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Adam Smith and the Theme of Corruption

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Abstract: This paper seeks to locate Adam Smith's thought within corruption debates and traditions. The discussion commences by outlining the material and intellectual context within which Smith wrote, after which it disputes claims that Smith may be readily aligned with either a classical or proto-Marxist "corruption and decline" tradition. The remainder of the paper is devoted to exploring in detail how he approached the topic. It is argued that he does not fit easily into any of the recognizable corruption frameworks but that he forges one all his own, borne of his anxieties about the activities of the English state in a rapidly expanding economy and his desire to develop the new science of political economy.

This paper examines Adam Smith's (1723–1790) approach to the subject of corruption, a topic that has received little systematic scholarly attention. No scholar, to my knowledge, has attempted to locate him within late modern discourses of corruption; however, a number have sought to portray him as a thinker with either a classical interest in the decline of nations or a proto-Marxist interest in the effects of early capitalism. As I hope to show here, although Smith certainly is interested in the corruption theme, his framing of it does not fit easily into any of the corruption categories familiar to intellectual historians. This is partly because Smith is basically positive about commercialism, in particular, and progress, in general; but it is also because he has an eccentric notion of what political flourishing and national security entail.

Corruption

The term "corruption" has been notoriously difficult to define,[1] but scholars have typically distinguished between classical and modern senses of the term. Until the end of the eighteenth century, "corruption" had a much broader meaning than it does today; it referred "less to the actions of individuals" than to the general moral health of the body politic judged according to "distributions of wealth and power, relationships between leaders and followers,

[1]Mark Philp, "Defining Corruption: An Analysis of the Republican Tradition," *International Political Science Association Research Roundtable on Political Finance and Political Corruption* (Bellagio, Italy, 1987).

the source of power and the moral right of rulers to rule."[2] Within the classical tradition,[3] the typical candidate for corruption is the prosperous, bloated empire. Its usual triggers are aggressive militaristic expansion, ethnic hubris, irreligiousness, hedonism, systemic inequalities of wealth, civic withdrawal, overreliance on mercenary armies, distance between leaders and citizenry, and a consequent loss of political virtue in both. Corruption was not so much an individualized breach of duties as a condition that spread contagiously and diffusely throughout the polity affecting leaders and citizens alike. The narrower, modern conception with which we are now familiar began to emerge in the eighteenth century. Modern corruption is said to denote

> behavior which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique), pecuniary, or status gains; or violates rules against the exercise of certain types of private-regarding influence. This includes such behavior as bribery (use of reward to pervert the judgment of a person in a position of trust); nepotism (bestowal of patronage by reason of ascriptive relationship rather than merit); and misappropriation (illegal appropriation of public resources for private-regarding uses).[4]

Adam Smith wrote at a time when the concept of corruption, under pressure from two broad and related historical fronts, was undergoing a refinement in its meaning. The first was the expansion of commercialism and British domestic and foreign markets. As Britain's empire and economy grew so did the opportunities and scope for corruption. This, in turn, hastened the emergence of new understandings of the relationship between private interests and public duties. The second set of pressures was brought about by the birth of the modern state, which was expanding rapidly and becoming more organized.[5] With that expansion and increasing organization, the line between private market and state affairs began to sharpen. Corresponding to these changes was the emergence of protoliberal sensibilities that nurtured and promoted such values as neutrality, impartiality, merit, and egalitarianism and

[2]Michael Johnston, "The Search for Definitions: The Vitality of Politics and the Issue of Corruption," *International Social Science Journal* 48 (1996): 322.

[3]As transmitted to the Enlightenment in the writings of such antique figures as Plato, Thucydides, Lucretius, Posidonius, Tacitus, Polybius, Seneca, Epictetus, and Cicero.

[4]Joseph Nye, "Political Corruption: A Cost Benefit Analysis," in *Political Corruption: A Handbook*, ed. A.J. Heidenheimer, Michael Johnston, and V. Levine (New Brunswick, NJ: Transaction Books, 1989), 966.

[5]As reflected in its "expansion of material infrastructure and social administration" (Paul Langford, "The Management of the Eighteenth-Century State: Perceptions and Implications," *Journal of Historical Sociology* 15 [2002]: 102–6,105). See also Joanna Innes, "Changing Perceptions of the State in the Late Eighteenth and Early Nineteenth Centuries," *Journal of Historical Sociology* 15 (2002): 107–12, 112.

pitted them against the absolutism, nepotism, particularism, and patronage perceived to be attendant on feudal and aristocratic forms of governance. Although most eighteenth-century thinkers continued to employ the term "corruption" in its classical sense,[6] reformers increasingly drew attention to practices and institutions that would now qualify as sins against modern sensibilities.

Concern with corruption is, of course, millennia old. Many classical writers took for granted that prosperous states were doomed to tip into decline; accordingly, an exploration of its causes was a ubiquitous theme in antique literature. Closer to Smith's time, it was a common seventeenth-century view that the world was in its dotage,[7] and the idea of degeneration was still popular in the eighteenth century.[8] Britain was expanding rapidly in the eighteenth century; because of its increasing prosperity and imperialistic tendencies, writers like Edward Gibbon and Adam Ferguson drew parallels between ancient Rome and contemporary Britain. Many eighteenth-century thinkers believed that the decline of Republican Rome could be traced to the triumph of Epicureanism over Stoicism. Epicureanism taught prodigality, described a godless world governed by chance, reduced morality to hedonism, and defined all good as private. Conversely, the cures for the ills of the ailing polity were seen to lie in the restoration of civic virtue as defined by Stoicism.[9] This opposition was popular in seventeenth- and eighteenth-century moral and political discourse and was reflected in a neo-Puritan revival that condemned hedonism and overconsumption and perceived in the attitudes of the British populace a renaissance of the Epicurean imperative.[10] As a consequence, the dissipation of virtue became one of the most urgent problems of political philosophy in the eighteenth century[11] with figures like Viscount Bolingbroke, John Brown, and Adam Ferguson discoursing on the perils of hedonism and luxury.[12] In his *Essay on the History of Civil Society* (1767), Ferguson (Smith's friend and compatriot) focused on the decline of nations and the vitiating effects of luxury, imperialism, military

[6]Albert O. Hirschman, *The Passions and the Interests* (Princeton: Princeton University Press, 1977), 40.

[7]John Passmore, *The Perfectibility of Man* (London: Gerald Duckworth and Co. Ltd., 1979), 198.

[8]Lois Whitney, *Primitivism and the Idea of Progress* (Baltimore: The Johns Hopkins Press, 1934), 43.

[9]See, for example, Adam Ferguson, *The History of the Progress and Termination of the Roman Republic* (London: Jones and Company, 1834), 169–70.

[10]Lawrence Dickey, "Historicising the 'Adam Smith{XE "Smith"}Problem': Conceptual, Historiographic, and Textual Issues," *The Journal of Modern History* 58 (1986): 579–609, 606.

[11]J. G. A. Pocock, *The Machiavellian Moment* (Princeton: Princeton University Press, 1975), 462.

[12]John Sekora, *Luxury* (London: Johns Hopkins University Press, 1977), 93.

specialization, and political apathy.[13] Smith has also been associated with this classical approach to corruption, but, as I will show, he was basically optimistic about the effects of progress and, specifically, commercialism. His is a more modern, though slightly eccentric, vision representing his determination to work toward two goals: first, to make a decisive break with the past and traditional etiologies of social disorder, and second, to develop the science of political economy.

Corruption—and its eradication—was one of the most pressing problems for political theorists of the eighteenth century, many of whom portrayed England as "shot through with corruption and venality."[14] Alarmed by this state of affairs, some thinkers approached the issue exclusively through the lens of civic humanism, focusing on the general problem of hedonism and prosperity and the consequent loss of political virtue,[15] while others confined their attention to the regularization and reform of political institutions.[16] But many saw the issues as closely interrelated, and the term "corruption" often denoted a generalized loss of virtue in the polity (classical) exemplified and exacerbated by the widespread abuse of public office for private gain (modern). In this period, then, the distinction between classical and modern conceptions of corruption seems to have become a fairly unstable one.

Doubtless, the narrowing of the definition of corruption was aided by the fact that eighteenth-century English politics was seen as "a racket, run by particular groups within the ruling classes largely for their own benefit."[17] The most significant topic in the reform debate of the eighteenth century was political and especially parliamentary reform. When Smith was writing, the salient issues were a desire for greater parliamentary independence; the regularization of electoral boundaries; suffrage reform; and the general eradication of "Old Corruption," a term coined in the nineteenth century by William Cobbett to denote an English state implicated in

[13]Lisa Hill, *The Passionate Society*: *The Social, Political and Moral Thought of Adam Ferguson* (Dordrecht: Springer, 2005), c. 10.

