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Challenging the clichés: How recent scholarship refreshes the interpretation of Adam Smith's oeuvre

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Abstract: Adam Smith was born 300 years ago, in June 1723. The son of a Scottish lawyer and customs commissioner grew to become a great Enlightenment thinker who gained global fame for his writings in moral philosophy and political economy. His second major work, the "Wealth of Nations" (1776), enabled economics to establish itself as a separate academic discipline. In numerous countries, the book had not only a theoretical but also a practical policy impact. Yet many distortions crept into the reception history of Smith's oeuvre. For some years now, an interdisciplinary group of Smith scholars has taken on the received wisdom to challenge the clichés. In this survey written on the occasion of the Adam Smith tricentenary, Karen Horn presents some insights from recent Smith scholarship and shows just how inspiring and fruitful an engagement with the great Scot continues to be – even for economists, who are so far remarkably underrepresented in this activity.

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1 Adam Smith @ 300: A Rare Phenomenon

1.1 Festive Mood in Scotland

The year 2023 has been a year of Smith festivities. Adam Smith was born 300 years earlier, in June 1723, in the small Scottish port town of Kirkcaldy, located just opposite Edinburgh on the Firth of Forth. The son of a lawyer and customs commissioner (who had died before his son's birth) became a great Scottish Enlightenment thinker with a wide range of interests. He gained global fame primarily for his writings in moral philosophy and political economy. These consist of his "Theory of Moral Sentiments" (TMS, Smith 1982a), first published in 1759, and his "Inquiry into the Nature and Causes of the Wealth of Nations" (WN, Smith 1981), first published in 1776. During his lifetime, Smith repeatedly revised and expanded both works. WN played a crucial role in the establishment of economics as a separate academic discipline.

Smith scholarship has benefitted enormously from the two sets of student notes taken during his "Lectures on Jurisprudence" (LJ, consisting of LJ(A) and LJ(B), Smith 1982b) at the University of Glasgow, only discovered in 1895 and 1958. Considerable parts of this material can be considered a precursor to WN. In addition, there are the "Lectures on Rhetoric and Belles Lettres" (LRBL, Smith 1985), also student notes, and the early essay on the "History of Astronomy" (HA) published in the volume assembling Smith's "Essays on Philosophical Subjects" (EPS, Smith 1987, pp. 33–105). Both provide important keys for understanding Smith's oeuvre in its systematic appeal to "common sense" and in the epistemology undergirding it (see, among others, Fleischacker 2004, chapter 2, and 2021, chapter 2).[1]

Whether in Kirkcaldy, Edinburgh (where Smith served as customs commissioner at a more mature age), Glasgow (where he said to have spent his happiest years at the university holding the chair of moral philosophy (Smith 1982b, p. 309)), or even nearby St. Andrews: Smith bustle broke out everywhere on the occasion of the anniversary. A ceremony in the Old Kirk at Kirkcaldy, where Smith was baptized on June 5, 1723 (according to the Julian calendar),[2] an exhi-

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1 Otherwise, only a small portion of Smith's correspondence has survived ("Correspondence of Adam Smith", CAS, Smith 1987). Smith had his unfinished manuscripts, notes, and personal papers destroyed shortly before his death. Brief introductions to Smith's works can be found in an anthology edited by Hanley (2016), to TMS by Schliesser (2016), to WN by Evensky (2016), to LJ by Haakonssen (2016), to LRBL by Brown (2016), and to EPS by C. Smith (2016), respectively.

2 In our modern calendar, this corresponds to June 16.

bition, academic workshops, international conferences, lecture series, summer schools for young scholars, online reading groups, and much more was on the programs organized by various institutions. Even the committee for the history of economics within the German Economic Association (Verein für Socialpolitik) traveled to Scotland for its annual meeting – the meetings usually take place in German-speaking territory.

From a German perspective, specifically, Smith's oeuvre holds quite a particular fascination. Its important practical influence has been amply documented. Even Gustav Schmoller, the longtime chairman of the Verein für Socialpolitik, mentions that Smith "nowhere found greater and more unconditional followers" than in Germany (and in the United States), "for the great men who rebuilt the Prussian state in 1808–40 could only do so by creating a free 'commercial society'" (Schmoller 1913, p. 134, my translation). Despite considerable differences in the conception of the state (see Priddat 2019), Smith's recommendations provided a decisive impulse for the Stein-Hardenberg reforms that transformed Prussia from an absolutist corporate agrarian state to an enlightened industrial nation state. This owed much to the freedom of trade now introduced, the equality of citizens, and the broader access to education (see, i. a., Rae 1895, p. 360, Deecke 2015, and Oz-Salzberger 2016).

Bismarck carried on with this policy "because the political unity of Germany could only be achieved with economic freedom at home" (Schmoller, ibid., my translation). Even the welfare state arguably owes much to Smith's new, egalitarian view of the poor. These historical impulses continue to have an effect to this day. At literally the same time, however, the pervasive notion of an "Adam Smith problem" arose in the German-speaking world. In the second half of the 19th century, this legend gave rise to a great deal of misunderstandings. But as a beneficial side effect, it also set in motion a first wave of more intensive Smith research. But more on this later.

1.2 Where are the economists?

The impressive even number "300" (years) alone cannot explain the festive mood, at least not in academic circles. Indeed, the importance given to the anniversary has more to do with the rare phenomenon that Smith's oeuvre, in its unusual density, still poses a wealth of challenges today. It invites interpretation again and again, including from the perspective of economics. Smith set an agenda that guides the discipline to this day (see Sandmo 2016, p. 231), and he also created the conceptual framework within which the discourse has evolved ever since (Aspromourgos 2009a, p. 6).

Contrary to what one might think, Smith's oeuvre is far from "exhausted" – not even from an economic perspective. Beyond his preoccupation in WN with classical topics such as the division of labor, capital accumulation, trade, growth, price, and value, Smith's oeuvre provides challenges that can contribute to both the self-positioning of the discipline and the broadening of its horizons. Political economy, for Smith, was a branch of philosophizing that could be spun off in the intellectual division of labor but was nonetheless far from autonomous (see Aspromourgos 2009, 2011). Reading Smith always opens up perspectives for dealing with current issues – e. g., questions about navigating between positive and normative analysis, the appropriate role of the scholar in relation to politics, good methods for communicating theoretical knowledge, the appropriate stance to take, the best way to address politics and the public, and the effectiveness of policy advice.

But today, economists are dramatically neglecting their ancestor. In the academic world, there is often only time and space for an intensive study of the founder of the discipline at the end of an academic career, when one wishes to gain a bird's eye view of one's own subject. Some authors only fall back on Smith when it suits them ideologically, notwithstanding that they usually feel committed to value-free, positive theory. They then sort of hide behind him normatively. Or they remember him when a quotation from his oeuvre offers itself as a neat opening phrase, according to the motto: "As Smith already knew … ."

The "ancestral ally" (Blaug 1990, p. 35) thus appropriated is then used to authenticate one's own view. "Smith is often treated like the Soviet central Committee of the Communist Party treated Marx, as a deep well of expressions (taken out of context) that one can dip into in order to justify the next Five Year Plan," scoffs the economist Jerry Evensky (2015, p. 5, footnote 13). That this inevitably comes with "uses and abuses" (Sen 2011) is obvious. Such a treatment, however, threatens to turn Smith into a really "dead economist" (Buchholz 1990) who may still occasionally beckon from afar, but who is no longer trusted to speak to the discipline he shaped.

Yet Smith is not quite so "dead." Rather, he continues to belong to our "extended present," to that "historical range within which active communication is taking place," to use the term coined by the economist Kenneth Boulding (1971, p. 227). Or, as the economist Maria Pia Paganelli, current president of the International Adam Smith Society (IASS), states: "We still pose questions to Adam Smith. And he still answers" (Paganelli 2015, p. 363). "Smith can successfully be used, even if out of context, to help us understand questions we face today" (Paganelli 2011, p. 246).

Smith's oeuvre has an evolutionary potential for theorizing that is far from depleted (Boulding 1971, p. 230). "[O]ne can still go back to Adam Smith even after many rereadings and find insights which one has never noticed before and which may have a marked impact on one's own thought" (ibid., p. 231). This will be particularly fruitful for economists if they stop feeling that Smith talks to them only through WN. It pays to take in Smith's entire oeuvre, i. e., also TMS, LJ, LRBL, and EPS (as well as CAS). All this may be understood as a coherent project that can be continued today.

1.3 An interdisciplinary renaissance

Economics has long relinquished its leadership role in the debate about Smith. But Smith scholarship as a whole has experienced a new flowering for some years now, partly in response to the distortions that crept in during the long reception history. The younger interdisciplinary research crowd, a colorful international community with a large proportion of spirited revisionists, has now taken up their intellectual arms against this. The abundance of their publications is overwhelming; which of course confirms the public choice theorist Gordon Tullock's laconic comment (1969, p. 287): "One of the more immutable of the immutable economic laws is that every sentence in the Wealth of Nations will eventually become a book." Yet, this modern scholarship is no longer just about WN, but about Smith's complete oeuvre.

It is not easy to quantify the wealth of the recent publications with precision. The results of a search in online library catalogs may only give a rough idea. A query in the WorldCat bibliographic database, for example, reveals that the keyword "Adam Smith" has been entered no fewer than 95,470 times since the turn of the millennium, for books, essays, and contributions to anthologies. Of those books alone, no less than 2,649 bear the name "Adam Smith" in the title.[3]

A query in the digital library JSTOR, which unlike WorldCat does not strive to list all existing publications but makes selected journals and books available, gives a first impression of the distribution of disciplines.[4] Since the turn of the millennium, 198 scientific articles bearing the name "Adam Smith" in their title can be found here, as well as 278 contributions to anthologies. Of the 198 articles thus made available, 89 are assigned to "Economics," 66 to "Business," 38 to "Philosophy," 43 to "Political Science," 11 to "Sociology," and 21 to "History." But these numbers are deceptive, since multiple assignments are possible. On closer inspection, most of the articles classified under "Economics" are not written by economists, but are contributions by scholars from neighboring disciplines devoted to an economic topic.[5]

From the point of view of economics, one may regret the withdrawal of this discipline from such a vibrant scholarly effort. But one can also choose to appreciate the development as a promising turn of events: the analysis of Smith's oeuvre is now embedded in a broad discussion within the social sciences and the humanities, which is usually a great advantage. Economics can only benefit from this. In order to decipher Smith's concepts and understand them in their broader context, economists today need support from philosophy, political science, history, and even theology. The interdisciplinary division of labor also offers a most useful corrective against a risk, or tendency, that one all too easily succumbs to: to read (primarily) the (contemporary) concerns of one's own discipline into Smith.

For economists, moreover, interdisciplinarity opens up the chance to return to "political economy" as Smith understood it, i. e., to economics as a discipline concerned with government, a "branch of the science of the statesman or legislator" (WN IV.1).[6] As Heinz Kurz (2016, p. 22) paraphrases it, according to Smith, this discipline has not only the task of correcting wrong ideas in economic policy, but also of dispelling the erroneous claim that self-interest automatically promotes the common good. It also aims to develop a regulatory framework for markets and other institutions so as to overcome preexisting conflicts of interest and thus ensure the continuity of society. In such a very broad discipline, economic, political, and legal aspects are interwoven (see also C. Smith 2020, p. 173). As the economist Tony Aspromourgos (2009a, p. 259) points out, such a genuinely interdisciplinary perspective differs substantially from the

3 These are not all scientific works, nor are they all new publications, as the books category also comprises new editions and e-books. Researched on February 6, 2023 at https://www.worldcat.org/de.

4 However, JSTOR accesses neither the Journal of the History of Economic Thought (JHET) nor the European Journal of the History of Economic Thought (EJHET), nor the Adam Smith Review published by the International Adam Smith Society.

