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Essay-Review

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History, Interests, and Groups: Some Remarks on Two Recent Books on Adam Smith

Essay-Review

Matteo Santarelli *

An essay-reviews on Rosolino, Countervailing Powers: The Political Economy of Market, Before and After Adam Smith, Palgrave Macmillan 2020; Glory M. Liu's Adam Smith's America: How a Scottish Philosopher Became an Icon of American Capitalism, Princeton UP 2022.

More than a century after the outbreak of “das Adam Smith Problem” (Oncken 1898; Tribe 2008), the thought of the Scottish philosopher and economist persists in being problematic. In its original form, the “Das Adam Smith Problem” raised the question of the compatibility between Smith’s two major works, and more generally between the moral anthropologies that underpin the *Theory of Moral Sentiments* and *Wealth of Nations*. Which is the real Adam Smith? The one who places sympathy at the centre of human action and experience? Or the defender of the paradigm of self-interest and of the public and social benefits implied by the free pursuit of individual interests?

The “Adam Smith Problem” now appears decidedly outdated and obsolete, at least in such a stark and basic formulation. In its place, however, we do not find an unproblematic and reconciled picture of Smith’s thought. *There* are two main reasons why Smith’s work continues to raise new problems. First, contrary to recurrent trivializations of his work, Smith is a complex, problematic, and at times ambiguous author. Second, scholars in philosophy, sociology and economics continue to turn to Smith as they grapple with the critical theoretical and political issues of their time.

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The intertwining of the internal complexity of Smith’s thought and the complexity of its reception is well illustrated in two recent and important volumes—i.e., Riccardo Rosolino’s *Countervailing Powers: The Political Economy of Market, Before and After Adam Smith*, and Glory M. Liu’s *Adam Smith’s America: How a Scottish Philosopher Became an Icon of American Capitalism*. In what follows, I will reconstruct the main points of the two volumes and attempt to highlight some of the issues they help to articulate. Specifically, I will focus on the possibility of historicizing and at the same time re-actualizing Smith’s thought, and on the deep connection between liberal society and group interests.



1. Smith and the ‘Monopolium vs. Monopolium’ principle

Rosolino’s book deals extensively with a seemingly inconspicuous but crucial passage in Smith’s polemic against monopoly. In this passage, from Book I, Chapter VII of *Wealth of Nations*, Smith describes and criticizes the practices of “combination”—that is, tacit agreements to control the level of wages. The effects of these practices are all the more dangerous and heinous when they are carried out by employers, since the workers are usually forbidden to organize themselves and to react against monopolistic combinations: “We have no acts of parliament against combining to lower the price of work; but many against combining to raise it” (Smith 1976: I.viii.12: 83–84).

Thus, Smith’s approach to combinations between masters is far from being merely descriptive. On the contrary, he “made it abundantly clear that he thought the unequal treatment of masters and men was profoundly unjust, contrary to any ‘system of natural liberty,’ and an abuse of natural rights” (Rosolino 2020: 17). Tacit conspiracies are “the most dangerous threats to the supposed harmony that the new *laissez-faire* regime should have guaranteed (32).

What is Smith's proposed solution to this phenomenon? If the liberal hagiography of Smith as the godfather of free trade were true, the solution would be simple and clear. From this perspective, monopolies of any kind are an obsolete and transitory legacy of the old mercantilist model that will be swept away by the full realization of free trade. But as Rosolino demonstrates, this is not ostensibly Smith's position. Without formulating a precise proposal, Smith at least seems to hint at a more radical solution that opens the way to the possibility of workers' resistance. Such resistance will not involve state regulation of wage levels, nor the—impossible—negotiation of fair wages. On the contrary, it will follow the logic of fighting fire with fire. In short, it will be a monopolistic counter-combination carried out by the workers, inspired by the principle of defense/resistance. A counter-combination that, paradoxically, could preserve both the market's capacity for self-regulation and the public interest, since both are being damaged by the state's intervention and the employers' conspiratorial initiatives.

But where did this idea come from? Rosolino's hypothesis proceeds as follows. It is plausible that Smith creatively applied to capitalist society an idea that originated in theological discussions and was then extended to legal debates. This is the old principle of monopoly vs. monopoly, according to which a monopolistic conspiracy can be thwarted by using the same weapons as the conspirators. In the context of capitalist societies, this means that the road to market self-sufficiency is paved with resistant and defensive counter-combinations.