[14]Wilfred Prest, "Judicial Corruption in Early Modern England," *Past and Present*, 133 (1991): 67–95, 68.

[15]For a fuller discussion of political corruption in its mainly classical sense in the early eighteenth century, see J. G. A. Pocock, "Virtue and Commerce in the Eighteenth Century," *Journal of Interdisciplinary History* 3 (1972): 119–34; and Maurice Goldsmith, "Public Virtue and Private Vices: Bernard Mandeville and Political Ideologies in the Early Eighteenth Century," *Eighteenth Century Studies* 9 (1976): 477–510.

[16]See, for example, Miles Ogborn, "Wherein Lay the Late Seventeenth-Century State? Charles Davenant Meets Streynsham Master," *Journal of Historical Sociology* 15 (2002): 96–101, 98–99.

[17]Philip Corrigan and Derek Sayer, eds., "From Theatre to Machine: Old Corruption," in *The Great Arch: English State Formation as Cultural Revolution* (Oxford: Basil Blackwell, 1985), 89.

such practices as the extension to political cronies of government sinecures, reversions,[18] "pensions, government contracts, and church preferments."[19] English electoral politics was riven with corruptions like rotten boroughs, patronage, bribery, and the treating of loyal voters,[20] while reformers were alert to the more general issues of the use of arbitrary power and the control of state institutions by party factions.[21] Public debt and government profligacy also attracted critical attention. The ongoing project of militaristic expansion led to an increasingly large public debt and, with it, rising taxes and an exacerbation of the system of patronage,[22] all of which contributed to the perception of a vitiated and bloated state at odds with the interests of its public.[23] Though critics like Adam Smith saw the English state as an archaic and cumbersome constraint on economic life,[24] at least one aspect of its administration was (negatively) perceived to be well managed. In order to finance its war efforts, the eighteenth-century English state had developed a relatively efficient and professional system of tax gathering.[25] So, for much of the eighteenth century, a view prevailed that

[18]Denoting "the right of succession to an office or place of emolument after the death or retirement of a holder" which allowed office holders to pass on valuable positions to family members (Eckhart Hellmuth, "Why Does Corruption Matter? Reforms and Reform Movements in Britain and Germany in the Second Half of the Eighteenth Century," in *Reform in Great Britain and Germany 1750-1850*, ed. T. C. W. Blanning and Peter Wende (Oxford: Oxford University Press): 19–21.

[19]Ibid., 22–23.

[20]J. A. Phillips, "The Structure of Electoral Politics in Unreformed England," *The Journal of British Studies* 19 (1979): 76–100.

[21]Innes, "Changing Perceptions of the State," 109.

[22]Much of the national debt was offset by public credit that increased the crown's patronage powers (Pocock, "Virtue and Commerce," 119–20). For further discussion of the problems of patronage in the seventeenth century, see L. L. Peck, *Court Patronage and Corruption in Early Stuart England (*Boston: Unwin Hyman, 1979).

[23]Hellmuth, "Why Does Corruption Matter?" 19–21. See also John Brewer, *Party, Ideology and Popular Politics at the Accession of George III* (Cambridge: Cambridge University Press, 1976), 249ff.

[24]See, for example, Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. R. H. Campbell and A. S. Skinner (Oxford: Clarendon Press, 1979), II. iii. 35–36: 334–35. (see 17.129, 15th ed.). However, it allows for a mix of roman and arabic if the work has complex divisions, as this work has. I have, therefore, left your citation as is.] Hereafter, cited as *WN*. This is a characterization that some historians have rejected. See Innes, "Changing Perceptions," 112; and Langford, "The Management of the Eighteenth-Century State,"105. {XE "Liberty"}

[25]Quoted from Hellmuth, "Why Does Corruption Matter?" 8. See also John Brewer, *The Sinews of Power: War, Money, and the English State, 1688–1783* (London: Century Hutchinson, 1988). For a discussion of the birth of the modern state as a consequence of the need for a more efficient taxation system, see Ogborn, "Wherein Lay the late Seventeenth-Century State?" passim.

the British government, in all its forms, was "parasitical," profligate, and existed only to "shamelessly" serve and enrich a select elite.[26]

Smith shared in this perception, berating the English State's "wastefulness and its hypocritical attempts to control the personal spending "of private people."[27] He believed that most public institutions contained the potential for "neglicency and corruption"[28] and disliked any "profusion of government."[29] Smith saw government profligacy as synonymous with corruption[30] and drew attention to practices that would now qualify as forms of modern corruption, criticizing the practice of sinecure granting,[31] the domination of parliament by sectional (i.e., private economic) interests[32] as well as its unrepresentative nature.[33] Judicial bribery[34] was another popular eighteenth-century corruption issue that he showed some interest in, specifically describing it as a form of "corruption."[35] The problem of public debt was a particular concern for Smith because of its tendency to drive up taxes, which in turn led to the flight of domestic capital and a consequent devaluation of the domestic currency.[36] The long-term effect of this dynamic was the potential ruination of

[26]Pocock, "Virtue and Commerce," 119–20.

[27]*WN*, II. iii. 35–36: 344–46.

[28]Adam Smith to William Cullen, September 20, 1774, *The Correspondence of Adam Smith* {*XE "Smith"*}, ed. E. C. Mossner and I. S. Ross (Oxford: Oxford University Press, 1987), no. 143. Hereafter, *The Correspondence* will be cited as *Correspondence*.

[29]*WN*, II. iii. 36: 345.

[30]*WN*, V. ii. k. 64: 898.

[31]*WN*, V. i. b: 719. "Publick services are never better performed than when their reward comes only in consequence of their being performed, and is proportioned to the diligence employed in performing them."

[32]*WN*, IV. ii. 43: 471; *WN*, IV. vii. b. 49: 584; *WN*, IV. viii. 17: 647; *WN*, V. i.e. 4: 733. Smith remarked with reference to Great Britain that "[i]n a Country where Clamour always intimidates and faction often oppresses the Government, the regulations of Commerce are commonly dictated by those who are most interested to deceive and impose upon the Public" (Letter no. 248 addressed to Le Duc de la Rochefoucauld, November 1, 1785, *Correspondence*). Smith wrote to William Eden that laws governing trade "may, I think, be demonstrated to be in every case a complete piece of dupery, by which the interest of the State and the nation is constantly sacrificed to that of some particular class of traders" (Letter no. 233, December 15, 1783, *Correspondence*).

[33]Adam Smith, *Lectures on Jurisprudence*, ed. R. L. Meek, D. D. Raphael, and L. G. Stein (Oxford: Oxford University Press, 1978), v. 134–35: 323–24. Hereafter, cited as *LJ* (A).

[34]Which, by Smith's time, had already been defined by William Blackstone in modern terms as occurring "when a judge, or other person concerned in the administration of justice, takes any undue reward to influence his behavior in office" (William Blackstone, *Commentaries on the Laws of England*, 4 vols. [Oxford, 1765–69], 4: 139–40, cited in Prest, "Judicial Corruption in Early Modern England," 67–68).

[35]*LJ* (A), V. 23: 279; *LJ* (B), 67: 423; *WN*, V. i. b: 719.

[36]*WN*, V. iii. 55–56, 60: 927–30.

agriculture, trade, and "manufactures."[37] Heavy taxes create unnecessary and burdensome layers of administration, encourage smuggling, "obstruct the industry of the people" (thereby exacerbating unemployment), and subject the populace to the "odious" and oppressive scrutiny of the tax-gatherers.[38] Thus, Smith shared with his contemporaries many of the concerns about corruption. Nevertheless, he seems to have been working with an eccentric perception of what the problem of corruption was really about. Before exploring what this was, it makes sense to examine first why his does not conform to standard and competing conceptions of the idea.

A Classical, Proto-Marxist or Pessimistic Smith?

A number of scholars have argued that Smith is pessimistic about the corrupting tendencies of the commercial age and even that he perceives in capitalism the seeds of its own inevitable destruction.[39] This seems to me to be an exaggeration of Smith's attitude to commercial progress. While Smith does not close his eyes to the disadvantages of the commercial age (as will be shown presently), nevertheless, there are a number of reasons to cleave to the standard characterization of Smith as optimistic about the future prospects of the commercial polity.[40] To begin with, in contrast to classical accounts, he sees the traditional threats to prosperous empires as either receding or no longer present in Britain's case. A common cause of decline in classical accounts is the professionalization of armies. Yet Smith denied that standing professional armies threatened either the virtue or security of the polity.[41]

[37]James Alvey, "Adam Smith's Three Strikes against Commercial Society," *International Journal of Social Economics* 25 (1998): 1425–41, 1432; *WN*, V. iii. 10: 911.