5 Researched February 6, 2023 at https://www.jstor.org/. There is no separate category "History of Ideas."

6 The full sentence reads: "Political œconomy, considered as a branch of the science of the statesman or legislator, proposes two distinct objects; first, to provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves; and secondly, to supply the state or commonwealth with a revenue sufficient for the publick services" (WN IV.1). Today, the term "political economy" is increasingly usurped for a specific political science view of the economy, mostly influenced by the spirit of "critical theory." I do not subscribe to this practice.

reductionist application of the rational choice approach to topics in neighboring disciplines otherwise common in economics today.

An interdisciplinary approach suits Smith best anyway. He is a universally interested philosopher who always develops the economic perspective from the ethical one, who underpins his economic and political argumentation with historical evidence and develops it in vivid, accessible narratives, and who combines all this with sociological, psychological, and legal considerations. The very fact that his oeuvre addresses the human condition probably explains part of the great fascination that it arouses today, when, ironically, as a result of the academic division of labor, this capacity is in danger of being lost.

Recent Smith scholarship offers a welcome counterweight to this development, with a wealth of original and sometimes no less than sensational contributions from a variety of disciplinary perspectives. Such interdisciplinarity also characterizes the authorship in the Adam Smith Review, published under the wing of the IASS (founded in 1995), as well as in the great handbooks and collections of essays published in the past two decades (see, i. a., Haakonssen 2006b, Young 2010, Berry, Paganelli, and Smith 2013, Hanley 2016, and Montes and Schliesser 2006).

1.4 Outline

The aim of this paper is to provide an overview of the interdisciplinary professional debate surrounding Adam Smith's oeuvre, based on some topics of particular interest to economists.[7] In doing so, I wish to show what has happened in this field, which errors and clichés have been crushed, dispelled, or at least been shaken, how much inspiration recent Smith research holds today – and, of course, how rich, stimulating, and relevant Smith's oeuvre itself still is (see also Sen 2013 and Horn 2009). I focus here, as in the database queries, on scholarly works since the turn of the millennium; this is just a pragmatic, arbitrary demarcation without any particular significance. In view of the overwhelming abundance of material, this overview only offers a subjective selection and is not even close to complete. But perhaps it can serve as a stimulus and guide for the reader to recent literature on the selected main topics.

In preparation, section 2 asks how classical oeuvres such as Smith's can be engaged with meaningfully today, i. e., what kind of approaches to the history of ideas[8] are available. In section 3, I then present some recent treatments of Adam Smith, man and work; these include biographical writings, introductions, analyses of the reception history, and also some major overall accounts. In section 4, I explore a variety of issues in which economists have recently engaged with Smith, partly entering the interdisciplinary discourse. The issues are so diverse as to include cooperation, war and peace, and foreign trade. In section 5, I focus on interdisciplinary work about the understanding of equality in Smith's oeuvre. Recent revisionist scholarship paints a predominantly egalitarian picture of Smith that differentiates between material, moral, and analytic equality and incorporates Smith's theory of justice.

In section 6, I turn to the discussion about "Das Adam Smith Problem", the alleged incompatibility of TMS and WN – as it is indeed still known in international research, including this German designation. In essence, it is about how Smith thinks about the nature of man and how he therefore models human beings in his theory (the "image of man") – and how we do this in his wake. Even though this "problem" may be regarded as historically refuted, according to the predominant opinion, it can still provide a springboard for discussion at the intersection of ethics and economics if one chooses to detach it from Smith's writings. In section 7, I discuss another stereotypical stumbling block in Smith reception: the metaphor of the "invisible hand," the role of divine providence, and the "natural harmony" associated with it (or not). In section 8, I look at the literature on Smithian liberalism. What does it consist of? The usual distorted image according to which Smith was a proponent of laissez-faire quickly breaks down. Nevertheless, there is agreement that he remains a liberal – just in a more complex way than the cliché suggests. Section 9 contains a brief conclusion.

2 Approaches to the History of Ideas

As the historian of economic thought Mark Blaug mockingly remarked, quite a few economists suffer from severe "cliophobia" – a sort of anxiety disorder with respect to the history of their own discipline (Blaug 1990, p. 27, see also Blaug 2001). Some economists, however, may not so much be tormented by fear. Rather, they simply reject the history

7 Previous surveys of Smith research have been provided by Lightwood (1984), West (1988), Brown (1997), Paganelli (2015), as well as Lange, Schumacher, and Svorenčik (2017), i. a., each however with a different time horizon and substantive emphasis.

8 One speaks of the "history of economic thought," the "history of economic analysis," the "history of economics," etc. – I prefer the slender term "history of ideas" because it can also be used in other social sciences, which is most fitting in a Smithian context. I therefore use it predominantly throughout this paper.

of ideas, in line with Alfred N. Whitehead's (1929, p. 162) infamous dictum that a science which hesitates to forget its founders is lost. "Let us not despise those ancient philosophers," one would like to say to counter him, quoting Smith from his History of Ancient Physics (EPS, 6).

In any case, the underlying assumption that there might be unexploited potential in classical works should be sufficient to admit that the history of ideas is of interest for economists, whatever their specializations. This assumption is simply grounded in the non-linearity of scientific progress and in the ensuing insight that there is no good reason to expect the current state of research to have incorporated everything that is useful and productive. Such an overly optimistic attitude, derided as "whig history" for almost a century (Butterfield 1931), nevertheless still found support in the late 1980s by one of the great thinkers in the field, the 1970 winner of the Nobel Prize in economics, Paul Samuelson (1987) – and it is still widespread today.

But the "market for ideas" is not perfect in the sense that the best findings inevitably spread and become part of the general body of knowledge. One can assume that intellectual fashions will always tie up productive capacity without yielding much notable return (Boulding 1970). And what prevails depends not only on academic competition, but also on the environment, especially on the extent to which research results are able to answer pressing questions and how, if at all, they are taken up by policy makers. This is particularly true for economics, or "political economy."

Some ideas may survive although they lead to dead ends, and others may be set aside although they would have much to offer in solving today's questions. The crux of the "endogenous past," or intellectual path dependence, exacerbates the danger that promising ideas will be buried (Boettke, Coyne, and Leeson 2014, p. 541). The charm of the history of ideas lies in the fact that it offers an opportunity to track down these ideas and make them fruitful again. And besides: "One would like to meet these giants on whose shoulders one stands" (Heinz Rieter in Horn 2020c, p. 45).

Any engagement with a multifaceted, dense, and temporally distant oeuvre such as Smith's usually begins with sheer curiosity, i. e., with the present scholar asking what it is that the great Scot has to say about some particular topic. Once one has tracked down and gathered the material, the question of its precise meaning arises, and this requires, in a second step, what is called a "closer reading" (which should actually be a matter of course): for "the solution is in the text" (Labio 2006). In Smith's case, a return to the sources along these lines has for some time now produced rather large-scale revisionist interpretations that aim to dismantle previous understandings.

The urgent need for this with regard to Smith's oeuvre is summed up by the political scientist Paul Sagar (2022) in his splendid, ambitious, and intellectually gripping book "Adam Smith Reconsidered." He wants Smith to be read not from the perspective of moral philosophy and economics alone, as usual, but also from a vantage point of political theory, so that Smith's significant theoretical contribution in this dimension will finally be recognized. As he laments, "[…] at present, the scholarship on Smith is bedeviled by fundamental and widespread misunderstandings of central aspects of his thought" (ibid., p. 6). At the same time, it is clear that the modern revisions are not immune to misunderstandings either. Ideology may play a role in both old and new interpretations, which may produce an overshoot. One example is how the appropriation of Smith by radical libertarians prompted a counterattack that led to an interpretation which makes Smith a social democrat by today's standards. Neither does him justice.

Following the philosopher Richard Rorty (1984), one can distinguish four elementary approaches to the history of ideas. These approaches all serve the goal of getting a better grasp of a work; to put it bluntly, this is simply figuring out what it is that the author wants to tell us (and which we often no longer get at the first glance). An approach from intellectual history ("Geistesgeschichte"), first, identifies the central questions of an author and then explores contextually why these specific questions became central at the time. This is not too far from a "historical reconstruction." Such a historical reconstruction, secondly, takes the scholar on an intellectual journey through time: It requires an abstraction from one's own accumulated stock of methods and knowledge, so as to look at the writings of classical thinkers in the way their contemporaries would have. The advantage of this approach is that one can immerse oneself completely in a work and appreciate its specific cosmos; the disadvantage, however, is that the required abstraction can usually only be mastered to a limited extent (see Blaug 1990, p. 30).

The "rational reconstruction" in turn, thirdly, translates classical theories into modern scientific language so that they can be tested for consistency and expandability. The advantage lies in the immediate connection to modern theory; the disadvantage, however, is that precisely because the classics did not yet possess today's level of formalization, not everything can be translated into modern scientific language. On the way, some things do get lost. In addition, such an approach can create sort of a temptation toward hunting the "mistakes" of the ancients, instead of resorting to interpretative charity. Such charity is however in one's very own interest, as it allows one to use the as yet undiscovered potential of the classics. Given this, it seems necessary to proceed with caution and respect; only then one can

say: "Use of a little algebra may assist, and need not cause harm" (Aspromourgos 2009a, p. 6).

Rorty's fourth category is "doxography," a variant of Whig history. This is what we are confronted with when, over time, all authors in a field are presented as if they were talking about the same problem which, however, has only been clearly grasped in the present. Maybe more relevantly for the case of Smith scholarship, doxography is also present when the different writings of one author are treated as if they were by necessity inherently coherent, to the effect that existing tensions are not taken seriously or not even noted in the first place. When such blindness occurs, it is often accompanied by a tendency to impute intentions to the author in question, be it out of personal dislike or, to the contrary, of "wishful thinking" – intentions that cannot, however, so clearly be inferred from the texts (see Brown 2003).

Doxography is generally regarded as an aberration. The other three approaches have their pitfalls as well, and it is not always easy to draw a line between them (Blaug 2001). However, with due insight into their respective limitations, they can be put to good use and have therefore been used extensively in recent Smith research.

The second derivative of these approaches to the history of ideas, so to speak, is to relate different oeuvres to one another. With one's knowledge on Smith, for example, one may probe the differences in the argumentation by contemporaries like David Hume, and then proceed to discuss the advantages and disadvantages of each. This has been undertaken, e. g., by the philosopher Dennis C. Rasmussen (2017), using the (sadly sparse) surviving correspondence and the published writings of the two.

Finally, the elementary aim to be pursued in the history of ideas – to read a work with great precision, to understand it as well as possible, to contextualize and evaluate it in an informed way – can be supplemented by a creative element, too: One may then "play" with the now more manageable terms, concepts, methods, and theories of a classical author, so as to recombine them and use them for developing one's own thinking. Here, the goal is to make a classical work directly fruitful for modern theory.

Thus, the history of ideas is no one-way street, no backward-looking "antiquarian exercise" (Evensky 2001, p. 497), no mere "l'art pour l'art." Rather, the intellectual journey into the past can transform the present and the future. For example, one may perhaps recognize the full implications of Smith's policy recommendations only after a rational reconstruction of his theory through the lens of modern political economy, and then, in turn, receive further inspiration for modern political economy from Smith. As Blaug (2001, p. 153) illustrates: One learns to understand today's phenomenon of competition better by looking at Smith's remarks about competition through the lens of modern process-theoretic analysis, and modern process-theoretic analysis in turn can benefit from taking up Smith's insights and processing them in a creative way. Is it possible to think of a branch of economics in which this should not be possible?