In chapter 3, Rosolino reconstructs the complex genesis of the principle of monopoly vs. monopoly. This genesis is complicated both by the fluctuations in the semantic extension of the term "monopolium" and by the dialectic triggered by the moral and religious condemnation of monopolistic conspiracies. If these conspiracies deserve the utmost condemnation—supported by an impressive volume of theological and juridical treatises, mainly Franciscan and Dominican (53)—what about counter-conspiracies? Do they contribute to the further moral degradation of society? Or can they restrain and counterbalance the effects of the monopolistic conspiracy of the masters? Rosolino examines the historical and theoretical development of the defensive use of monopoly by victims of ongoing monopolistic conspiracies, and how the notion of fighting fire with fire found support in various religious groups—for example, among Jesuits and Dominicans. This support coexisted with the fear that the "logic of

monopoly versus monopoly would transform markets into battlefields with no quarter given, upsetting any remaining faith in mutual respect for the rules of the game” (69).

Beyond the various positions and religious and moral controversies, however, Rosolino is interested in showing that the idea of monopoly versus monopoly was known and discussed not only as an external moral condemnation of economic activity, but also as a corrective principle immanent in market practices. Thus, the paradoxical and dialectical hypothesis arises that the self-sufficiency of the market depends on actions that are potentially harmful to competition and to the market itself. If the central feature of the market is not the impersonality of economic relations, but rather self-sufficiency, then this self-sufficiency can be achieved through the corrective action of dangerous anti-conspiracy conspiracies and anti-monopoly monopolies.

This dialectical ambiguity is still present in legal discussions of the subject. In the influential *Tractatus de commerciis et cambio* of the Italian jurist Sigismondo Scaccia, we find again the idea that while monopolies are illegal and indictable, an exception can be made for those monopolies whose purpose is to combat and counterbalance other monopolies. But as another influential treatise of the time—Marquart’s *Tractatus politico-iuridicus de iure mercatorum et commerciorum singulari*—shows, the application of this principle requires caution. The danger is that the internal market defense mechanism will attack the market itself, thereby exacerbating rather than limiting monopolistic distortions. And in the further transmigration of arguments about monopolies from the theological to the juridical, things become even more problematic. Whereas the theologians “had envisaged countering monopoly with monopoly in a context where the principle of commutative justice was respected and the resistance agreements in question were limited to addressing price-fixing conspiracies”, the juridical discussions “now envisaged action aimed at protecting the community from immoral and threatening forces” (75). This is a stake and a danger that cannot simply be managed with the subtle calculations and balancing strategies of commutative justice.

In chapter 4, Rosolino analyzes how the idea of monopoly vs. monopoly loses its appeal in a new context. Among the possible causes of this loss of appeal is undoubtedly the discordance between the subtle prudence required by the ability to dose the monopoly remedy to monopolium and the “intransigence of the

Protestant world” (83). An intransigence that leads to a condemnation of conspiracies as such—as is evident in Pufendorf’s case. But perhaps the greatest blow to this idea came from the French physiocrats. This blow did not consist in strengthening the intransigence against monopolies and conspiracies. Rather, it involved downplaying the problem of monopolistic conspiracies. The further development of competitive mechanisms would neutralize monopolistic threats without the intervention of the state or counter-conspiracies. From this perspective, the monopoly vs. monopoly strategy appears outdated and ineffective—and perhaps even dangerous, since it may delay the full realization of a competitive society.

As Turgot points out, in a system that guarantees the natural liberty to sell and the natural liberty to buy, merchants will not be interested in cheating. And while it is possible that in some situations a cheating merchant will encounter a duped consumer, the consumer will learn by experience and stop dealing with the cheating merchant. This means that the market is not only self-sufficient, but also self-regulating. Self-interested buyers will learn from their mistakes, and self-interested sellers will try to avoid being discredited by their deceptive behavior. In this way, monopolistic conspiracies become obsolete and self-defeating, thanks to the mutual control of social and economic actors and their ability to learn from mistakes. Both state intervention and anti-monopoly strategies are useless in this framework. As Condorcet argues, restrictions on the free market contribute to the fulfillment of the feared dark scenarios. Fewer merchants means less competition; less competition means more sectarianism. More sectarianism means more opportunities for conspiracy and fraud.