[38]*WN*, V. ii. b. 6: 826–27.

[39]For proto-Marxian interpretations, see Spencer J. Pack, *Capitalism as a Moral System: Adam Smith's Critique of the Free Market Economy* (Aldershot: Edward Elgar, 1991); and Robert Heilbroner, "The Paradox of Progress: Decline and Decay in the Wealth of Nations," *Journal of the History of Ideas* 34 (1973): 243–62. For interpretations that posit a general pessimism, see Donald Winch, "Adam Smith's Problem and Ours," *Scottish Journal of Political Economy* 44 (1997): 384–402; Vivienne Brown, *Adam Smith's Discourse* (Routledge: London, 1994); Nathan Rosenberg, "Adam Smith on the Division of Labor: Two Views or One," *Economica* 33 (February 1965): 127–39; James Alvey, "Adam Smith's View of History; Consistent or Paradoxical," *History of the Human Sciences* 16 (2003): 1–25; and, by the same author, "Adam Smith's Three Strikes": 1425–44.

[40]As best exemplified by Joseph Cropsey when he argued that, despite Smith's acknowledgement of the many defects of commerce, he saw it as the best way to "generat[e] freedom and civilisation" (Joseph Cropsey, *Polity and Economy: An Interpretation of the Principles of Adam Smith* [The Hague: Martinus Nijhoff, 1957], 95).

[41]As civic humanists of the seventeenth and eighteenth century had insisted upon. See Lois Schwoerer, *"No Standing Armies!": The Anti-Army Ideology in Seventeenth*

Not only do they provide better security than citizen militias, but they also generate positive changes in the social fabric. By releasing citizens from public duties, standing armies permit people to get on with their independent commercial pursuits while, at the same time, engendering the high levels of trust, order, liberty, and security necessary for such pursuits to flourish.[42]

Another important source of corruption in classical accounts of empire decline—systemic inequality—does not seem to have bothered Smith.[43] Rather than threatening the commercial state Smith believed that rank distinctions and wealth inequalities were a natural product of modernity due to equally natural developments in the accumulation, maintenance, and legal regulation of private property.[44] They were a vital ingredient of economic growth[45] and provided indispensable support to social stability, "peace and order" in advanced and increasingly mass societies such as interested him.[46]

Further, although Smith objected to the public debt problem, partly brought on by England's extensive military entanglements, he did not regard its effects as necessarily fatal.[47] Rather, he seems to have expected the natural and inevitable growth of commerce to provide the necessary

Century England (Baltimore: John Hopkins University Press, 1974); and John Robertson, *The Scottish Enlightenment and the Militia Issue* (Edinburgh: John Donald, 1985).

[42]*WN*, I. xi. i: 256. See also *WN*, xi. g: 213–14; *WN*, V. i. a. 41: 706–7.

[43]This is not the same as saying that Smith was unconcerned about the problem of poverty among the lower classes. As Samuel Fleischaker, *On Adam Smith's Wealth of Nations* (Princeton: Princeton University Press, 2004), 205–8, has argued convincingly, Smith's concern for the poor—novel among his contemporaries—ran deep. But Smith thought that the maintenance of social hierarchies (so long as they were accompanied by other structures and policies that permitted the poor to gain independence) were important for the achievement of the kind of economic growth and prosperity that was capable of benefiting everybody, especially the poor. The mechanism at work here is invidious comparison. In a class system that tolerates and protects the existence of models for emulation (the rich), the laboring poor will toil endlessly in order to save (but never ultimately consume) those items of "ostentatious avidity" (Adam Smith, *The Theory of Moral Sentiments*, ed. D. D. Raphael and A. L. MacFie [Oxford: Clarendon Press, 1976], I. iii. 3.2: 62) enjoyed by their social superiors [I. iii. 2.1: 50–51]). Hereafter, *The Theory of Moral Sentiments* is cited as *TMS.*

[44]*LJ* (A) 26: 340.

[45]See above at note 44.

[46]*TMS*, VI. ii. 1.21: 226; *LJ* (B): 210, 489.

[47]Such a prodigious waste of "capital ... must, undoubtedly, have retarded the natural progress of England towards wealth and improvement"; however, "it has not been able to stop it" (*WN*, II. iii. 36: 345).

correction.[48] Commercial states, with their particular interest in free trade, are more likely to seek alliances than to prosecute wars. Indeed the "state of peace" is synonymous with the state of "commerce."[49]

Finally, it is hard to imagine that luxury and hedonism will be problems for a writer who apparently defines happiness in terms of material abundance[50] and who promotes and celebrates the pursuit of the "natural joy of prosperity."[51] He continually emphasized that luxury was a relative thing, more likely to reflect a healthy, flourishing state than one in imminent danger of collapse.[52] Condemning those "popular ascetic doctrines . . . which placed virtue in the entire extirpation and annihilation of all our passions," Smith declares that it is "certain that luxury, sensuality, and ostentation are public benefits" for they encourage the vital "arts of refinement" upon which progress depends.[53]

Smith does not see the declining or stationary state as a likelihood. Though some states would fail to progress due to environmental disadvantages and the effects of poor management, there is, in general, a "natural progress of improvement";[54] indeed, the retrogressive state is the "unnatural" state.[55]

[48]For a fuller discussion of why commercial expansion is both natural and inevitable in most settings, see Lisa Hill, "Further Reflections on the Hidden Theology of Adam Smith," *European Journal of the History of Economic Thought* 11 (2004): 629–35.

[49]*WN*, IV. iii. c. 11: 494.

[50]*WN*, I. viii. 36: 96.

[51]*TMS*, I. iii. 2.1: 51. Yet it is worth bearing in mind that Smith's position on "happiness" is more complicated than this because elsewhere he also tells us that "[i]n what constitutes the *real* happiness of human life, [the poor] are in no respect inferior to those who would seem so much above them" (*TMS*, IV. 1. 10: 185, emphasis added). Nevertheless, because Smith ultimately sees the wealth-equals-happiness arrangement as beneficial and even vital in terms of its effects on social systems (a deception engineered by the divine architect for the general benefit of humanity), for the purposes of this discussion, it is acceptable to characterize his attitude to happiness in terms of the wealth-equals-happiness position.

[52]For example, see *WN*, I. i. 11: 23–24; *WN*, I. viii. 35: 95–96.

[53]*TMS*, VII. ii. 4.12: 313. It should be pointed out, however, that although in his early works Smith is complacent about luxury consumption, in the *Wealth of Nations*, he added the important qualification that it was only the desire for, rather than actual consumption of, luxury goods among workers and merchants that could be deemed positive. This is because he has decided that saving, rather spending, encourages growth. Only among the rich was luxury spending condoned because their "ostentatious consumption" would "act as a spur to others, not to imitate such behavior, but to work harder" (Anthony Brewer, "Luxury and Economic Development; David Hume and Adam Smith," *Scottish Journal of Political Economy* 45 (1998): 78–98, 78–79.

[54]*WN*, V. i. a. 43: 708.

[55]*WN*, III. I. 9: 380. For a fuller discussion of this point, see Hill, "Further Reflections." Though Smith never properly defines what the term "natural" in this context means, in general, "natural" seems to denote a state where the innate urges

Yet Smith was not oblivious to the disadvantages of progress, observing that commercialization, and in particular the growth of cities, could have pernicious effects on moral character. The "spirit" of commercialism—as well as its characteristic mode of production (specialization)—has a detrimental effect because it "sinks the courage of mankind and tends to extinguish martial spirit."[56] The new independence of working children undermines the traditional "authority" of fathers with the effect that the young, when at leisure, fall into bad habits of "drunkenness and riot."[57] The commercial age is posited as the age of declining literacy. Among the "lower" metropolitan orders, the education of children is "greatly neglected" because the division of labor "affords an opportunity of employing children very young."[58] This, in turn, leaves people with no ideas of "amusement . . . but riot and debauchery."[59] Though Smith thought commercialization was natural, inevitable, and basically positive,[60] he was keenly aware of "the disadvantages of a commercial spirit." "The minds of men are contracted and rendered incapable of elevation, education is despised or at least neglected, and heroic spirit is almost utterly extinguished."[61] Such effects were felt most acutely by workers involved in specialized "manufactory" labor (to be discussed further).