3 Man and Work

3.1 Biographical Writings

The first piece on Adam Smith was printed just four years after his death in 1790: a eulogy penned by Dugald Stewart (1794), a professor of moral philosophy at the University of Edinburgh. He had gathered as much information about Smith as was probably available at the time. Then Walter Bagehot wrote an essay on "Adam Smith as a person" in 1876. It was not until a good century later that a real biography was published that went a bit further, enriched with personal anecdotes. The author, journalist John Rae (1895), had accessed archives and used information that had been circulated in the meantime. In the same year, the first set of LJ notes from 1766 – LJ(B) – was found, which changed the perception of the "great Scotsman whose economic teachings became the creed of liberalism and of many great liberal and conservative statesmen for a hundred years and more" (Schmoller 1913, p. 126, my translation). This shaped the biography undertaken by William Robert Scott (1937).

From that point on, at the latest, one might think, the world knew what there was to be known about Smith as a private person; there should not have been much left to explore, since there were next to no personal papers to analyze. Nevertheless, the efforts of posterity to get an idea of Adam Smith as a man and to reach a better understanding of his oeuvre against the background of his private life have not diminished to this day. One reason for this unquenched curiosity is certainly the very lack of material; another reason may lie in the simple but self-reinforcing effect of time passing, which heightens the need for historical explanation.[9]

9 The study of Smith's library is of particular interest, as it contains clues to the influences on his work (see Mizuta 2000, following up on Bonar 1894). Incidentally, even Smith's love life has now been explored. The few sources that exist have given rise to a mildly revisionist view: Smith was not, what a surprise, the clichéd unromantic loner! See, among others, Weinstein 2001, pp. 8–10, Phillipson 2010, p. 136, Ross 2010, pp. 227 f., Fay 1956/2011, p. 144, and especially Guerra-Pujol 2021. For a survey of the not-so-recent literature, see Muller 1993 in his chapter "Guide to Further Reading," pp. 240–62.

Since the turn of the millennium, another major and much-praised biography has been out in print, "Adam Smith – An Enlightened Life." The author, the historian Nicholas Phillipson (2010), an expert on the Scottish Enlightenment, shifts the emphasis toward a contextual and intellectual biography. In the best tradition of the humanities, he elaborates on the early influences that set Smith's thinking on its course; the most that can be objected to is that it all seems a bit overdetermined. Phillipson convincingly characterizes Smith's oeuvre as a coherent project of research into social life; he joins the phalanx of those who recognize the "Adam Smith problem" as a chimera, at least with respect to its involuntary eponymist.

This is also where the philosopher Gerhard Streminger (2017) stands, portraying Smith in his intellectual development. He begins his German-language biography in a superbly illuminating – and even chronologically appropriate – way by dealing with Smith's epistemology before turning to his moral philosophy (a term which has less to do with morality than with human behavior, as he emphasizes; ibid., p. 46) and, ultimately, to his political economy. Streminger seeks to liberate Smith from his reputation as a laissez-faire propagandist and instead paints him as a market critic.

The economists Alain Alcouffe and Philippe Massot-Bordenave (2020) as well as Reinhard Blomert (2012) literally follow in Smith's footsteps. In their books, they take a closer look at Smith's travel itinerary with Henry Scott, the Third Duke of Buccleuch, who was entrusted to Smith as a pupil on a "Grand Tour" in the 1760s. This trip, for which Smith gave up his chair at the University of Glasgow, began in early 1764 and lasted until October 1766; it took him to France and to what was then the Republic of Geneva.[10]

Alcouffe and Massot-Bordenave (2020) draw from archives a wealth of background material about the cultural, economic, political, and social conditions that Smith encountered on the hitherto not well explored southern French part of the journey, between Toulouse, Montpellier, Bordeaux, and the resort town of Bagnères in the Pyrenees. In the book "Adam Smith in Toulouse and Occitania" one learns, i. a., with whom Smith met on his expeditions – from Montesquieu's son to Richelieu – and what he was interested in. Despite some inaccuracies, the book has a lot to please historians. It proves that Smith owed experiences and ideas not only to the Paris salons, but also to this more bucolic part of his journey. After his return to Britain, he incorporated them into later versions of TMS and drew on them for WN.

Blomert (2012) agrees, but pursues a different goal in his detail-packed German-language booklet on Smith's journey to France. He aims at "the correction of an image of Adam Smith that has been distorted since the nineteenth century, when the famous Scottish moral philosopher was declared to be the forefather of a radical Darwinian understanding of the market" (ibid., p. 7, my translation). He sees the key to this endeavor in the trip to France and Geneva, where Smith entered into deeper conversations with the Physiocrats and closely observed economic events. Blomert's narrative contrasts with Phillipson's, according to whose speculation the main features of Smith's economic thinking were already established in the 1750s.

Smith's trip to France and Geneva, by the way, remained an exception; he never left the island again and Scotland only rarely. The political scientist Fonna Forman-Barzilai (2010b, p. 63) playfully interprets Smith's rootedness as a psychological inheritance: "something of the Scottish highlanders remained in him. Their emphasis on Stoic austerity, independence and civic virtue resonated in Smith's sensibility."

A great deal of archival work also underlies a monograph written by the historian Brian Bonnyman (2014), which bridges economic history and the history of ideas. "The Third Duke of Buccleuch and Adam Smith" illuminates another long unexplored aspect of Smith's biography: how in later years he served as an advisor to the Duke, with whom he remained on friendly terms throughout his life and from whom he received a generous life annuity. He helped the Duke reform the management of his vast Scottish estates, in an endeavor to implement his own moral and economic teachings. As Bonnyman explains, this paternalistic "improvement" was designed to reconcile duty to the community and patriotism with the pursuit of personal gain. Bonnyman also brings to light fascinating details, e. g., about the spectacular collapse of the Ayr Bank in 1772 – covered in WN – in which the Duke was a partner. The bank's liquidation took more than 40 years (see also Kosmetatos 2014).

Dennis C. Rasmussen's (2017) aforementioned book on Smith's close friendship with Hume also belongs in the "biography" department, as a sort of second derivative. Grippingly written, almost an intellectual novel, "The Infidel and the Professor" clarifies the ideal of a philosophical friendship that the two thinkers aspired to and achieved. It also allows one to see how they benefited from each other in terms of philosophical reasoning; where they agreed and where divergences remained. For example, in his "Treatise of Human Nature" (1739), Hume had emphasized what Smith later developed into a more complex theory in WN: that it is the division of labor that allows wealth to increase

10 On the stint to Geneva, see Bonnyman 2009.

dynamically by way of an increase in productivity, rather than some mercantilist economic policy. Hume's perhaps unreserved enthusiasm, Rasmussen argues, however, may have prompted Smith's caveat that the routines accompanying specialization can have a stultifying effect that deeply harms people – and this, in turn, can in the worst case endanger public order.

3.2 Overall Accounts and History of Reception

In addition to these writings at the intersection of biography, economic (and political) historiography, and the history of ideas, quite a few notable overall accounts of Smith's life and work have been published since the turn of the millennium. These include introductory books such as those by Heinz D. Kurz and Richard Sturn (2012, 2013) in German or by Jonathan Conlin (2016) and Craig Smith (2020) in English.[11] The economists Kurz and Sturn (2013) portray Smith as a "pioneer of modern economics," thus placing their focus on WN. This book, they argue, was "all about formulating a regulatory framework that would stimulate growth and increase labor productivity" (Kurz and Sturn 2013, p. 236, my translation). In WN, Smith "established an institutionally balanced regulatory blueprint of liberalism grounded in economic science [that] has lost none of its appeal to this day" (ibid., p. 228, my translation).

Conlin, a historian, acknowledges Smith as a forerunner of various modern branches of economics such as behavioral economics, economic ethics, and distribution theory. But he goes further, taking a holistic interdisciplinary view of Smith's oeuvre by locating it within major contemporary debates (especially those with the philosophers Jean-Jacques Rousseau and David Hume). C. Smith (2020), in turn, a historian of ideas specializing in the Scottish Enlightenment, places the emphasis on the way in which the writings of his namesake explain unintended consequences of human action. This explanation, together with Smith's understanding of the nature of the social sciences, opens up a "Smithian way of understanding the world" (ibid., p. 2).

Even more comprehensive and challenging, actually quite an intellectual deep dive, is Samuel Fleischacker's excellent overall account (2021), in which the philosopher addresses not only his peers but also those economists, political scientists, and historians of ideas who have read Smith but never engaged with him philosophically. Fleischacker deals only cursorily with biography; he really focuses on the ideas of the "broadly curious Enlightenment humanist" (ibid., p. 17), drawing on the wealth of his own research. The philosopher and political scientist Eric Schliesser (2017) takes a similar road. His highly challenging volume brings into an overall perspective his essays on Smith written over many years. Schliesser approaches the Scotsman as a systematic philosopher whose work was guided by one primary goal: to improve the lives of the worst-off members of society. Schliesser thus ties Smith's political and economic theories back to their moral purpose and philosophical underpinnings.

No longer part of the life story, but still part of the "afterlife" of an author and his work, is the history of its reception. The echo that Smith's teachings found in academia and politics has been studied early on for many countries. For Germany, this was done more than 150 years ago by Wilhelm Roscher (1867). Until recently, however, the reception of the Scot's oeuvre in the United States was little analyzed, which is quite astonishing given that Smith is regularly claimed by a great number of Americans as their ideological forefather. Moreover, he had written WN (first published in the year of the Declaration of Independence) with the Americans in the back of his mind, at least to some extent: Great Britain's relationship with its (then still) overseas colony, in bad need of change, takes up a lot of space in WN, including the problem of slavery. The political scientist Glory Liu (2022a) has now filled that gap. In her immensely detailed, fascinating study "Adam Smith's America," she traces how generations of Americans read the Scotsman's work, interpreted and reinterpreted it, and used it as a weapon in their own political discourse. Today's image of Smith is a historical creation.

Liu does not waste her time bemoaning this misinterpretation. Instead, she seeks to elucidate who in this reception history had an interest in instrumentalizing Smith – and why. Understanding this is relevant not only for an accurate picture of Smith, but also for analyzing discourses in politics and economics more generally (ibid., p. 7). In the quarter century after the publication of WN, the perception of Smith was still reasonably faithful, as she explains, because Smith's theories on the social effect of sympathy,[12]

11 See also Ballestrem 2001, Buchan 2006a, b, Berry 2013, Kennedy 2017, and Norman 2018.

12 Smith uses the contemporary term "sympathy" throughout. It describes both a person's ability to fellow-feel with someone else and the consonance of feelings that then ideally results. Montes (2008) warns that one should not interpret Smith's concept of "sympathy" in too barren a fashion: It is not just about moral judgment rooted in empathy, or fellow-feeling, he explains, but rather about the natural interdependence of people in society and, consequently, about a mechanism of social psychology – something that is often overlooked in economics. On the one hand, this interaction influences individual behavior; on the other, it shapes society's moral codes, "certain general rules concerning

the division of labor, and finance served the Founding Fathers well: TMS and WN were used as "guidebooks for enlightened statesmanship" (ibid., p. 17, see also Fleischacker 2002 and Hochgeschwender 2019).

But this changed in the 19th century. During the tariff disputes in the run-up to the War of Secession, Smith became a heraldic figure for the Southern states. The fact that he was celebrated there as a free trader, in turn, gave the North a reason to demonize his teachings; after all, the South earned its trade profits on the backs of slaves (something Smith had greatly disapproved of). By the 20th century, only a distorted image remained. In his textbook "Economics," Paul Samuelson spread the cliché of Smith as an advocate both of selfishness and of the mystical invisible hand (Samuelson 1948, p. 36; for a fiery critique see Kennedy 2010). Representatives of the younger Chicago School used Smith as a shorthand for the belief in the scientific rationality of economic markets as opposed to the incurable irrationality of politics.