So where does Smith stand on this issue? The hagiographic image of Smith as the apostle of free trade would suggest a full-throated endorsement of the physiocratic position. It is true that Smith agrees with the physiocrats in many respects—the skepticism about government intervention, the idea that competition could be an effective tool for reducing privilege and conspiracy. A classic example of this convergence can be found in his scathing remarks on the popular idea that famines are caused by the greed and selfishness of inland corn merchants. In *Wealth of Nations*, however, this harsh critique of popular irrational prejudices against self-interested behavior coexists with an equally radical condemnation of “capitalist conspiracies against the workers” (99) and an open attitude toward the workers’ right to self-defense, even when self-defense

is enacted through a re-actualization of the monopoly versus monopoly strategy, i.e., when the process of fixing the prices of commodities, and labor in particular, “draws its strength from the principle of countervailing forces with monopolistic pretensions” (100). While Smith did not openly endorse or legitimize this idea, “his words projected it into the present with indubitable functionality and marked vitality, effectively giving it a formidable application” (101).

How have interpreters handled these tensions and ambiguities in Smith’s work? Chapter 5 introduces the reader to another change in the historical-economic scenario. By the end of the eighteenth century, the scale of economic development and trade was such that the idea of a conspiracy by a few to the detriment of the entire economic and social system was simply not plausible. Nevertheless, the Combination Act of 1799 outlawed contractual agreements between workers seeking an increase in wages or a change in the amount of work. Opponents of this law referred to Smith’s work both to defend the principle of non-interference by the state in market dynamics and to recall the widespread extent of implicit conspiracies between masters. In this context, the prohibition of combinations among workers meant not only the freezing of wage levels and the definitive loss of their flexibility, but also their complete separation from all other components of the economic process (113). A year later, a new law was passed that extended the prohibition of combinations to employers. Thus, collective agreements of any kind were banned, and bargaining became the prerogative of individuals, not groups.

The latter passage can be seen both as a triumph of Smith’s more general anti-monopoly stance and as a definitive closure to the re-actualization of the monopoly vs. monopoly principle. And yet, in a further twist, arguments in defense of the right of combination seem to reappear in the debates that led to the abolition of the combination acts in 1824. The prohibition of combinations—so the thesis of the opponents of combination acts—has three harmful consequences. First, it unnecessarily annoys the masters. Second, it deprives workers of an important tool for defense and negotiation. Third, it interferes with the processes by which the market and society can heal themselves.

Combining historical expertise and theoretical originality, Rosolino’s work is a valuable contribution to Smith studies. By highlighting an ambiguous and problematic passage in *Wealth of Nations*, Rosolino shows that such ambiguity is not accidental but, on the contrary, reflects the complexity and richness

of Smith's insights. Thus, he neither hides nor trivializes the internal tensions in Smith's thought. Moreover, Rosolino's work effectively demonstrates how Smith's productive ambiguities have often been obscured in subsequent theoretical and political uses of his thought. This last point is the focus of a second recent volume on Smith, *Adam Smith's America* by Glory M. Liu.

2. The American Smith and its Vicissitudes

Liu's book focuses on "who Adam Smith was and who he became in America" (Lin 2022: xv), trying to make sense of "the political work that engaging with Smith has done throughout history and what the implications are for our political and economic thinking" (xvi). Liu is thus not interested in reconstructing and defending Smith's authentic thought in all its complexity. Rather, her goal is to understand "how and why certain people wanted to shape, control, or inherit Smith's legacy as they saw it" (9).

Accordingly, the volume begins with an examination of Smith's influence on the founders of the United States. This influence comes in the form of unsystematic and eclectic interpretations. James Madison's writings in *The Federalist Papers* (especially *Federalist 10*) extend and adapt Smith's ideas—e.g., his classification of social and economic orders, and the idea that pluralism and factional competition are less dangerous in a large republic than in a small one. Alexander Hamilton drew on Smith's theoretical resources to challenge Jefferson and Franklin's "physiocratic" idea that the American economy should be based on agriculture and that commerce was dangerous and fraudulent. But while Hamilton remained faithful to Smith's theses on the division of labor and the production of wealth, he also affirmed the need for high tariffs on imported goods and subsidies for nascent domestic industries—two theses targeted by Smith's critique. Finally, John Adams draws on the *Theory of Moral Sentiments* to explore the political and moral risks posed by the human tendency to sympathize with "the riches," regardless of their merits and virtues.