Although Smith does show some interest in the link between economic growth and corruption, his conception falls outside usual usages of and taxonomies associated with the term. Of the latter, we have seen that the classical and modern dichotomy is the most common. Yet he has much in common with both versions. Apart from using the term "corruption" in the common usage sense as decay from an ideal or original condition, Smith also uses the term in both the classical[62] and modern senses.[63] His literal invocation of the term (and its cognates) does not, therefore, offer many clues as to his place within corruption debates because he clearly understands—and

of human agents are given free reign, unencumbered by human interference and the large scale schemes of either legislators, market monopolizers or dependency generators.

[56]*LJ* (B), 1766, 331: 540.

[57]*LJ* (B), 330: 540.

[58]*LJ* (B), 329: 539–40.

[59]*LJ* (B), 329–30: 539–40.

[60]For a fuller defense of this view, see Hill, "Further Reflections," 629–35.

[61]*LJ* (B), 333: 541.

[62]For example, *WN*, V. i. a. 38: 705; *WN*, V. i. f. 47: 781; Adam Smith, Letter to the *Edinburgh Review*, in *Essays on Philosophical Subjects*, ed. I. S. Ross (Oxford: Clarendon Press, 1980), 250; *TMS*. III. 1: 61–62.

[63]*WN*, V. i. b. 17–20: 718–20; *WN*, V. ii. b. 4.: 825–26; *WN*, V. ii. k. 62: 897; *WN*, V. iii. 61: 931; *LJ* (A) v. 23: 279; Letter to William Cullen, no. 143, September 20, 1774, *Correspondence*).

indeed refers to—corruption in both senses. It makes more sense, then, to eschew a content analysis approach in favor of one that seeks to comprehend more broadly what his vision of the ideal polity is and what he perceives to be its greatest threats.

When we read Smith with this in mind, we can appreciate that he chooses to think about corruption in an eccentric way that might be thought of as a hybrid conception. In terms of his overall approach, he is using it in the classical sense as a deviation from an ideal state and as a condition that affects the entire polity, corrupting the virtue of leaders and citizenry alike. However, the causes of corruption are quite different from those normally identified in the classical model. Indeed, such causes (i.e., luxury, irreligiousness, standing armies, civic withdrawal) are generally seen by Smith as benign and, in some cases, beneficial. Further, the virtues he identifies as vulnerable to corruption are not classical and civic but modern and commercial ones (see below). Though it is probably fair to say that he does adopt the healthy versus corrupt dichotomy,[64] and even agrees that the former is upheld by the virtue of its members, such virtue is not a recognizably classical type. His good republic bears little or no resemblance to the classical ideal. In fact it is a comparatively tepid model, politically speaking, relying as it does on a well-regulated leadership and a quiescent, orderly, self-governing public of private, self-regarding subjects. While Smith is definite that virtue is the main guard against social and economic corruption, the virtues he valorizes and promotes are commercial rather than civic ones—the tame, cool virtues of the middling ranks. Furthermore, they are generated outside politics and exclusivistic social units like the village, the *umma*, or the feudal estate, which are the usual matrixes of virtue in classical narratives of corruption. Neither are his virtues realized through the transcendence of market relations, class hierarchies, and specialized labor, as per Marxian accounts.

Finally, unlike most thinkers working within a classical framework, he does not regard corruption in prosperous nations as inevitable (although Smith does see national decline as a possibility and expends some energy in outlining how it might be avoided). There is no portent of impending palingenesis, no cycle of decline and renewal, and no pessimistic eschatology lurking beneath his narrative. Rather, his discourse on the likely causes of corruption is framed within a lineal and progressive historiography.[65] He is reaching towards a broadly modern conception of corruption that is made necessary by the growth of the market, the emergence of the modern state, and his desire to prevent the latter from stifling the former. As both state and

[64]As Shumer notes: "Corruption must be understood in relationship to its mirror-image concept, the healthy republic" (S. M. Shumer, "Machiavelli; Republican Politics and Its Corruption," *Political Theory* 7 [1979]: 5–34 [see especially p. 8]).

[65]For further elaboration of this point, see Hill, "Hidden Theology," passim and "Further Reflections," passim.

market activity expands, Smith's political economy is an attempt to clarify their relationship, to quarantine the private from the public realm in order to liberate the market and individual actors so that they could, at last, work properly or naturally.

It seems that Smith's picture of corruption is best understood in relation to his attempt to establish the science of political economy, which is morally neutral (at least to his mind) and divorced from standard moralistic virtue narratives or normative critiques of progress and commercialization. Corruption consists in violations of the system of natural liberty, including violations that corrupt the naturally self-governing behavior of individual actors. In other words, corruption is instigated by obstructions to the natural course of progress rather than by progress itself; accordingly, more progress is generally his solution to any of the pathologies of modernity. The problem is not modernity, prosperity, hedonism, martial specialization, civic withdrawal, commercialism, or any of the other triggers of corruption in classical accounts but rather lack of commercial progress, a lack of modernity, and a lack of withdrawal into private and individuated concerns.

Precommercial social and political arrangements generate corruption because of their tendency to discourage individual autonomy on the one hand, and interfere with the natural laws of the market, on the other. Numbered among these corrupting remnants of precommercial stages are religious fanaticism and sectarianism; political faction, and monolithic, paternalistic, and intrusive forms of governance, including any institutional and legal impediments to the free play of the market and the development of independent moral character. Such impediments include monopolies, poor laws, corporation laws, apprenticeship laws, and regulations governing the institutions of entail and primogeniture. These restrictions could not only corrupt individual agents, but they could also threaten the prosperity and security of entire nations. Though all of these feudal phenomena persisted in commercial societies, Smith's point was that they did not naturally belong in them. In his view they needed to be purged in order to deliver society into its natural state and thereby secure the commercial stage from decline, in the long term, and to prevent consumers from being victimized by its effects, in the short.[66] Notwithstanding the necessity for some degree of positive justice, the good polity is not so much a set of institutional arrangements carefully orchestrated by hubristic lawgivers as a natural market economy of individuated, self-regarding, specialized, lawful, and mutual forbearing agents. Finally, although Smith identifies two additional and modern sources of moral corruption (urbanization and the division of labor), he insists that their effects are far from fatal and could be satisfactorily addressed within existing social arrangements (to be discussed further). In other words, they are not indicative of a neoclassical "corruption and decline" narrative in Smith.

[66]*WN*, IV. V. iii. 49: 660.

Thus Smith's idea of corruption seems to be best understood as a combination of a classical, modern, and technical dictionary definition, namely, as a virtue-corrupting condition that radiates diffusely throughout society (classical) representing a deviation from a sound or natural condition (technical),[67] the broad outlines of which are recognizably laissez-faire liberal (modern). He does not really posit an ideal or sound constitution from which societies deviated or toward which they might judiciously gravitate. He is more interested in deviations from the invisible and omnipresent laws of nature, which he believed governed the entire universe, including societies, economies, and even individual agents. There is a natural, spontaneous order that should not be unduly interfered with; namely, the system of natural liberty and the market.

The System of "Natural Liberty": The Market as a Natural, Uncorrupted Order

Smith apparently believed that beneath the complex of seemingly arbitrary social arrangements and artificially imposed institutional constraints on human behavior there was a system of natural and spontaneous economic relations which, when allowed to operate, would function reasonably harmoniously. He was intensely averse to system and the utopian schemes of legislators, deriding the hubris of the social engineer who "fancies himself the only wise and worthy man in the Commonwealth" in assuming "that his fellow citizens should accommodate [themselves] to him and not he to they."[68]

There exists a natural equilibrium with which both legislators and private individuals should, for the most part, avoid interfering; each person is by nature the best judge of her own interest and should, therefore, be left unhindered to pursue it in her own way. She is able in this manner to achieve, not only her own best advantage, but that of society as well. It was this belief in a natural economic order which led Smith to make his celebrated statement that in pursuing her own advantage each individual was "led by an invisible hand to promote an end which was no part of [her] intention," namely, the general welfare and prosperity of the nation.[69]

Corresponding to this natural order, Smith refers to the "natural rights" of individuals, whereby each person has the liberty to act in a way that is consistent with her self-regarding inclinations. People have a "natural right" to

[67]The term "corruption" is "rooted in the sense of a thing being changed from its naturally sound condition, into something unsound, impure, debased, infected, tainted, adulterated, depraved [or] perverted" (Mark Philp, "Defining Political Corruption," in *Political Corruption*, ed. Paul Heywood [Oxford: Blackwell Publishers, 1997], 20–46, 24–25).

[68]*TMS*, VI. ii. 217: 234.

[69]*WN*, IV. ii. 9: 456.