The more Smith's economic legacy was transformed into a political weapon over time, however, the greater became public doubts about the objectivity and relevance of the science of which he was considered to be the founder. Ideologizing Smith thus did a disservice to economics. Liu recognizes a historical irony in the fact that it is precisely this ideological truncation that played an important part in triggering a renaissance of Smith scholarship, basically since the 1970s, the very heyday of Chicago. The scientific pendulum has been swinging back. It is thanks to interdisciplinary revisionism that the American "Chicago Smith" is now increasingly giving way to the more deserving "Kirkcaldy Smith" (see also Evensky 2005b, Liu 2020, as well as Kaufman 2016, who even considers it possible that Smith, if he lived today, would approve of a minimum wage).

Research on reception history is more advanced in Europe (see Lai 2000). With respect to Germany, the focus has consistently been on the Historical School's interpretation and critique of Smith.[13] The historiographical account of how the topic of an Adam Smith problem came up, provided by the economists Leonidas Montes (2003, 2004, 2008) and Keith Tribe (2008, 2015), almost develops the gripping appeal of a detective story (see also Tribe 2002 and Oz-Salzberger 2016). The same is true of Tribe's (2015, pp. 115 f.) findings concerning France: the 1802 version of the French WN edition was preceded by a "reading aid" that restructured – and thus distorted – the book. Translated into English, this version then made its way back to Britain and influenced the discourse from there (Faccarello and Steiner 2002).[14]

4 From Cooperation to Foreign Trade

Most economic engagements with Smith in the past 20 years have in common that they are based on a "closer reading" approach or that they attempt a rational reconstruction of some specific aspect. The highly sophisticated book "The Science of Wealth" by Tony Aspromourgos (2009a) is certainly the greatest achievement in this kind of economic Smith scholarship over the past 20 years, combined with a broad intellectual history perspective. It is a masterful account and intellectual contextualization of WN, as comprehensive as it is profound, overflowing with useful references. From his deep knowledge of Smith's oeuvre, Aspromourgos deals with all the significant economic concepts and argumentations in WN: wealth, competition, costs, prices, supply and demand, labor, productive and unproductive labor, factor wages and income distribution, division of labor, capital, and capital accumulation.

However, it still remains an extreme rarity in present economics to see someone "playing" with Smith's ideas and concepts after all due closer reading and reconstruction, i. e., creatively developing them with the aim of making progress in modern theorizing. This is quite unlike, e. g., what happens in political science.[15]

what is fit and proper either to be done or to be avoided" (Smith 1982a, TMS, III.4.7).

13 Schumpeter's rather curt critique (1954) of Smith has also been treated in the meantime; see Ortmann, Walraevens, and Baranowski 2019, but also Kurz 2019b. To Richard Sturn I owe the hint that Schumpeter found Smith's critique of mercantilism too eclectic and that he was fundamentally suspicious of his egalitarianism. Rothbard's critique (1995) has also been reviewed in the meantime; see Ahiakpor 1999 as well as Matthews and Ortmann 2003.

14 Speaking of WN, those who study Smith's economic work in depth can also benefit greatly from the "guidebooks" in which Evensky (2015) and Paganelli (2020) take the reader by the hand and walk them through the text.

15 Following Sen (2002) and Shklar (1989, 1990), Forman-Barzilai (2010a), e. g., uses Smith's theory of sympathy to develop an approach for a universal, cosmopolitan, minimal ethics that applies even when moral norms are culturally bound. Herzog (2013) contrasts Smith with Hegel, from whom she hopes to find better answers to the question how markets should be designed. Ronge (2015) relates Smith's work to Michel Foucault's concept of liberal governmentality (Foucault 2008) and imagines what Smith's unfinished project of a "History of Law and Government" might have looked like. Cowen (2021) uses Smith's work to provide moral substance to the economic liberties that the philosopher John Rawls, in his "Theory of Justice" (1971), expects to result from an imagined consensus between all citizens behind a veil of ignorance.

4.1 Cooperative and Uncooperative Behavior

Vernon L. Smith's approach may be regarded as an important exception to this rule. For the experimental economist and 2002 Nobel laureate, the oeuvre of his Scottish namesake has for many years provided an impulse to allow for more complexity in his research. It led him to model humans as learning social beings. According to him, many theoretical puzzles can be solved if one softens the neoclassical assumption of rationality and uses the Smithian sympathetic process instead (based on the ability of humans to imagine themselves in other people's shoes, on the desire for praise, praiseworthiness, and harmony, and on mutual feedback, as described in TMS). This helps explain some counterintuitive results in experimental economics, which then may prompt useful tweaks in the experimental design (V.L. Smith 2003, 2008, 2008, 2010, 2016, and Smith and Wilson 2015).

The prelude to this expanded research program by the now 96-year-old scholar was his engagement with Adam Smith ahead of his 1997 Distinguished Guest Lecture at the Southern Economic Association. In his talk, Vernon Smith related the fact that cooperative and uncooperative behavior can coexist, as demonstrated in laboratory experiments, to the Scot's assumption – both an empirical observation and an analytical axiom – that human nature is both "self-regarding" and "other-regarding," i. e., that human beings are simultaneously motivated by self-preservation and a genuine direct interest in others.

That people's behavior is less motivated by self-interest than modeled in neoclassical theory need not be surprising: this is in fact "much ado about nothing," as bluntly affirms Witztum (2016, p. 551). But the relevant question for economists, according to Vernon Smith (1998), is ultimately whether transactions occur, i. e., whether economic exchange is possible at all. And here, he argues, exists a major difference between personal exchange in the small group that relies on reciprocity, on the one hand, and impersonal exchange in the anonymous, competitively structured large society, on the other hand. "In impersonal markets, people behave noncooperatively, and this maximizes the gain from exchange" (V.L. Smith 1998, p. 15). Smith has chosen to call his approach "humanomics" (V.L. Smith 2012, 2022, as well as V.L. Smith and Wilson 2019; see also Paganelli 2011, 2013 and McCloskey 2016).[16]

4.2 Historical Processes of Change

Smith's oeuvre also lends itself to an interpretation along the lines of the research program developed by the 1993 Nobel laureate Douglass C. North together with John J. Wallis and Barry R. Weingast, which aims to explain historical processes of change. This approach takes the economic and political institutions of the social order as well as human "belief systems" into account (North, Wallis, and Weingast 2009). It is through this lens that the economist and political scientist Weingast (2019) reads Smith's WN and extracts from it, i. a., an analysis of why many countries remain poor in the long run and only a minority of countries become prosperous. Although the division of labor, savings, capital accumulation, and good economic policies are important, they cannot exist without the necessary condition of overcoming the "violence trap."

When a country is stuck in this trap, widespread violence makes property rights, savings accumulation, investment, and innovation insecure. But if a way out of the trap is found, then the transition from a "limited-access" society to an "open-access" society becomes possible. According to the conceptualization by North, Wallis, and Weingast (2009), "open-access" societies are more democratic and have far greater adaptive efficiency. Weingast interprets Book III of WN as a historical narrative about feudalism and the rise of cities by which Smith aims to show how the violence trap is practically overcome: through the city rights wrested from the king. As he explains, this meant a triple revolution. It created liberty (along with justice and the security of property rights), trade (and thus growth), and security (Weingast 2019, p. 76).[17]

4.3 Markets and Competition

In the work of Heinz D. Kurz (see Kurz 2019 a, b as well as 2016), one typically encounters a mixed strategy of closer reading and rational reconstruction. A prolific scholar in countless subfields of the history of ideas, Kurz reads Smith, translates what he reads into the modern formal theoretical language of economics, and then works out the parallels with the contemporary conceptual world.

One example is Kurz (2016), where he traces Smith's view of markets and competition. Among other things, he shows that Smith was aware that information is asymmet-

16 Smith's discussion of human biases ("corruptions") is of interest in this context. See, i. a., Ashraf, Camerer, and Loewenstein 2005.

17 See also Weingast 2010, Weingast 2017 a, b, c, and Weingast 2018 a, b, c; on the debate about economic progress and trade in the 18th century, see also Schumacher 2016.

rically distributed, which was and still is a problem, especially in banking. Even though "moral hazard" and "adverse selection" are more recent terms and concepts, early traces of them can be found in Smith. "[…H]ad Smith's analysis of the banking and financial system been absorbed into the mainstream, the recent financial crisis would not have been met with surprise and disbelief in large parts of the economics profession," Kurz writes (ibid, p. 4; see also Rockoff 2011, 2013, Goodspeed 2016, and Paganelli 2016). He pays particular attention to Smith's distinction between market price and natural price as well as to the gravitation of the former toward the latter (which is where stability problems arise).[18]

The philosopher Eric Schliesser, however, does not think that Smith expected the two prices to converge anyway. He reads the distinction primarily as a reminder that there is a gap between abstract theory (the natural price) and reality (the market price) because of pre-existing institutions and interventions in market activity. He argues that the task now consists of improving the existing institutions (Schliesser 2017, p. 301). The historian Buchan (2006b, p. 102) specifies the nature of such institutions and interventions: "corporation or guild privileges, grueling statutes of apprenticeship, or old-fashioned settlement laws that barred a laborer from moving parish, and even […] remnants of indentured slavery."

4.4 War and Peace

Written under the shock of Russia's imperialist attack on Ukraine in 2022, Kurz's (2023) treatment of Smith's analysis of war and peace is of great current interest. To a large extent, it parallels the reading by the economists Maria Pia Paganelli and Reinhard Schumacher (2019). Of course, times are different – Smith did not live in the nuclear age, and wars therefore did not yet threaten to wipe out humanity. Still, there is a lot to learn from Smith's analysis. He makes national defense a top priority in his list of government duties in Book V of WN,[19] and in view of this he justifies, contrary to his otherwise pronounced free-trader attitude, the Navigation Act, a protectionist piece of legislation that gave domestic ships a monopoly in maritime trade. His words leave no room for doubt: "Defence is of much more importance than opulence" (WN IV.ii.30).

After a detailed analysis of the advantages and disadvantages, Smith argues for a professional standing army, which may be supplemented by a militia. His argument centers on the martial spirit of defense forces and plain efficiency. As Kurz points out (like Montes 2009), Smith combines the ethical with the economic perspective here, as usual. He worries that the "impartial spectator," the conscience mechanism at work in the ethical judgment of every human being, loses its impartiality in war. Thus, hatred can escalate in a nation, and justice gets lost (see also Hill 2009, p. 73).

For Smith's main concern in WN, the increase of general prosperity, war is a threat. Trading societies of the "commercial age," according to Smith, quite unintentionally produce this threat themselves, as Kurz (2023, p. 5) elaborates. Such states are a favorite victim of external attack precisely because they are prosperous. And since the industriousness of the population is directed toward the increase of wealth, they lack the military competence to defend themselves. Their strength makes them weak.

In any case, as Paganelli and Schumacher (2019) point out, according to Smith, one can no longer realistically rely on the romantic thesis of "doux commerce," i. e., on the peacemaking effect of trade – even if, like Smith himself, one ardently wishes for it. Rather, in Smith's account, the flawed mercantilist thinking that was widespread in trading states had driven nations into a logic of rivalry that eroded peace. It was their prosperity that had reduced the relative opportunity costs of wars, which therefore lasted longer than they otherwise would have. Also, the ability of developed states to raise money via public debt obscured the expense of waging war in the eyes of the population. Therefore, a business sector that courted new markets and monopolies, arguing in terms of mercantilist economics, virtually pushed the government into war. Smith therefore "saw war as primarily an artifact of mercantilism rather than as an inevitable consequence of human relations" (Hill 2009, p. 75). This is another reason why Paganelli and Schumacher (ibid., p. 795) read Smith's remarks as a warning: "While defending and promoting trade, Smith warns us not to take peace for granted."

