would attain the best life possible. Smith resurrected the society of virtue. His ideas are remarkable not only for their timelessness, but for their timeliness. If we are to go back to what makes life worth living, we must go back to Smith and discover what he says about ourselves. Just as in Smith's time, it is not too late to reform our society to its organic state. It is not too late for liberty; it is not too late for virtue.

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\* This brand of indifferent deism was a characteristic of several of the American founders, but it need also be noted that the axiomatic nature of "we hold these truths to be self-evident..." may be contrary to Smith's rationalism, and thus infers that natural law can be believed regardless of starting point. Though the founders' reliance on this precept showed a deeply-fastened influence from Smith, Smith may have challenged their belief that it was axiomatic.

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