"free commerce"[70] and to enjoy their "liberty free from infringement."[71] In a system of "just liberty," agents should not be hindered in the use of "[t]he property which every man has in his own labor" and which is the "most sacred and inviolable" of all forms of property.[72] Since humans are psychologically disposed to specialize their economic effort, it is their natural right to exchange any resulting vendibles with the products of the specialized effort of others. It follows, then, that, provided "there is no injury to [ones] neighbours,"[73] there can be no legitimate interference with exchange either by private persons or public bodies. Smith deplored regulations such as poor laws, corporation privileges, statutes of apprenticeship, and restrictions on international trade. He further insisted that private interests could be just as noxious to the system of natural liberty as an overbearing state and cautioned against "the spirit of monopoly," berating the "mean rapacity" and "monopolising spirit of merchants and manufacturers."[74] As a result of the dispensation of monopoly grants and the arbitrary bestowal of "extraordinary privileges" and "restraints" upon different sectors of industry by government, some individuals were able to enrich themselves without at the same time enriching the nation.[75]

Smith condemned all these impositions and restrictions as corruptions of natural social laws and violations of the personal rights of individuals. They are not only extremely "hurt[ful] to the natural state of commerce"[76] but are usually obtained via corrupt (i.e., nonfree market) means, namely, through patronage, electoral, and related forms of bribery.[77]

[70]*LJ* (A), 12–13: 8.

[71]*LJ* (B), 11: 401; *LJ* (A), i. 24: 13.

[72]*WN*, I. x. c. 12: 138; *WN*, IV. v. b. 43: 540.

[73]*WN*, I. x. c. 12: 138.

[74]*WN*, IV. iii. c. 9: 493.

[75]The East India Company with its powerful, state-protected monopoly of British/Asian commerce was a prime target for Smith. See, for example, *WN*, IV. vii. c. 91: 631; *WN*, IV. vii. c. 107: 641. Its privileged position led to a situation whereby consumers not only "paid" for the company's "extraordinary profits . . . but for all the extraordinary waste which the fraud and abuse, inseparable from the management of the affairs of so great a company, must necessarily have occasioned (*WN*, IV. vii. c. 91: 631). Smith lamented that the company was powerful enough to impose such "improper regulations" and "injudicious restraints" as to induce a "famine" (*WN*, IV. v. b. 6: 527). "Monopolists" are also criticized for the fact that they "very seldom make good work" (Letter to William Cullen, September 20, 1774, no. 143, *Correspondence*). For a full exploration of Burke's equally critical attitude, see Frederick Whelan, *Edmund Burke and India: Political Morality and Empire* (Pittsburgh: University of Pittsburgh, 1996).

[76]*LJ* (B), 306–7: 529.

[77]Whereby "stockholders of the competing Old and New East India companies" bid "for the votes of small and corrupt boroughs in order to secure the controlling interest in Parliament" thereby enabling them "to wipe out their competitors in the lucrative

Though Smith seems aware of the problem of corruption on an individual level, he sees the issue as more of a systemic problem, focusing almost exclusively on its legalized and normal forms. He rarely portrays modern corruption as a breach of individual morality or an offence against the judgments of the impartial spectator but rather as a function of either legally sanctioned market manipulation or an absence of regular, impartial justice. For example, monopolies exist because they are officially sanctioned; judicial corruption arises not because judges are immoral but because the norms of behavior pertaining to court fees and "gifts" and payments are "arbitrary and uncertain";[78] because the fees paid to "attorneys and clerks" are unregulated, the latter naturally succumb to the "temptation" of rent-seeking.[79] The irregularity and "uncertainty of taxation encourages the insolence" and "corruption" of tax collectors[80] while "negligency and corruption" within universities are rife because the sector is artificially oligopolized and lacks a system of regularly constituted inspections or "[v]isitations."[81] Accordingly, corruption could only be eradicated at the social-system level via appropriate corrections to the legal framework; this would, in turn, presumably, change norms. Moral sentiments alone are incapable of policing the problem of corruption as Smith understands it; they need the proper legal (albeit spare and restrained) framework in order to function properly.

Smith recognized the norm- and class-bound nature of corruption, noting that it was not a significant problem among people in the "middling and inferior stations of life" where the "road to virtue and that to fortune" is generally one and the same. Such people are generally not above the law and are, therefore, less inclined to break it. Moreover, their success is usually dependent, not on birth or wealth, but on their own "real and solid professional abilities" coupled with the "favour and good opinion of their neighbours and equals," something that cannot be obtained "without a tolerably regular conduct."[82] The standards of impartial spectator surveillance that are exercised over (and by) these classes are much stricter and less forgiving than those which are supposed to constrain the vices of people in "exalted stations."[83] Those who are either above the law or are in a position to manipulate it in order to serve their own ends are responsible for most of the corruption that Smith has in mind. The impartial spectator is helpless

trade to the East Indies" (Laura Curtis, ed. *The Versatile Defoe* [London: George Prior, 1979], 244).

[78]*WN*, V. i. b. 16: 718.

[79]*WN*, V. i. b. 22: 721.

[80]*WN*, V. ii. b. 4: 825–26.

[81]Letter to William Cullen, September, 20, 1774, no. 143, *Correspondence*.

[82]*TMS*, I. iii. 3. 5: 63.

[83]*TMS*, I. iii. 3. 4: 63.

to censure their behavior because elite forms of corruption are both legal and normal.[84]

Smith's main purpose in writing about corruption was to confront and criticize the corrupt yet legal norms of the elite classes, norms that enabled them to exploit and control those in the lower orders and, in the long run, undermine the prosperity of the nation. It was a perverse fact that the vast majority of people were expected to toil endlessly within the strict confines of one set of laws defined by a class whom they emulated and yet who operated within an alternative and cynically manipulated legal framework.

But when all such "systems either of preference or of restraint" have been removed, "the obvious and simple system of natural liberty establishes itself of its own accord."[85] In such an order, government can rarely be more effective than when it is restrained. The system of natural liberty allows only three proper duties of government, which, though of great importance "are plain and intelligible to common understanding." These are, first, to protect society from the invasion of other societies; second, to establish and administer a system of justice; and finally, to provide essential public works.[86] Beyond these, the system of "natural liberty" should be left to operate. Although Smith stipulates that his natural economy cannot operate smoothly without state intervention in the form of services that the market would not otherwise be able to provide, his vision of the social and economic system is, nevertheless, far more self-regulating than legislators had hitherto allowed or understood.[87]

Ideally, agents will be permitted the freest possible use of their bodies, minds, and properties, provided that there are no violations of the system of natural liberty.[88] From Smith's point of view, England's poor laws (and, to a lesser degree, its corporation laws) were the most pernicious constraint on such freedoms and were detrimental to both individual and public welfare. Poor laws were more destructive than corporation laws because they disproportionately disadvantaged the poor.[89] Similarly, the laws of apprenticeship were egregious, not only because they were an impediment to the mobility of labor. but also because of their tendency to discourage industry and commercial effort.[90]

[84]Bear in mind that "custom" and norms play central roles in Smith's explanation of the morality generated by the impartial spectator. It is really "custom, which sanctifies every thing" (*LJ* (B), 321: 536).

[85]*WN*, IV. ix. 51: 687.

[86]*WN*, IV. ix. 51: 687–88.

[87]WN, IV. ix. 51: 687.

[88]As James Otteson has noted, for Smith a free "market is an opportunity for people to buy, sell, trade, or otherwise dispose of their belongings with other people however they see fit" (James Otteson, *Adam Smith's Marketplace of Life* [Cambridge: University of Cambridge Press, 2002], 277).

[89]*WN*, I. x. c. 44–5: 152.

[90]"During his apprenticeship the young man perceives [correctly] that there is no connection between his effort and his reward [as would exist under piecework], and

Other obstructions (and therefore corruptions) are epitomized by the partial and particularistic laws of entail and primogeniture. With regard to primogeniture, Smith asserted that "nothing can be more contrary to the real interest of a numerous family, than a right which, in order to enrich one, beggars all the rest of the children."[91] Meanwhile, the related law of entail is "founded upon the most absurd of all suppositions, the supposition that every successive generation of men have not an equal right to the earth, and to all that it possesses."[92] Though they might have made sense in previous stages of history, "in the present state of Europe" laws of entail are "contrary to nature, to reason, and to justice."[93] Apart from equity considerations, this system is inefficient due to its tendency to hinder agriculture and development;[94] in fact, the comparatively rapid development of parts of America is largely attributable to the absence of such restrictive laws.[95]

In a comparable vein, Smith vehemently attacked the practice of slavery, partly because of its cruelty,[96] but equally because it is a gross violation of a person's natural rights and a breach of the laws of natural liberty.[97] This is demonstrated by its inefficient and maladaptive aspects; slavery is both an impediment to innovation[98] and an inhibitor of population growth,[99] both of which are natural phenomena.