18 Schliesser (2017, p. 299) points out that the astronomical metaphor of gravity used by Smith is not quite appropriate, since it presupposes that two (celestial) bodies move around each other; in the case of prices, however, it is only one of the two that moves. Andrews (2015) specifies that, contrary to Alfred Marshall's traditional and widely accepted interpretation, Smith's natural price does not arise in long-run equilibrium, but is simply calculated according to the costs associated with a continuous supply of the good in question. On Smith's price theory, see also Aspromourgos 2008 (critically Ahiakpor 2008) and 2016, as well as Fleischacker 2004 and Schliesser 2008.

19 The political scientist Lisa Hill (2009, p. 75) does not view this positioning as a prioritization.

4.5 Stages of Development

Kurz (2023) as well as Paganelli and Schumacher (2019) directly follow Smith in his account of the progressive stages of societal development without looking at these in more detail. This is not unusual. In the reception of Smith's oeuvre, the highest of these stages, the "age of commerce," has typically been regarded as a synonym for the present widely understood. The description of the more primitive stages – the ages of hunters, shepherds, and agriculture (see also LJ(A) i.27, LJ(B) 149, among others) – has mostly been understood as an instance of "conjectural history": a reasonable description of how things may have been, without any claim to full historical exactness, however, for lack of data.[20] Some difficulties are associated with such an understanding, though. Among other things, no answer is provided to the important question whether the four stages are rooted in some historical law of development or progress, i. e., whether there is some determinism at work here.

The political scientists Christopher J. Berry (2013) and Paul Sagar (2022) as well as the economist Maria Pia Paganelli (2022b) offer a reading according to which, for Smith, the stages of development are based neither on a law of development nor on some conjectural history.[21] They argue that the stages serve as a pedagogical heuristic, a model or thought experiment describing an anticipated developmental path that individual societies may take if there is no political disruption (Sagar 2022, pp. 16, 23). Moreover, the stages of development represented a classic motif in the Scottish Enlightenment (C. Smith 2006). Smith presumably adopted it because he could assume that his readers were well acquainted with it.

Paganelli emphasizes that Smith himself does not speak of "stages" at all, but of ages and "states," and that he presents historical evidence that predominantly refutes a strictly progressive development. As she summarizes, "[t]he four stages are a taxonomy of different relations between means of production and social, moral, political and legal institutions, not a model of development from one stage to another" (Paganelli 2022b, p. 98; critically Ahiakpor 2023). And when Smith describes the "natural progress of opulence" (WN III.i), this is a ceteris paribus projection, and therefore neither a historical observation nor a necessity.[22] The utility of this exercise is counterfactual: the thought experiment makes it easier to understand a posteriori why the development in a particular case took a path that differed from the "natural" one (see Sagar 2022, p. 21).

Sagar (ibid., pp. 10–53) also denounces the often careless, indiscriminate use of the terms "commercial age" and "commercial society" in Smith scholarship, stirring up quite a hornet's nest. For it is precisely the notion of "commercial society" that a broad segment of the more recent literature is centered on. Political scientists, philosophers and others regularly use the term as a synonym for (the nowadays much-criticized system of) capitalism (see, among others, Alvey 1998, Hanley 2008, 2009, 2018, Rasmussen 2008 and 2016, Hill 2006 and 2017, Harkin 2005, Herzog 2011, Boucoyannis 2013, Naz 2014, and Smith 2017; critically of this practice, Hont 2015, p. 3, who, however, also uses the term himself).

Yet Smith knew neither the term nor the phenomenon. His "commercial society" is a technical and very precise term, as Sagar explains; Smith uses it to describe the internal structure of societies based on trade, at whatever time or era: "an advanced stage of economic interdependence where direct personal toil on the products of subsistence […] has been superseded by exchanges in webs of market relations" (ibid., p. 13). As Hont (ibid.) clarifies, the point is that people relate to each other as traders, and that social interaction is thus governed by the usefulness that market relations both require and yield. Such a structure allows for very different forms and is therefore not limited to a specific era. "Commercial societies" in this sense already existed in antiquity.

How such a society is to be judged ethically depends on its exact characteristics in the individual case; a generally valid, conclusive judgment cannot be derived from Smith's treatment. "What matters to Smith is how the specific politics of specific commercial societies are organized, not whether or not one lives in a commercial society simply in and of itself," emphasizes Sagar (ibid., p. 52). He sees Smith as particularly concerned about the influence of interest groups on politics, which are detrimental to the common good. But Smith has nothing to do with the modern assumption that a commercial society fatally distorts people's ethical judgments per se (ibid., p. 182).

20 See, i. a., Otteson 2002, pp. 283 f., Evensky 2005a, p. 10, C. Smith 2006, chapter 4, and 2020, chapter 5, Kennedy 2008, pp. 63–74, Phillipson 2010, pp. 108–13, Berry 2013, chapter 1, Herzog 2013b, Hanley 2014, Norman 2015, pp. 69 f., Anderson 2016, Cremaschi 2016, Schliesser 2017, chapter 6, Ronge 2019, p. 100, as well as Ortmann and Walraevens 2022.
21 Sagar (2022, p. 19) shatters the common understanding that Smith resorted systematically to the instrument of conjectural history: "Virtually none of Smith's historical discussion in WN consists of conjecture. It was either a classical reproduction of historical facts (in which case Smith would not always have had the best facts at his disposal) or thought experiments that were supposed to illustrate chains of causality."

22 On Smith's historiographical technique, see Blosser 2019.

4.6 Foreign Trade

Smith is considered a theorist not only of the division of labor but also of free trade (see Irwin 2016, among others). However, his argument for the elimination of trade barriers is nowhere as dogmatic as often portrayed (see, critically, Magnusson 2004). Moreover, the textbook notion persists according to which Smith's foreign trade theory is deficient, since he did not recognize "comparative cost advantage." This insight owes its origin to David Ricardo (1817, see Zhang 2008, p. 3, among others). Schumacher (2012, 2013, 2017) however dispels this account. It is a typical case of doxography, he writes; moreover, it is not only wrong but it also distracts from the fruitful originality of Smith's argument. In WN, Smith derives the usefulness of international trade from his theory of the division of labor: people are endowed with a natural inclination to exchange; the division of labor increases productivity; and from this then results an increasingly specialized economy. A self-reinforcing dynamic thus emerges because a supplier with more productivity can serve a larger market area, which creates an incentive to increase productivity even further by specialization. The division of labor is then limited only by the size of the market (WN I.iii.1).

In describing this process, Smith assumes that people are "natural equals," which is reflected in the famous WN passage where he writes that the philosopher and the street porter were once very similar as helpless infants (WN I.ii.4). He proceeds in the same way when he broadens the scope and considers trade between states: International trade does not occur because countries are inherently different in their production costs; rather, it is trade that leads to specialization and thus to differences. As Schumacher points out, Smith endogenizes the differences between people or countries in his approach (see also Sturn 2019, p. 176), while Ricardo's theory is limited to comparative statics (see Buchanan and Yoon 2002).[23]

Smith does not ask how long, given the differences in production costs, foreign trade between states will be advantageous. Instead, he is interested in the process by which these differences arise. As Schumacher points out, Smith does not even begin to make the neoclassical trade theory assumptions that are commonly attributed to him. For example, he neither assumes a complete mobility of production factors nor does he abstract from transport costs. In short, neoclassical foreign trade theory "has nothing in common with Smith's actual ideas" (Schumacher 2012, p. 72).

In this context, it is also worth mentioning Paganelli's (2022) closer look at Smith's "Digression on silver" – an overlong discursion in WN on foreign trade, so lavishly underpinned with narrated historical evidence that it is likely to be skimmed over by hurried readers (Smith, WN I.xi.e–n, pp. 195–260). Yet, Paganelli sees nothing less than a centerpiece of WN in this very passage in which Smith analyzes the relative price changes associated with growing wealth and concludes, after sifting through the available statistical data, that land rents are rising. Paganelli's judgment rests on the fact that Smith makes a special effort here to denounce mercantilism (or at least his own caricatural view of it[24]) and to reject the claim attributed to its proponents that the more silver is in circulation, the greater prosperity will be.

5 Equality and Inequality

A major theme in recent Smith scholarship, with massive revisionist ambitions, is his stance on equality and inequality. This is of considerable importance because of Smith's usual identification with a market economy (or "commercial society," where people relate to each other as partners in useful exchange). If he explicitly condoned systematic material inequality in society, as he is commonly believed to have done, then this could be morally questionable. It could be even more troubling if this social inequality only kept the economic growth machine running to a limited extent – or if it could even, at some point, become a brake on growth, as modern economic research suggests (see Ostry, Berg, and Tsangarides 2014, as well as OECD 2015). It is thus worthwhile for economists to look closely at Smith's argument. The issue however goes beyond the mere tangible material aspects. It raises, first, the question about Smith's notion of justice behind (in)equality and, second, whether, in addition, a moral or analytical egalitarianism can be found in Smith and may be justified with his theory.

5.1 Material Inequality

Smith's WN is guided by the question how prosperity in society comes about – a prosperity, i. e., that includes the weakest. There are early elements of this question in LJ and TMS as well. That Smith was anything but an advocate of the rich is undisputed in research today. In a painstaking textual analysis, the economist Christopher Martin (2021) searches relevant key words in Smith's writings, taking

23 This is not to say that Smith never makes use of comparative statics. He does (see Liu and Weingast 2021).

24 See, i. a., Aspromourgos 2009, p. 38 f., and Weingast 2018a.

stock of the picture that Smith draws of the rich and the poor. He finds that Smith's partisanship for the poor is more than evident. Statements like the following underpin this: "No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable" (WN I.viii.36, see among others Salter 2012).

Fleischacker (2004, pp. 203 ff.) contextualizes this partisanship, explaining that in the pre-modern world, the poor were considered a reprehensible class. Until the late 18th century, people believed that God had provided a hierarchical structure for society. For them, the problem of the poor consisted more in preventing criminal attacks than in helping the poor get out of their misery. Even those people who did provide some assistance considered it an undeserved mercy.

Smith dispelled that notion. "More than anyone else before him, Smith urged an attitude of respect for the poor, a view of them as having equal dignity with every other human being, and without this view, the notion that they deserve not to be poor could not have gotten off the ground," writes Fleischacker (2004, p. 205; see also Fleischacker 2013). This set the course for modernity: "Smith helped bring about the peculiarly modern view of distributive justice: the view according to which it is a duty, and not an act of grace, for the state to alleviate or abolish poverty" (ibid., p. 226).

At this point, however, C. Smith (2013) parts company with Fleischacker: Smith's theory of justice is essentially negative, he argues, and it is therefore hardly suitable for a conception of distributive justice. Smith's skepticism towards the rulers also does not exactly make government a preferred addressee of justice claims. Thus, says C. Smith, his theory cannot in good conscience be used to develop normative criteria of social justice in view of redistribution (in contrast, Verburg 2010).

Fleischacker does recognize that Smith shows with his economics that improvement is possible, simply by way of an economic policy no longer designed to keep the poor miserable. The political scientist Deborah A. Boucoyannis (2013, p. 1052) reinforces the understanding according to which, for Smith, material inequality is often the result of misguided policies that exhibit excessive deference to interest groups – a problem that is clearly still relevant today. As she reads Smith, this problem can be addressed through proactive legislation and regulation that prevents collusion among powerful businesses, and also through redistributive taxation.

In line with this, the philosopher Elizabeth Anderson (2016, p. 169) points out that in Smith's time, virtually all government intervention worked in favor of the rich. Against this background, she argues, Smith's plea for a freer market was entirely consistent with a concern for greater material equality. Similarly, in the interpretation provided by the economist Satoshi Niimura (2016), economic growth and equality are not fixed opposites for Smith despite certain tensions. According to the historian of economic thought Benoît Walraevens (2021), this is true so long as inequalities are purely merit-based and everyone benefits from the economic dynamism that they generate. The philosopher Lisa Herzog (2014) adds that with such an understanding in mind, one is called to reflect on the institutional design of markets.