These varied and in some cases inconsistent references give way to a more streamlined reception when Smith assumes the status of the founder of political economy (chapter 2). A decisive role in the dissemination of this reputation was played by Jean-Baptiste Say's *Treatise on Political Economy*. Modern, effective

and accessible, Say's treatise offered an opportunity for indirect access to the complex theses of *Wealth of Nations*. More generally speaking, the "formalization of academic political economy in the antebellum college played a critical role in crystallizing and disseminating Smith's historical and scientific significance" (85). This recognition, however, was not devoid of critical edges. The praise of *Wealth of Nations*' rich descriptions often went hand in hand with a criticism of the inaccuracies and lack of scientific accuracy of some of its passages. If, therefore, its success as a textbook was eclipsed by other more effective and timely volumes, at the same time its status as a path-breaking and foundational work on economic policy was confirmed.

In the central chapters of the volume (3-6), the author shows how Smith's work increasingly became an intellectual, political and ideological battleground. Specifically, Lin outlines two main patterns of interpretation of Smith's thought in the American context.

The first pattern finds in Smith's *Wealth of Nations* principles and theses whose truth does not depend on the historical context in which they were formulated. This is the case with the canonization of Smith as an apostle of free trade. Lin analyses this process in two different historical contexts. In Chapter 4, the author describes and presents the uses of Smith in the context of the debates concerning tariffs. In the antebellum tariff debates, we found the paradoxical position of free trade southerners. While they used the supposedly scientific, timeless, and universal truth of Smith's theories to legitimize their idea of the American national economy, they did so by promoting a vision in which the gains of free trade were achieved on the backs of unfree labor—that is, the labor of slaves. A far cry from Smith's positions on this topic.

But the most controversial and spectacular strategy for interpreting Smith as the founding father of free-market politics is undoubtedly that pursued by the Chicago School in the 20th century (chapters 5 and 6). As Liu points out, the Chicago Smith—the expression is taken from an influent 2005 paper by Jerry Evenski—is an economist "who believes in the social productiveness of self-interest alone, and whose master metaphor of the "invisible hand" illustrates how free markets—not government—protect and promote individual freedom" (193). This one-sided version of Smith is certainly not found in the work of early Chicago writers such as Frank Knight and Jacob Viner. Indeed, concern about the normative consequences of the excesses of liberalism, and a consequent

reluctance to embrace a regime of total laissez-faire, lingered in these authors. These concerns made the coexistence of “multiple Smiths” (213) possible.

Things changed quite dramatically after the end of World War II, with the rise of a new generation of Chicago economists. In authors such as George Stigler and Milton Friedman, the claim of continuity between Smith’s work and the Chicago School approach became programmatic. This was achieved by selectively emphasizing the concepts of self-interest and the invisible hand. In Stigler’s famous interpretation, Smith became the author who epochally and irrevocably affirmed the descriptive and normative centrality of self-interest as a kind of Newtonian principle, as the main force in economic and social life. This led to a radical underestimation of the moral psychology of sympathy, making Smith vulnerable to the “Das Adam Smith problem” again (230). As Liu aptly points out, Stigler exploited Smith’s concept of self-interest as the scientific basis for economic deregulation and decentralization. He declared “Smith’s discovery of self-interest to be absolute, universal, and timeless”. In doing so, he had to understand Smith’s economics as foreign to morality and at odds with the irrational nature of politics (234).

The use of Smith as an ally in contemporary theoretical and ideological battles is even more blatant in Milton Friedman. The key concept in Friedman’s interpretation becomes that of the invisible hand, understood as a metaphor for the price mechanism, i.e. the fact that the prices resulting from transactions between sellers and buyers can coordinate and optimize the actions of millions of people who are moved only by their own self-interest. The concepts of self-interest and the invisible hand are therefore closely linked in Chicago Smith. This means, as Paul Samuelson put it, that self-interest can efficiently organize the production of a society under perfect conditions of competition (in Liu 242). And it is extremely interesting to note—as Liu (246-27) points out—that Friedman does not refer at all to the *Theory of Moral Sentiments* when considering the values that should accompany an allegedly Smithian social system based on self-interest and the invisible hand. Rather, he enlists Smith in his crusade in defense of America’s founding values—freedom, responsibility, self-reliance and innovation.