Positive Law versus Laws of Natural Liberty

In the abstract and invisible ideal polity of Smith's imagination, conventional moral boundaries are sometimes blurry, and the spontaneous laws of natural liberty do not always coincide with the positive laws of "men." His attitude to

habits of slothfulness and laziness are therefore encouraged" (Nathan Rosenberg, "Some Institutional Aspects of the Wealth of Nations," *Journal of Political Economy* 68 [February–December 1960]: 557–70, 561); *WN*, I. x. c. 14–16: 139–40. The laws of settlement are a similar and therefore unjust restriction on mobility (*WN*, I. x. c. 58–59: 156–57).

[91]*WN*, III. ii. 4: 384.

[92]*WN*, III. ii. 6: 384.

[93]*LJ* (B): 48.

[94]*WN*, III. ii. 7: 385. See also iv. 19: 423.

[95]*WN*, IV. vii. b. 19: 572.

[96]*TMS*, V. 2. 9: 206–7. Charles Griswold has noted that "Smith was well known as a critic of slavery and esteemed by abolitionists of his time" (Charles Griswold, *Adam Smith and the Virtues of Enlightenment* [Cambridge: Cambridge University Press, 1999], 198).

[97]*WN*, III. ii. 9: 387–88; *WN*, I. viii. 41: 98–99; *WN*, IV. ix. 47: 684; *LJ* (A). iii. 111–12: 185; and *LJ* (B), 138–40: 453–54; 290: 532; and 299: 526).

[98]*WN*, IV. ix. 47: 684.

[99]*LJ* (A), iii. 131: 192–93.

smuggling is a key example. Though he concedes that "no doubt," the smuggler is "highly blameable" for "violating the laws of his country," nevertheless, such a person has in no way violated the more sacred laws "of natural justice" and is probably an otherwise "excellent citizen, had not the laws of his country made that a crime which *nature* never meant to be so (emphasis added)." In "corrupted" governments where heavy taxes, debt, profligacy, and waste are the norm, it is not surprising that "the laws which guard it are little respected."[100] Significantly, Smith had a different, and much more uncompromising, attitude to the crime of theft,[101] presumably because it is an offense that occurs between private and individual consumers rather than between private citizens and an (allegedly) grasping and rapacious state.

A further telling example is Smith's attitude to the "dirty practice" of degree-selling. Rather than condemning it outright, as might be expected, he simply notes that the poorer universities only engage in it in order to "turn the penny" in a market—unfairly and therefore *unnaturally*—oligopolized by the richer institutions.[102] Smith does admit that it is a "most disgraceful trade," and yet he denies emphatically that it is in any way "hurtful to the public" because the "intolerable nuisance" of exclusive privilege is even more hurtful; this is due to its unerring tendency to raise the costs of services to consumers.[103] Morally, Smith would have felt justified in taking this view on the belief that the laws of natural liberty automatically trump those of mere mortals.[104]

Dependency, Commercial Virtues, and the Violation of Natural Liberty

Smith thought that violations of the laws of natural liberty could have individuo-psychic as well as social system effects. Dependency, in particular, is a key corruptor of moral character; therefore, Smith abhorred any paternalistic and dependency-generating remnants of precommercial economic stages. His alternative was to discover beneath the mess of artificial legal obstructions a natural system of nonstate, voluntary, private, nonmonolithic, and

[100]*WN*, V. ii. k. 64: 898.

[101]See John Salter, "Sympathy with the Poor: Theories of Punishment in Hugo Grotius and Adam Smith," *History of Political Thought* 20 (1999): 205–24.

[102]Letter to William Cullen, September 20, 1774, no. 143, *Correspondence*. Ian Ross reports that St Andrews University put itself in this position by conferring an M.D. on "one Green, who happened to be a stage-doctor, that is, a quack who practiced medicine on a platform." (Ian Simpson Ross, *The Life of Adam Smith* [Oxford: Clarendon Press, 1995]: 260).

[103]Letter to William Cullen, September 20, 1774, no. 143, *Correspondence*.

[104]See, for example, "History of Ancient Physics," *Essays*, 113. For further discussion of this claim, see Hill, "Hidden Theology," passim.

decentralized means for the self-government of people as a means to avoid the corruption of individual agents, the market, and the nation itself.

Smith welcomed the diffusion of freedom and individual power brought on by the decline of feudal and aristocratic social arrangements and the concomitant breakdown of total forms of governance. His greatest objection to the feudal age was the necessary dependence associated with the system of great landholders and retainers. "Dependency" is pernicious because it breeds servility and fosters asymmetrical and, therefore, unhealthy and unproductive social relations.[105] There is nothing so likely "to corrupt and enervate and debase the mind as dependency"; conversely "nothing gives such noble and generous notions of probity as freedom and independency."[106] Due to the poverty and indolence it promotes, dependency is also the root cause of all the "disorder and confusions" that take place in cities. The solution, according to Smith, is the expansion of "commerce."[107] Because of its capacity to encourage independence, the growth of "commerce and manufactures" is "the best police for preventing crimes . . . . No body will be so mad as to expose himself upon the highway, when he can make better bread in an honest and industrious manner."[108] It is also for the sake of independence that Smith advocated high wages; feudal norms of behavior, which forced workers into obeisance to employers, were aggravated by low wages. "Masters of all sorts" actually prefer it when harvests are poor and prices high because it enables them to "make better bargains with their servants . . . and find them more humble and dependent."[109] Monopolies are bad not only because they distort the market but because they "create artificial and one-way dependencies," thereby corrupting "the characters of both monopolizers and monopolized."[110]

Smith does not regret the loss of social intimacy occasioned by commercialism and its correlate, urban expansion; the best thing about the commercial age is its tendency to permit ever increasing degrees of independence and social distance.[111] Precommercial agents had "no other means of persuasion"

[105]*WN*, III. iv. 4–7: 412–15; *WN*, I. ii. 2: 27.

[106]*LJ* (A), vi. 6: 333. See also *LJ* (B), 205: 486–87 and 326: 538.

[107]*LJ* (A), v. 4–8: 332–33.

[108]*LJ* (B), 205: 486–87.

[109]*WN*, I. viii. 48: 101; Michael Perelman, "Adam Smith and Dependent Social Relations," *History of Political Economy* 21 (1989): 312–29, 320–21. Smith also advocated high wages because they encouraged "the industry of the common people" (*WN*, I. viii. 44: 99) and boosted population growth. For a fuller discussion, especially around Smith's particular anxiety about food security, see Ann Firth, "Moral Supervision and Autonomous Social Order: Wages and Consumption in Eighteenth Century Economic Thought," *History of the Human Sciences* 15 (2002): 39–57.

[110]Griswold, *Virtues of Enlightenment*, 294.

[111]For a fuller discussion of this claim, see Lisa Hill and Peter McCarthy, "On Friendship and Necessitudo in Adam Smith," *History of the Human Sciences* 17 (2004): 1–16.

by which to obtain their wants than to "gain the favour of those whose service" was required. That meant having to resort to the humiliating, inefficient, and precarious method of "servile and fawning attention to obtain [the] good will" of others. In "civilized society" agents are afforded greater independence, paradoxically, because each "stands at all times in need of the co-operation and assistance of great multitudes." The ability of humans to specialize and exchange the products of this specialization makes them "mutually beneficiall to each other."[112] The dissolution of the system of great landholders decentralized dependency relations and offered greater security to individual trades people: Now "[e]ach tradesman or artificer derives his subsistence from the employment, not of one, but of a hundred or a thousand customers." Although it is true that s/he remains "in some measure obliged to them all," at the same time, "[s]he is not absolutely dependent upon any one of them."[113]

Another disadvantage of labor performed inside dependency relationships (and, therefore, outside market relations) is that it is unproductive; in other words, it does not result in "vendible" or exchangeable commodities.[114] By comparison, the labor of independent artisans is productive because it is vendible.[115] Further, because of the "the waste which attends rustick hospitality," productive labor (that is, labor performed by artisans and productive of vendibles) is able to support a greater number of people.[116] Finally, the new age of independence, competition, and liberty is not only "conducive to general utility,"[117] efficiency, and opulence but is also conducive to the cultivation of the cool, instrumental, and practical virtues of prudence, justice, propriety, self-command, frugality, sobriety, vigilance, circumspection, temperance, constancy, firmness, punctuality, faithfulness, enterprise, and industry.[118] Though Smith lavishly praised those who exercised the higher, other-regarding virtues celebrated by classical corruption writers, his moral focus was on the practical and more attainable forms of virtue that could and should be exercised by every market actor. Smith's more modest ideal was a character who is unlikely to be positively virtuous or beneficent but could be, at the very least, negatively virtuous, industrious, and self-governing. Smith seems to have been most interested in—and approving of—the activities and moral dispositions of the newly emerging class of "middling" people, those "bustling, spirited, active folks who can't brook oppression and are constantly endeavoring to advance themselves."[119]

[112]*LJ* (A), vi. 46–49: 348–49.
[113]*WN*, III. iv. 12: 420.
[114]Perelman, "Adam Smith and Dependent Social Relations," 316.
[115]*WN*, IV. ix. 31: 675.
[116]*WN*, III. iv. 12: 420.
[117]Griswold, *Virtues of Enlightenment*, 294.
[118]*WN*, II. iii. 36: 345–46; *TMS*, VII. ii. 3. 15: 304; III. 5. 8: 166.
[119]*LJ* (A), v. 124: 320.