In Smith's view, poverty represents a fundamental evil, but it is also an obstacle to economic progress as well as, not least, a problem for public order and general morality, as Horn (2022a) elaborates. Obviously with the Hobbesian horror of a "war of all against all" (Hobbes 1651/1970, p. 115) in the back of his mind, Smith realizes that when "[…] some have great wealth and others nothing, it is necessary that the arm of authority should be continually stretched forth, and permanent laws or regulations made which may ascertain the property of the rich from the inroads of the poor […]" (LJ A iv.22). Meanwhile, people's tendency to avoid unpleasant feelings leads to a heedlessness towards the poor that further increases their misery.

In addition to economic policies that help increase prosperity and end unjust regulations (such as restrictions on freedom of establishment, WN I.x.c.59), Smith argues for good education to counteract the stultifying effects of specialization (WN V.i.f.49). He calls for public support and, if necessary, the introduction of compulsory education. As for taxes and levies, he urges that the ability-to-pay principle be applied (WN V.ii.b.3), and he has no problem with a progressive (expenditure-driven) incidence of an otherwise proportional tax schedule (WN V.ii.e.6).

One might be irritated by Smith's brilliant literary parable of the "poor man's son," "whom heaven in its anger has visited with ambition," and who toils away all his life without becoming one iota happier (TMS IV.I.10). For Smith, in this tragic parable, still finds warm words for the underlying vanity and self-deception: "And it is well that nature imposes upon us in this manner. It is this deception which rouses and keeps in continual motion the industry of mankind" (TMS IV.I.10, see Rasmussen 2006). One might find this judgment downright cynical. But this conclusion would be erroneous, as the political scientist Ryan Hanley (2009, p. 106) warns. Smith, he writes, only describes, as ever so often, a favorable side effect of an action that at first glance appears to warrant a negative assessment. But Smith does not stop there. Rather, as Hanley reminds the readers, Smith adds a clear educational point in the chapter on virtue ethics in TMS: "The great secret of education is to direct vanity to proper objects" (TMS VI.iii.46). If this suc-

ceeds, one need not, at the end of one's arduous existence, lament the futility of all striving, despite the undeniable progress made. Instead, one can rejoice in one's own virtue and bliss – i. e., in a successful life.

And what about Smith's claim that the rich, despite their selfishness and greed, share with the poor the fruits of their investments? How realistic is that? Isn't this "optimism gone wild" (Buchan 2006b, p. 6), an early version of the trickle-down theory, now much criticized in some circles? It is in this context, by the way, that the notion of the "invisible hand" is used in TMS: "They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species" (TMS IV.I.10). The promise of a (nearly) equal distribution refers merely to the "necessaries of life," as one sees on close reading. These however encompass more than the subsistence minimum, according to Smith: all that belongs to the necessaries of life which "the custom of the country renders it indecent for creditable people, even of the lowest order, to be without" (WN V.ii.k.3).

The historian Emma Rothschild and the economist and philosopher Amartya Sen (2006) even build a bridge from here to Sen's own modern capabilities approach (see, among others, Sen 1999). It is quite important to realize, however, that Smith's counterfactual here describes anything but an economically lush situation. It is a "natural state," a merely imagined situation long before the "commercial age," i. e., where people have not even begun to increase common wealth through trade and specialization (see also Schliesser 2017, p. 243). The prediction is thus much more moderate than it first appears. It is however proof of just how urgently Smith seeks to coax and convince the reader.

5.2 Moral and Analytical Equality

Not only does Smith side with the poor, but his entire system, as recent research has found, is underpinned by a fundamental egalitarianism (see, i. a., Fleischacker 2004, 2006, Cremaschi 2016, and Anderson 2016). The 1986 Nobel laureate James M. Buchanan (2004, 2005) points out that it is only because Smith thinks of people as "natural equals" that he can conceive of an endogenous, cumulative, self-sustaining process of expanding prosperity (and the limits of the market) through the division of labor. "In Smith's world of natural equals, the distribution of specializations observed emerges from the responses to the demands of the market rather than from any natural distribution of personal capacities" (Buchanan 2004, p. 4).[25]

Indeed, Smith describes how differences between people emerge only over time, i. e., in the course of their lives, personal experiences, education, habituation to customary mores, and vocational specialization (WN I.ii.4). This description is however controversial (see Fleischacker 2006, p. 8, as well as Peart and Levy 2008, p. 2), and it is not even clear that it is necessary for his argument. Differences in talent can very well be reconciled with the concept of natural equality if one interprets the situation in terms of people being equal in their dependence on each other, which leads them into exchange relations (see Braham 2006, p. 15).

In the "natural equals" one can also recognize a theoretical modelling strategy, a basic technical assumption that by no means stands or falls with its realism, but ensures as a heuristic that a certain causality comes into focus without interference. The economists Sandra J. Peart and David M. Levy (2008, pp. 1–12) see it this way and speak of Smith's "analytic egalitarianism" which deliberately abstracts from the undeniable inherent differences between individuals. In a similar way, most political philosophies assume (and must assume) the equality of all people in order to derive a robust basis of legitimacy for democratic systems. Behind this, one usually does find a normative (meta-)position, but, first of all, it serves an analytical purpose. This does not mean that Smith is unaware of differences between people. His theoretical reason for the emergence of the state is based precisely on this (see Darwall 2004, Crampton and Farrant 2008, Debes 2012, Sturn 2019, p. 176, and Horn 2020a).

An actual normative egalitarian underpinning of Smith's theory, however, opens up in a different, indirect way, namely through the "impartial spectator" in TMS, according to the interpretation provided, i. a., by the philosophers Samuel Fleischacker (2004, 2006) and Sergio Cremaschi (2016). In describing the process of individual ethical judgment, Smith supplements the corrective formed by the immediate, external reaction of other people to our actions (the "external spectator") with an internal "impartial spectator." This figure of thought raises human judgment to a more abstract level and allows the individual to set aside for a moment the distortions that self-love brings about. One then takes a step back, as it were, and observes oneself and the others from a more distant, more objective standpoint.

25 For Buchanan (2004), this fact is relevant because he ascribes more dynamics to an endogenous process of markets that expand as a result of increasing returns than to the Ricardian model, which assumes given comparative advantages that are exhausted in equilibrium. See also Buchanan and Yoon 2000.

The ethical ideas that apply at this level are themselves the result of an interactive feedback process. Fleischacker (2006, p. 3) nevertheless rejects the evolutionary interpretation by the philosopher and political economist James Otteson (2006).

The impartial spectator, "whenever we are about to act so as to affect the happiness of others, calls to us, with a voice capable of astonishing the most presumptuous of our passions, that we are but one of the multitude, in no respect better than any other in it […]" (TMS III.3.4). According to Cremaschi (2016), taking a moral stand in this way already implies that everybody matters. In line with Fleischacker (2004, 2006), the philosopher Matthew Braham (2016, p. 12) formulates the egalitarian corollary: "We are all of the same moral worth." This egalitarianism is also consistent with the doctrine of the Stoics, which occasionally resonates in Smith (though not as pervasively as it has long been held), and according to which all people ought to be thought of as rational beings, equals by nature. In sum, "Smith's work is a milestone in the history of egalitarianism" (Anderson 2016, p. 169).

6 The so-called Adam Smith problem

The so-called Adam Smith problem is a true curiosity. The term can be traced back to the economist August Oncken (1897, p. 443), who sought to refute the often polemically argued claim by the Historical School (see, i. a., Hildebrand 1848, Knies 1853, Roscher 1867, and Skarżyński 1878) that a deep rift runs through Smith's oeuvre.[26] These scholars, at that time, had come to their assertion merely on the basis of TMS and WN; LJ and LRBL were not yet discovered. For WN, it was claimed, Smith had abandoned the philosophical and ethical perspective of TMS. Instead of sympathy, it was held, he now argued that only self-interest was relevant.[27]

Why would such a rift be problematic? Well, it might be problematic because it could be understood as an inconsistency, which would cast doubt on Smith's competence, or at least as a paradigm shift, which would also invite critical evaluation. In fact, the question is whether Smith can be taken seriously at all. The answer is not only important for his posthumous fame, but even more so for assessing whether his economic policy recommendations stand on acceptable ground. This is the – highly political – relevance of the so-called Adam Smith problem. Solving or resolving it is therefore not merely exciting for historians of ideas, but "might provide answers to pressing modern problems", as the economist and philosopher Vivienne Brown (2011, p. 5) writes.

The claim that there is a rift, if not an outright contradiction between TMS and WN, may already be triggered by their respective objects of study. As its name suggests, TMS is about moral sentiments, i. e., ethical judgments, whereas WN is about wealth. Some readers were (and some still are) suspicious of the fact that Smith descended to the lowlands of economics at all, and that in WN there is hardly any talk of morality, but much more so of self-interest. In addition, the rhetoric differs. In TMS, Smith presents himself as a philosopher who weighs his arguments carefully and always anticipates possible counter-arguments, thereby arguing in a dialogical manner. In WN, his stance is more partisan or "one-sided" (Brown 1994, 2005, Fleischacker 2021, p. 12, and Herzog 2013b, see also Walraevens 2010, Trincado 2019, and DelliSanti 2021). Smith's desire to persuade is even more pronounced here.

Fittingly, Weingast and Liu (2021) place the work in the category of "normative and positive political theory" (NPPT). The desire to persuade politically provides a good explanation for the fact that Smith in his WN supposedly "never moved above the heads of even the dullest readers," as Joseph A. Schumpeter rather arrogantly notes in his "History of Economic Analysis" (1965/1994, p. 185). Instead, Smith, he writes, "led them on gently, encouraging them by trivialities and homely observations." If it was not for his derisive tone, Schumpeter would be exactly right: in LRBL, Smith had developed and justified just such a method. His accessible style was the product of intent, not accident; it was Smith's strength, not his weakness. This insight, however, also clarifies that WN is not and was never meant to be a purely theoretical work. It is a "treatise" and a "tract" at the same time: a "treatise on economic theory and an economist's advice on public policy" (McLean 2006, p. 60), an "uneasy hybrid of polemical tract and historical survey," provided together with "a bundle of political recommendations, some striking observations about human nature, and, of course, a set of foundational principles for economic science" (Fleischacker 2021, p. 15).

26 Oncken (1897, p. 444) formulates the question as follows: "Are the two principal works of Adam Smith, the Theory of Moral Sentiments (1759) on the one hand, and the Inquiry into the Nature and Causes of the Wealth of Nations (1776) on the other, two entirely independent works, contradicting each other in their fundamental principles, or are we to regard the latter simply as a continuation of the former, though published at a later date, and both as presenting, when taken together, a comprehensive exposition of his moral philosophy?" Contrary to the representatives of the Historical School, he opts for the second variant. Already 20 years earlier, Oncken (1877) had related Smith to Kant in a book that is still very much worth reading today.

27 Famously, George Stigler remarked that WN was a "stupendous palace erected upon the granite of self-interest" (Stigler 1971, p. 265).