In short, by adopting an unabashedly anti-historicist perspective, Stigler and Friedman have turned Smith into an American icon of the 20th century, a “symbol of self-interest, choice and freedom” (250). An initiative whose success goes

far beyond the 10,000 sales of the Adam Smith tie—a tie with tiny profiles of Adam Smith (248).

The second main interpretive strategy consists in historicizing Smith's thought. This strategy can serve two very different functions. Firstly, historicization can be *debunking*. For example, after and before the Civil War, protectionists often accepted Smith's interpretation as an apostle of free trade. But they did so only to show that the validity of his theories should be limited to their own time. A theory formulated in response to the problems of 18th-century Britain has no right to guide the economic policy of 19th-century America (145).

Secondly, historicization can perform a *re-actualizing* function. This is what happened in the so-called Progressive Era (chapter 4). A growing number of writers challenged the flattening of Smith's thought into the praise of free trade, thanks to the important discovery of the *Lectures on Justice* and a burgeoning interaction with German economic studies. In a context in which capitalism was increasingly dominated by giant corporations and trusts, and in which conflicts between labor and capital were becoming more frequent and violent, a historicizing yet progressive use of Smith emerged. Thus, in authors such as Richard T. Ely and Edwin Seligman, we find, on the one hand, a historicization of the scope of laissez-faire and, on the other, a "progressive reimagining" of Smith's thought (171). Smith addressed the problems of his time, and therefore his solutions cannot be crystallized in economic and anthropological theories abstracted from their context. More importantly, the critical and emancipatory potential of Smith's thought has been unduly eclipsed by the reductionism of his disciples. The historicization of Smith's work therefore does not necessarily lead to the debunking of his theses. On the contrary, it is a tool for re-actualizing the emancipatory potential of his thought. This re-actualization implies the historicization and denaturalization of concepts such as self-interest, competition and free trade. In adopting this perspective, Ely will argue, for example, that Smith's critical targets were laws that controlled labor in the interests of the masters, not modern laws that protected the interests of the workers.



3. History, groups, interests

In my view, it is at this point that the perspectives of two works as different and yet as significant as those of Rosolino and Lin meet. Using very different styles and approaches, the two authors rightly highlight the limitations of reductionist “laissez faire” readings of Smith, but without succumbing to the reverse temptation to find the true and authentic Smith elsewhere. In both cases, the historical approach to Smith’s thought, influences and multiple receptions preserves the complexity, richness and ambiguity of his contributions to philosophy and the social and political sciences. Smith’s thought will never cease to pose problems, as noted at the beginning of this paper. What scholars can do is to help refine and articulate these problems effectively and productively, so that historical and theoretical understanding is reduced neither to hagiography nor to hasty debunking. And this is precisely what Rosolino and Liu have done in their outstanding work. Both contribute to proving that “historical recovery of Smith” is “compatible with his enduring political resonance”, and that “belief’s in Smith enduring political resonance in perhaps the reason why so many people are seeking deeper inquiry into his works in the first place” (Liu: 302-303).

Among the various issues discussed in Rosolino and Liu’s volumes that resonate with contemporary theoretical and political problems, I think the question of group interests deserves a prominent place. In the diagnosis of the pathologies of market society that we find in Smith’s work, the critique of vested interests is clearly a pivotal point. In principle, and in very different forms, this critique is shared by both the “socialist” interpretations of Smith and those more closely aligned with the Chicago School—see Friedman’s critique of “special interests” (Liu 2022: 253). At the same time, groups are an inescapable element of capitalist societies. As Rosolino’s work well illustrates, the idea of a society based solely on relationships and negotiations between individuals, without the mediation of groups, is unrealistic to the point of paradox. This leads to the following descriptive and normative questions. How and where to draw the line between legitimate group interests and “special” vested interests? Is the very existence of group interests compatible with the idea of a public interest? How to reconcile the critique of monopolies and combinations with the recognition of the empirical and perhaps even normative necessity of interest groups, both

at the level of masters and workers? These problems were addressed in the early 20th century by leading British and American pluralists like Harold Laski, Arthur Bentley, and John Dewey. Most likely, these issues are part of what Liu rightly identifies as the 21st century version of the old “Das Adam Smith Problem”: “how do we reconcile Smith’s advocacy of the material benefits of the market society he envisioned with his worries about its heavy moral costs?” (Liu 2022: 292).

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The Invisible Hand



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