The Division of Labor

Smith's discussion on the division of labor is noteworthy not least because it appears to be one of the few sources of corruption he identifies as peculiar to or induced by the commercial age. It has been argued that Smith's analysis here "constitutes a major source of inspiration for the socialist critique of capitalist institutions."[120] For some scholars, Smith's critical remarks represent a civic humanist lament on the loss of "indispensable" civic virtue.[121] It has even been suggested that they should be interpreted as a sign that he anticipates the decline and eventual annihilation of commercial societies.[122] If this is true, then it might place him more securely in either a classical or proto-Marxian corruption camp.

Certainly Smith appreciated the alienating effects of the division of labor. He noted that the worker involved in factory labor "has no occasion to exert his understanding, or to exercise his invention ... and generally becomes as stupid and ignorant as it is possible for a human creature to become. ... His dexterity at his own particular trade seems ... to be acquired at the expense of his intellectual, social, and martial virtues."[123] Worker alienation was not a minor phenomenon restricted to a few workers. Smith indicated that this condition could cause "the almost entire corruption and degeneracy of the great body of the people ... in every improved and civilised society"; moreover, such a tendency seemed inevitable.[124]

Even so, pessimistic and eschatological interpretations of Smith exaggerate his concern. It is true that Smith's outline of the dehumanizing consequences of specialization on workers does, indeed, foreshadow Marx's discourse on the same subject to the extent that it hints at the effects of fragmentation and product alienation. But the affinity between them should not be overestimated. Unlike Marx, Smith regards specialization as a perfectly natural development originating in an innate urge to "truck, barter and exchange"[125] in our inventive, progressive faculties. Most important, as noted above, the division of labor, even where it extends to martial functions, generates great levels of liberty and independence for all members of society, including the working poor. On balance, Smith sees the adverse effects of specialization

[120]Rosenberg, "Adam Smith on the Division of Labor," 127–39.

[121]Griswold, *Virtues of Enlightenment*, 293. According to Vivienne Brown, Smith's discourse "marks out the moral impatience of Stoic moral philosophy for material goods and worldly ambitions" (*Adam Smith's Discourse* [Routledge: London, 1994], 7). See also Donald Winch, *Adam Smith's Politics* (Cambridge: Cambridge University Press, 1978), 26.

[122]Pack, "*Adam Smith's Critique of the Free Market Economy*"; Heilbroner, "The Paradox of Progress," 243–62.

[123]*WN*, V. i. f. 50: 782.

[124]*WN*, V. i. f. 49–50: 781–82.

[125]*WN*, II. 1: 25.

more as "inconveniences"[126] than anything else, and they are far outweighed by the benefits. The division of labor is enormously beneficial, generating almost all of the progress and prosperity of the commercial age.[127] In general, Smith took the view that whatever makes a country rich (and the division of labor does this better than anything else) enriches the poor also and is, in the long view, to their benefit.[128] From Smith's point of view, the main problem with the adverse effect of the division of labor is not the loss of civic virtue or the imminent collapse of commercialism itself but its largely ameliorable consequences for public order and personal comportment. Smith regarded the problem of worker alienation as soluble within existing social arrangements, namely, through the establishment of a compulsory and publicly funded school system to inculcate patterns of order and civility suitable for market society subjects. For Smith, educated people are "more respectable" and orderly because they are more inclined to acknowledge the authority of their "lawful superiors." Therefore, the "state derives no inconsiderable advantage from the 'instruction' of the working poor due to its projected positive effect on political and social tranquility."[129]

Karl Marx was later to deride Smith's solution as merely "homeopathic."[130] This is, possibly, a fair criticism. Considering the intensity and extent of the alienation effects Smith describes, his educational solution seems rather scant. What it reflects is his willingness to tolerate a fairly high degree of moral and intellectual corruption in workers in order to secure the economically vital society that would benefit such workers in material ways.

Neither does Smith share Rousseau's pessimism that the division of labor (coupled with the development of private property) leads to a culture of hypocritical selfishness and slavish dependency on others. For Rousseau, after the freedom and independence of the solitary savage has been exchanged for a sort of modern slavery, people become "sly and artful . . . imperious and cruel" in order to obtain their never ending wants from those on whom they are now unavoidably dependent.[131] Though Smith recognizes that specialization is the cause of inequality and appears to make the lives of the poor worse, there is no nostalgia about the precommercial state of equality; although we might "expect . . . that the savage should be much better provided than the dependent poor man who labors both for

[126]*LJ* (B), 328: 539.

[127]See, for example, *WN*, I. i. 10–11: 22–24.

[128]*LJ* (B), 212–13: 489–90; *Early Draft of Part of the Wealth of Nations*, 5–6. in *LJ*, 563–64.

[129]*WN*, V. i. f. 61: 88.

[130]Karl Marx, *Capital*, vol. 1 (Moscow: Progress Publishers, 1977), 342.

[131]Jean Jacques Rousseau, "A Discourse on the Origin of Inequality," in J. J. Rousseau, *The Social Contract and Discourses*, trans. G. D. H. Cole (London: Everyman Library), 96–97.

himself and for others," in fact, "the case is far otherwise."[132] Contrast the forlorn poverty of the age of the savage with the "general security and happiness that prevails in the ages of civility and politeness."[133] Further, as we have seen, Smith sees the division of labor as independency-rather than dependency-generating.

And contrary to Rousseau's view, commercial societies are more orderly and just than their "rude and barbarous" predecessors due to the diffusion of "probity and punctuality" that "always accompan[ies]" the development of commerce. In fact, the more commercial a nation, the more are its people "faithfull to their word." This is all "reducible to self interest, that general principle which regulates the actions of every man . . . . A dealer is afraid of losing his character, and is scrupulous in observing every engagement."[134]

Religion

A more threatening source of corruption for Smith is found in religious enthusiasm, particularly in cases where it is institutionalized. He was especially hostile to the manner in which the civil and religious realms had historically informed one another, and he frequently railed against the conjoined church and state. One of the worst effects of this union was that "positive law always has been, and probably always will be . . . influenced by popular superstition and enthusiasm."[135] Further, political and religious zealotry are mutually exacerbating: "Times of violent religious controversy have generally been times of equally violent political faction."[136] It is important to appreciate that Smith is not averse to religious belief per se but to expressions of religious "enthusiasm" that corrupt morality and the "moral sentiments."[137] Religious enthusiasm obstructs the natural course of progress, science, and civility and is the enemy of "common sense" and "reason," hence, its tendency to provoke social conflict and violence. "[F]alse notions of religious duty" engender blind bigotry and sanctify the most "horrid" acts and "crime[s]" which "common sense" and natural principles of humanity, "justice and beneficence" would otherwise condemn.[138] Religion teaches the false and dangerous doctrine

[132]*LJ* (A), 26: 340. See also *WN*, I. viii. 1–2: 82.
[133]*TMS*, V. 2. 8–9: 205.
[134]*LJ* (B), 327: 538.
[135]*WN*, V. i. g. 8: 793.
[136]*WN*, V. i. g. 6: 791.
[137]*TMS*, III. 6. 12: 176; 3. 43: 155–56. It is worth noting that Smith makes one exception in his general hostility to organized religion. Of the Presbyterian Church, he wrote: "There is scarce perhaps to be found any where in Europe a more learned, decent, independent, and respectable set of men, than the greater part of the presbyterian clergy of Holland, Geneva, Switzerland, and Scotland" (*WN*, V. i. g. 37: 810). For explanation, see Rosenberg, "Some Institutional Aspects," 568.
[138]*TMS*, III. 6. 12–13: 176–77.

that such "frivolous observances" as "sacrifices . . . ceremonies and vain supplications" are a legitimate means to "bargain with the Deity for fraud, and perfidy, and violence."[139] Religious zealotry is conceived as a deviation from a natural state, namely, a calm belief in that pure, untainted, and spontaneous form of "natural religion" which soothes rather than agitates. Smith approved of the natural theology or "scientific religion" of Stoicism because of its organic interpretation of the universe as a designed and integrated "system, governed by general laws and directed to general ends, viz. its own preservation and prosperity."[140] Such moderate and scientific forms of religious belief can even be beneficial, for when people believe they "are always acting under the eye, and exposed to the punishment of God . . . the most headstrong" and violent "passions" can be contained.[141] Smith also reserved a role for religious sects as an antidote to the isolating and demoralizing aspects of urban life.[142] At the same time, he is careful to remind his reader that this is only the case "wherever the natural principles of religion are not corrupted by the factious and party zeal of some worthless cabal";[143] in other words, where religion has yet to be domesticated in such a way as to engender rather than disrupt social order.