In an effort to explain the perceived differences between TMS and WN, the so-called "Umschwungtheorie" (turnaround theory) emerged in the German Historical School. Tribe (2008, p. 518) quite plausibly conjectures that these thinkers had not read TMS. As Aspromourgos (2016, p. 60) quips, "a 'classic' is a book that everybody's heard of and nobody's read." This may indeed solve the puzzle, given that, according to the philosopher Bastian Ronge, "even a halfway solid knowledge of the text" should be enough "to unmask the Adam Smith problem as a mere chimera" (Ronge 2015, p. 12, my translation). The turnaround theory, promoted by Karl Knies (1853) and others, consisted in the assumption that Smith only received the stimulus for his economic work in his conversations with the physiocrats in France and thereupon changed his ethical outlook. The discovery of the first set of LJ in 1895 terminated this hypothesis. The transcripts contain many ideas later to be found in WN – without Smith having any personal acquaintance with the physiocrats when he gave these lectures in the 1760s. The fact that he continued to further develop TMS and WN throughout his life also disavows the turnaround theory. An Adam Smith problem in the narrow sense therefore does not exist. Such claims are but "an act of posthumous defamation" (Ronge 2015, p. 15). There is widespread agreement on this today.

The problem in a broader sense, however, has continued to exist. Chronology alone is no convincing argument that may resolve a substantive tension, if there is one. The notion that Smith had changed his mind may have been dispelled, but the question whether WN stands on morally acceptable ground is still controversial. This must be answered if one wants to come to terms with Smithian economic liberalism.

Chafing at the connections of Smith's theory with stoicism, natural law traditions, and an enigmatic theology to which they attributed the roots of his liberalism, the thinkers of the Historical School and, later, the ordoliberals, created many clichés (Horn 2011, 2020b). But they also ensured that Smith stayed topical. Their criticism gave Smith scholarship a second impulse, and today's literature continues in that vein.[28]

In terms of interpretive strategy, the task now is to search for a bridge between TMS and WN. It is only if no such bridge can be found that the assertion of an Adam Smith problem in the narrower sense continues to be relevant. The aim is not justification, but falsification. Two procedures can be used: Either one traces self-interest in TMS and morality in WN seeking to prove, if necessary, that the imbalance is not as great as one thought, or one conceives of Smith's writings as a coherent overall project and asks how the individual parts fit together and what connects them. A third option is to discard both strategies as insufficient and move to a meta-level.

First, however, it is necessary to clarify what is meant by the term "self-interest." The concepts of egoism, self-interest, and self-love are not always so clearly distinguished from each other. And while such distinction is anything but trivial in the abstract, the interpretation of Smith's own handling of the terminology is even more difficult: sometimes he provides very precise definitions, while at other times he sticks to a colloquial use of the words (see, i. a., Force 2003, Fleischacker 2004, pp. 84–103, Mehta 2006, C. Smith 2006, Brown 2009, Hanley 2009, p. 104, Forman-Barzilai 2010a, p. 37, and Maurer 2019; for a good overall overview, see Heath 2013).

Since egoism, at least, is commonly considered objectionable, recent scholarship has devoted a lot of energy to tracing more closely the role that Smith assigns in his system to the "self-regarding" rather than "other-regarding" motivations (see also V.L. Smith 1998 for a discussion). He does assume both in TMS and WN that people are endowed with both types of motivations, self-love as well as benevolent love for others. These are brought into balance in the process of interaction both with other people and with the "impartial spectator," their own conscience (see Horn 2020a, 2023). Still, in WN, self-interest stands indeed in the foreground as an explanans.

Recent literature reveals one thing above all: Smith's image of man – or, more aptly, his specific way of modeling man within his theory – is more complex and his view of self-interest is more nuanced than the clichés would have it. Smith takes self-interest into account as an anthropological constant that essentially serves self-preservation. In ethical thought, such things have long been taboo. Since antiquity, the pursuit of self-interest has been considered unnatural and irrational (see, i. a., Hengstmengel 2019, p. 133). Smith, however, embeds self-interest in a construction in which it has both function and justification, but where it also requires containment.

Systematically, the pursuit of self-interest is part of prudence, which is a virtue (albeit a lesser one). In the virtue-ethical sixth chapter of TMS, which Smith inserted in

28 The clichés live on; see the claim by the economists Roland Fritz, Nils Goldschmidt and Matthias Störring (2021) that classics like Smith did not take the social and institutional context of individual action into account. At least regarding Smith, this certainly does not hold. This is also pointed out by Evensky (2005c), e. g., who demonstrates how Smith not only reconciles free individual action with the social construction of the self but explains both as interdependent. Witztum (2016) points to the relevance of social proximity for Smith, which can certainly be influenced by appropriate institutions. On the impact of the Stoics on Smith's work, see, i. a., Montes 2008.

the last edition completed shortly before his death,[29] he recommends a trilogy of prudence, justice, and benevolence (TMS VI.iii.1). Prudence knows about its own limits, imposed by the higher virtues. It is both this anchoring in the virtues, trained by sympathy and (also economic) sociability, and their balancing that differentiates the (moderate) pursuit of self-interest from (immoderate) egoism (see Dwyer 2005, Mehta 2006, Montes 2016, Sagar 2018, 2022, and also Herzog 2011).

In TMS, the pursuit of self-interest stands in tension with the benevolence inspired by the ability to love others, which is equally given to humans by nature. Balancing the two requires the mirror that people around us hold up to us, as well as that "impartial spectator" that we all have at our disposal, at least to some extent (see Raphael 2007). In WN, however, as the philosopher and business ethicist James Otteson (2000) notes, prudence is no longer one virtue among many, but rather the only relevant, action-guiding one. Benevolence is no longer mentioned in a positive sense (ibid., p. 60). Smith also does not establish any overt connection to TMS in WN (ibid., p. 63).

Otteson is not satisfied with the explanation that this is due to the narrower subject matter of WN. He ultimately finds the connection he is looking for between TMS and WN at the level of the methodological model that underpins both works and which describes how a common order emerges from the interaction of individuals in society – whatever the sphere. Whether it is the formation of language, prosperity-generating economic markets, or even moral codes: "They are all systems of unintended order" (Otteson 2002, p. 274). In Smith's oeuvre, he explains, all these systems are built according to the same principles (ibid., p. 286 f., very similar Horn 2020, p. 95).

That said, in order to refute the claim of inconsistency between TMS and WN, a justification would be needed as to why prudence is the appropriate virtue in the economic context. Otteson recognizes this justification in the "familiarity principle." This is the name he gives to Smith's description that human benevolence toward others depends crucially on how familiar one is with them and therefore how easy – or difficult – it is to sympathize with them by help of imagination. As a function of such proximity or distance, Smith outlines concentric circles of sympathy (TMS III.3.3, see also Forman-Barzilai 2010 and Paganelli 2010). In economic markets, proximity is lacking. People often get in touch only superficially and briefly: "The people with whom one barters, trucks, and trades, are for the most part strangers" (Otteson 2002, p. 185). But so long as one observes the general rules of justice, Otteson argues, TMS endorses a focus on prudence in the marketplace.

This fits with what at first glance appears to be a counterintuitive finding by Paganelli (2008). She compares Smith's account and evaluation of self-interest in TMS and WN and observes that Smith paints a much more favorable picture of self-interest in TMS than in WN – not the other way around. In the process of moral judgment that Smith describes in TMS, it is usually possible to keep self-interest in check by help of the impartial spectator. Also, as she explains, according to Smith, self-interest is at the root not merely of prudence but also of self-command (a "sort of meta-virtue that is presupposed in all the other virtues," Haakonssen 2006a, p. 17; see also Khalil 2010). WN, however, is full of failed attempts to keep natural human self-interest in check – e. g., when Smith describes the excessive self-interest and greed of the merchants who conspire to wrest privileges from politicians and harm society.[30]

It was Smith's criticism of these practices, as well as his harsh words about the universities and the church, Paganelli writes, that made the publication of WN a sensational event. In WN, "[…] with the introduction of government protections and the change in incentives they cause, self-interest can hopelessly deviate from a source of virtue and social well-being into a cause of mean rapacity and social impoverishment" (ibid., p. 377). Smith does not even seem to believe that scientific advice could make much of a difference: "to expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd to expect that an Oceana or Utopia should ever be established in it" (WN IV.ii.43).

One strand of literature is devoted to the problem that self-love can break out of its containment and become dominant. Here the "corruptions" come to play that Smith elaborated on: the ever-lurking danger that our moral judgments be distorted (see Tegos 2013 a, b). For Smith, some of these distortions – which should be very much to the taste of modern behavioral economics – are anthropological constants; e. g., the observation that people find it harder to sympathize with the poor and miserable than to imagine how the rich and happy must be faring. Our fellow-feeling with the suffering makes us unhappy; we tend to avoid it. Sometimes our reaction even turns into disgust:

29 Hanley (2009, p. ix) calls Smith a "moral philosopher-turned-economist-turned-moralist-again" because of this late virtue-ethical addition to TMS. Carrasco (2004), McCloskey (2006, 2008), Solomon (2008), and Pack (2010) also see an increasing Aristotelian virtue-ethical orientation in Smith over time. See also Hühn and Dierksmeier 2014.

30 See also Sagar 2021. The economist Gavin Kennedy (2009, p. 255) takes the trouble to count the cases in which self-interest is depicted as having negative consequences in the first two books of WN alone: He finds 60 such instances.

"We despise a beggar …" (Smith, TMS III.3.18, see Rasmussen 2016). Empathy – or sympathy, to use Smith's term – is in reality asymmetrical (see Hill 2006, Macdonald 2019, Collins 2020, and Horn 2020a).

Brown (2011) sees a reflection of the Adam Smith problem precisely in the fact that TMS describes an open and "dialogic" process of balancing human inclinations and that WN has nothing comparable on display. In WN, there is no direct mention of sympathy, the human ability to feel with others, nor of an active impartial spectator. In a twist that seems, however, somewhat difficult to endorse, Brown argues that exchange in the marketplace, which, by definition, satisfies both sides involved in a transaction, does not require them to put themselves in each other's shoes: "being a symmetrical relation, the exchange relation provides its own mirror and has no need of spectator mechanisms to achieve reflection" (ibid., p. 12). But can one seriously assume that transactions come about without the ability to sympathize with the needs of the other side of the market (see also Ballestrem 2001, p. 197 f.)?

In Brown's reading, the fact that Smith's conception of man appears cut down to self-interest simply has to do with the causal relations he presents in WN. Smith models homo economicus according to the requirements of the economic system, just as he models moral man according to the requirements of the moral system (Brown 2011, p. 16 f.; however Evensky 2005c). It is a mistake, she warns, to seek an essentialist conception of human nature that links TMS and WN. It only blurs the real differences.

Hanley (2009), in contrast, emphasizes the connections between TMS and WN. He argues that the virtue of prudence, in which self-interest is embedded, combines rational foresight and self-control. Those who practice this combination successfully are not only rewarded with moral recognition in society, they also acquire the ability to manage their economic affairs profitably over time. Only those who have the strength to postpone the satisfaction of their desires, accumulate savings, and invest with a sense of proportion can hope for a better economic lot in the future (ibid., p. 114). It is this moderate way of pursuing enlightened self-interest that, in Hanley's reading of Smith, ensures economic growth and allows people to lead happy lives. It takes prudence not to lead the life of the ever-striving "poor man's son" whom Smith sees in the hamster wheel of his ambition, an ambition which will boost the economy but gives man himself anything but peace of mind. Hanley discerns a new, independent conception of self-interest here: "[… H]e appeals to our long-term interest in preservation and prosperity as a means of restraining short-term self-interest and the desire for immediate pleasures" (ibid., p. 118).

The economist William Dixon and the PPE[31] professor David Wilson (2014) once again brush the treatment of the Adam Smith problem against the grain. As a scientific strategy, they argue, it is not fruitful to seek evidence that humans, as modeled in Smith's WN, are not exclusively self-interested. That seems a truism to them. It is much more important, they say, first, to focus attention on the fact that the outcome of human interaction is not always a favorable one – neither in reality nor in Smith's theory, for that matter. And second, they urge, self-interest must no longer remain in a state of "ontological shambles" (ibid., p. 638) in economic theory. It ought to be conceived in more complex terms. Their proposal in fact builds a helpful and very Smithian bridge: "We are naturally and pre-reflectively attuned to the behavior of others, without having to think about how the other will respond […] This already social self is what we describe as weakly moral" (ibid., pp. 638 f.).