Smith apparently longed for a quieter, tamer world, free from sectarian violence and bloody, seemingly endless war. But peace and tranquility might at last be possible in a world where the monolithic power of religion had, on the one hand, been broken by its decoupling from politics and, on the other, suitably tamed by the forces of competition. Under free-market conditions, where the particularistic, intolerant, monopolistic, institutional, and obligatory aspects of religion have been dispelled and "the natural principles of religion" allowed to reign, religion might even have positive effects.

Of equal concern to Smith was the hegemonic power of the Christian Church due to its enjoyment of a state-protected monopoly; this not only enabled it to wield noxious levels of power but also constituted a violation of the laws of natural liberty. Smith believed that the only tolerable religions were those that had been subjected to the trials and rigors of the market. He offers a thought experiment in disestablishment that favors the idea of a society divided into hundreds, even "thousand[s]" of small sects. Competition between a diversity of independent denominations would not only prevent any single one of them from becoming a threat to "the publick tranquillity" but it would also generate the kind of religious freedom Smith valued.[144]

[139]*TMS*, III. 5. 13: 170.

[140]Adam Smith, "History of Ancient Physics" in *Essays* 9: 113; 11: 116–17. See also "History of Astronomy," 76: 104–5.

[141]*TMS*, III. 5. 12: 170.

[142]*WN*, V. i. g. 12: 795–96.

[143]*TMS*, III. 5. 12: 170.

[144]Whereby "every man" could "chuse his own priest and his own religion as he thought proper" (*WN*, V. i. g. 8: 792).

Where a plurality of sects operated in open competition, a culture of tolerance and mutual respect would likely develop and eventually (or at least hopefully) "the doctrine of the greater part of [the sects would be reduced] to that pure and rational religion, free from every mixture of absurdity, imposture, or fanaticism, such as wise men have in all ages of the world wished to see established."[145] However, Smith also noted that even such relatively powerless sects could still be hazardous if not checked; therefore, in order to offset their "disagreeably rigorous and unsocial" tendencies and to prevent them from promulgating "that melancholy and gloomy humor which is almost always the nurse of popular superstition and enthusiasm," he recommended the state subsidization of "publick diversions," among them "painting, poetry, musick, dancing … [and] all sorts of dramatic representations and exhibitions."[146]

Thus, Smith wasn't necessarily opposed to organized religion but rather to those monolithic, monopolizing churches intent on fostering particularistic fanaticism, bigotry, and unreason.[147] This attitude meshes with his more general desiderata for the modern world, a world he hoped would be neutral, impartial, increasingly private, ruled by constitutions and predictable and positive laws, and inhabited by agents of moderate, tolerant, dispassionate, reasonable, and orderly moral disposition.

Faction

Another source of corruption for Smith is political conflict in general and political factions in particular. Like most neoclassical republicans, Smith disliked the fact that factions could capture political institutions in order to serve sectional interests, referring to their tendency to "deceive and impose upon the Public" and "oppress" rather than serve government.[148] But he had other reasons for his dislike of factional conflict. Faction "distract[s] the nation" and is equal to the vice of "fanaticism" in its capacity to corrupt morality and the "moral sentiments." In fact "[o]f all the corrupters of moral sentiment . . . faction and fanaticism have always been by far the greatest." Factions corrupt the moral sentiments because where faction prevails,

[145]*WN*, V. i. g. 8: 792–93; David Levy, "Adam Smith's 'Natural Law' and Contractual Society," *Journal of the History of Ideas* 39 (October–December 1978): 665–74, 674.

[146]*WN*, V. i. g. 12. 15: 796. This does suggest that he was less than sure that such sects would be as rational as was desirable.

[147]*WN*, V. i. g. 24: 802–3. These two potential sources of Smithian optimism are noted by James Alvey in "Adam Smith's View of History": 11. See also Peter McNamara, *Political Economy and Statesmanship* (De Kalb: Northern Illinois University Press, 1998), 51.

[148]Smith, letter addressed to Le Duc de la Rochefoucauld, Edinburgh, November 1, 1785, no. 248, *Correspondence*.

the impartial spectator is disarmed. In the midst of "the violence and rage of contending parties," the impartial spectator ceases to exist altogether and so, therefore, does good "judgment," candor, and fair play.[149] The behavior of factions is generally "atrocious" violent, and unjust,[150] and they have always worked to fan the terrible fires of sectarian conflict.[151] Smith disparaged all forms of conflict and social disharmony; in fact, "[t]he peace and order of society, is of more importance than even the relief of the miserable."[152] Once a sound constitution has been put in place,[153] politics seems to have been reducible to the rational administration of populations and the management of the practical exigencies of security, both economic and military. As he wrote famously: "Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; *all the rest being brought about by the natural course of things*."[154] The "prudent man," though not especially lovable or praiseworthy, does not take on any unnecessary public responsibilities, avoids "meddl[ing]," and "confines himself, as much as his duty will permit, to his own affairs." Further, if he is wise, he will be "averse to enter into any party disputes."[155] Again, this attitude contrasts with the classical approach to corruption in which active citizenship and other-regarding public spirit are promoted as the main guards of constitutions. For Smith, a directly opposite kind of character is the preserver of his natural physics.

Concluding Remarks

Though Smith was keenly aware of "the disadvantages of a commercial spirit," he seems more convinced that commercialization is natural, inevitable, and basically positive. His views are ultimately those of an early liberal political economist whereby corruption is seen to consist in deviations from a natural (broadly liberal) state. In a sense, most early liberalism was, almost by definition, an implicit reaction to corruption (understood here in its modern sense), and Smith can be safely bracketed in the modern camp due to his sustained defense of such standard liberal values as impartiality,

[149]*TMS*, III. 3. 43: 155–56; Hume agreed (letter from Hume to Smith, February 13, 1774, no. 141, *Correspondence*).

[150]*TMS*, V. iiii. 12: 242; III. 3. 25: 146.

[151]*WN*, V. i. g. 7: 791–92.

[152]*TMS*, Vi. ii. 1. 20: 226; *TMS*, VI. ii. 2. 12: 231.

[153]Characterized by such features as the separation of powers and judicial independence (*WN*, V. i. b. 25: 722–23).

[154]"As reported by Dugald Stewart from a document no longer in existence in his *Account of the Life and Writings of Adam Smith* in his *Collected Works*, ed. Sir William Hamilton (1858) 10: 68" (cited in Winch, *Adam Smith's Politics*, 4. n. 2, emphasis added).

[155]*TMS*, VI. i. 13: 215–16.

universalism, neutrality, liberty, formal equality of opportunity, and rule of law. At the same time, he comprehends—but does not show much interest in—the typical concerns of modern corruption reformers.

But he pays even less heed to the anxieties of classical theorists. There is no defense of classical virtue and no positive conception of an ideal constitution. Moral corruption does not arise from political apathy, hedonism, selfishness, or an inattention to the public sphere (as per classical accounts). It is instead a product of redundant and archaic social phenomena like religious enthusiasm, political zealotry and faction fighting, and restrictive and oppressive economic arrangements. Social system and individuo-psychic level corruption is generated by sluggish, paternalistic, particularistic, and dependency-generating forms of governance and control; by heavy taxation; a debt-ridden economy; and a state captured by religious and sectional interests at the expense of individual consumers. The unnaturally overmanaged economy of dependent, fractious, superstitious, and indolent agents imperils both the economy and the moral health of individual agents. Smith seeks to promote not the intimate community of politically virtuous souls but the progressive, expanding, and solvent commercial polity of independent and self-regarding producers and consumers.