While the economist Amos Witztum (2016) argues similarly, he fears an erosion of morality at the same time: "[…] the only way to resolve the Adam Smith problem is by showing not that sympathy ameliorates self-interest but rather that self-interest would affect the use of sympathy – or the social dimensions – in individuals and lead them to a self-deception about the morality of the competitive system rather than to a change in their behavior" (ibid., p. 538). He points out that Smith had already made it clear in TMS that there are only two types of stable social organization. The first, the "agreeable and happy state," relies on the disinterested mutual help of all society members. But cooperation can also function, albeit morally less beautifully, on the basis of self-interest and a focus on utility. This, Witztum says, is the world of WN – and by no means the moral optimum. In his view, all efforts to portray the world of WN as not only economically but also morally superior are mistaken. After all, Smith sharply distanced himself from Bernard Mandeville's ideas celebrating egoism ("private vices, public benefits") (ibid., p. 533; see Mandeville 1714/1988).[32]

Sagar (2022) chooses to jump to the meta-level. From his vantage point, WN neither has its moral basis in TMS, nor is it a normative project at all. WN is a positive political theory of domination and power, he explains, combined with an analysis of the economic processes operating underneath. He therefore immediately detaches the so-called Adam Smith problem from Smith and reframes it simply as a pervasive concern for the ethical condition of societies

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32 In passing, a contribution by the economist Jimena Hurtado-Prieto (2006) should also be mentioned. She points out that Smith criticizes Mandeville not only for his canonization of egoism, but also for his (mistaken) understanding of economic concepts and processes.

that rely extensively on markets (ibid., p. 2). For him, this is the "real Adam Smith problem." Sagar's point is that Smith did not view markets critically at all, despite the long moral tradition to this effect. Relying on markets did not seem normatively problematic to Smith at all, which is why he also did not see any need to criticize or defend them ethically.

Sagar therefore also considers it misguided for historians of ideas to look in Smith's oeuvre for a rejoinder to Jean-Jacques Rousseau, who distrusted market societies (Sagar 2022, chapter 3; see Liu 2022b, by contrast, Rasmussen 2008, Niimura 2016, as well as Paganelli, Rasmussen, and Smith 2018). Smith, Sagar explains, is not concerned with that. Smith starts one floor up, with the difficult human condition (ibid., p. 4). If a civilized standard of living is to be secured, then there exists for Smith no alternative to a commercial society, i. e., an economy based on trade. In this, as Rasmussen (2008, p. 162) points out, Smith was right. The only question is whether it is possible to find a functioning regulatory framework for this commercial society that guarantees stability and ensures that all people can improve their lot, i. e., that the rich and powerful do not exploit the poor and weak as they did under feudalism.

Evensky (2005c, p. 111) solves the problem perhaps in the most elegant way by declaring as Smith's overarching theme the question whether and how self-interest can be prevented from undermining a constructive liberal society. In TMS, Smith makes clear that security is the precondition for social stability and that this security can only be achieved under conditions of justice. In his eyes it is a historical stroke of luck that societies have evolved in the direction of civic virtues, based on the ability to sympathize, and of the rule of law necessary for such conditions. This would not have come about without the material progress of mankind. Morality, law, and prosperity, Evensky holds, are three crucial dimensions of human existence in society that have developed in parallel and are continually dependent on each other. Smith, he says, was perfectly clear here: "Ultimately, the achievement of a constructive and sustainable liberal order of free people and free markets depends not on more mature institutions, but on the progressive maturation of societal norms of justice – and on the acceptance and adherence to these norms by the citizenry" (ibid., p. 119).

7 "Invisible Hand" and Divine Providence

If one asks students at the beginning of a course in the history of ideas what they associate with the name Adam Smith, the "invisible hand" inevitably comes up. If you are lucky, you also get the tentative explanation that this invisible hand transforms egoism into the common good. Thus, the basic understanding seems to have taken root at Knies' (1853, p. 142) level, who spoke of Smith's "axiom of the charitable efficacy of private selfishness." Countless legends have grown around the emblematic metaphor, commonly associated with divine providence, with which a notion of natural harmony may go hand in hand. Yet, Smith uses the term "invisible hand" no more than three times in all his writings: once in HA, once in TMS, and once in WN. He never specifically defines it and always just drops it in passing. In any case, he did not invent it; the – quite obvious – image was already used in antiquity.

In HA, the invisible hand is mentioned as an idea that is conjured up by primitive peoples to explain observed extraordinary phenomena that would otherwise remain all too mysterious. "For it may be observed, that in all Polytheistic religions, among savages, as well as in the early ages of Heathen antiquity, it is the irregular events of nature only that are ascribed to the agency and power of their gods. Fire burns, and water refreshes; heavy bodies descend, and lighter substances fly upwards, by the necessity of their own nature; nor was the invisible hand of Jupiter ever apprehended to be employed in those matters. But thunder and lightning, storms and sunshine, those more irregular events, were ascribed to his favor, or his anger" (HA 49–50). At most, one can muse with Rothschild (2001) that the metaphor is merely a joke here.

In TMS and WN, the invisible hand does not stand for the inexplicable, or that which cannot be known. Instead, it stands for the unintended, which can very well be known if only one masters the corresponding theoretical insight. In TMS, it appears in the passage mentioned above, which, as a kind of early "trickle-down" theory, has caused much consternation even among economists, although Herzog (2016) points out that this scenario plays only a marginal role in Smith's oeuvre compared to the dynamic growth driven by the division of labor and capital accumulation. The invisible hand passage in TMS is followed by an explicit reference to providence which does not forget the poorest. In WN, Smith uses the metaphor in Book IV, in a context where he sharply criticizes mercantilism as practiced since the 16th century, especially against the background of colonialism (see, i. a., Easterly 2021). As he argues for a turn toward free trade, he explains that this will by no means be to the detriment of the country.

Smith describes merchants who seek returns and therefore also must decide whether to invest at home or, which is riskier, abroad. According to Smith, they have good reason to opt for the domestic location. This is by no means a universal assessment, but a context-bound one. "By preferring

the support of domestic to that of foreign industry [the merchant] intends only his own security; and by directing that industry in such a manner as its produce may be of the highest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention" (WN IV.ii.9). This coincidence of individual and social interest may not be intended by the agents, but they might well know about it if their view was not distorted by greed (Schliesser 2017, p. 253).

Given its sparse and terse use, one could safely ignore the question what exactly the metaphor of the invisible hand means – which is what happened in the 18th century (see Kennedy 2009, who also opines: "The metaphor of an invisible hand is just a metaphor and modern wonder about its meaning is, well, meaningless", ibid., p. 253, as well as Carey 2017). In contrast, the economists Daniel B. Klein and Brandon Lucas (2011) conjecture that it is no coincidence that the metaphor is placed pretty much in the middle of both WN and TMS: Smith reports the technique of placing particularly important messages in one or two words in the middle of a narrative in his LRBL with reference to Thucydides, the historian of ancient Greece (LRBL, 95).

Be that as it may, the fact that research into the meaning of the invisible hand has grown ever more intense has to do with the broader implications of the metaphor's possible meaning. Of greatest importance is clearly the idea that behind the invisible hand something divine is at work, perhaps providence. If this were true, Smith's system, insofar as needing an ordering (invisible) hand, would not only depend on the benevolence of that God (in whom many people no longer believe), but it would also be deterministic and tautological. As a result, it would be as scientifically unsatisfactory as it might be politically problematic, since it could lead to blind faith in a non-existing natural harmony.

This was in fact one of the most important criticisms voiced by the ordoliberals, who otherwise seems almost like Smith's revenants, as far as their economic policy recommendations are concerned (Horn 2020b, see also Bonefeld 2013, Sturn 2019, and Aßländer 2019). It is also basically the same objection raised today by those who oppose as dangerously naïve the stereotypical libertarian notion that the free market will "fix it." Consequently, the situation is not quite so clear-cut as the economist Warren J. Samuels thinks, e. g., who concludes in his book "Erasing the Invisible Hand": "The term adds nothing to economic theory" (Samuels 2011, p. 289). It certainly has no theoretical explanatory content – that lies in its nature. But precisely because the invisible hand has become an ideological label firmly established in science and politics, a notion which some are as proud to affix to their lapels as others are to attack it, it is worthwhile to trace it more closely in the history of ideas.[33]

In this interdisciplinary debate, it is again the broad variety of professional perspectives that produces the soil on which new insights can germinate and grow. And indeed, the specifics of the individual disciplines are unmistakable in the interpretations at hand. Historians are usually aware that the invisible hand was a thoroughly common phrase at the time, which is why it is easy to overestimate its importance (see Samuels 2008 and 2011, pp. 20–26, and Hengstmengel 2019, p. 164). Economists see the invisible hand as competition at work in a beneficial way (and do not ask whose creation this is) – or else the price mechanism, allocative efficiency, the market as such, or even capitalism, which however, as noted, Smith neither knew nor could conceptualize (see Grampp 2000, commented on by Minowitz 2004, also Samuels 2011, Sandmo 2016, and Mittermaier 2020, p. 62; on the latter, Schumacher and Vegara-Fernández 2019).

Sometimes the invisible hand is interpreted as a synonym for the fact that there are unintended consequences of individual action, or as a paraphrase of spontaneous order in Adam Ferguson's sense. The Scottish historian and social ethicist, also born 300 years ago in June, explains institutions as "the result of human action, but not the execution of any human design" (Ferguson 1776/1782, p. 205, see C. Smith 2006, Fiori 2014, and Cremaschi 2016). Such spontaneous processes, however, require a lot of time. Moreover, as Schliesser (2017) explains, the workings of Smith's invisible hand are merely a specific and rare special case in the broader context of "Smithian social explanations", i. e., causal explanations that can usually only be fully grasped in historical analysis.

Some theologians and religiously sensitive scholars from other fields systematically see the work of a deity behind the invisible hand.[34] Despite such professional pre-

33 Sturn complains that in the reception of Smith's work, especially in the 19th century, both the "apologists of laissez-faire, among whom the ideological exaltation of the beneficial invisible hand produced bizarre blossoms," and the critics "from more intervention-friendly currents of the historical school" overlook the fact that Smith's policy recommendations are based on complex process-theoretical analyses, require a reflexive background, and are "qualified conclusions" rather than statements of faith (Sturn 2019, p. 168 f., my translation).

34 Attempts to make Smith a theologian go quite far. D.S. Long (2007), e. g., speculated that the title "Wealth of Nations" was taken directly from the Bible, more specifically from Isaiah 60:5. This however proved untenable. As Ballor (2017) shows, it was rather the other way around: Smith's formulation inspired a later translation of the Bible into English. See also B. Long 2010, 2022, as well as Luterbach-Maineri 2008 and Matson 2021b.

dispositions or biases, a theological perspective is indeed urgently needed in order to respond in a qualified way to the accusation that Smith's system is built on a naïve belief in miracles – an accusation of particular importance to economists. It should be borne in mind that Calvinism was a firmly established force in Scotland in Smith's days;[35] that he lived and worked in a theologically structured academic environment;[36] and that "natural theology" was one of the subjects Smith taught at the university of Glasgow.[37]

"From the 17th until the 19th century, natural theology functioned to legitimate scientific activity, to provide a common language and nonsectarian religious basis for scientific work," emphasizes the economist Paul Oslington (2011, p. 64). What was relevant was not so much faith but science; it was precisely in this detachment from the inscrutability of the divine will that the Enlightenment flourished. Whatever Smith's personal attitude toward God and faith was, it was of course rooted in this intellectual environment. And this environment presupposed a deity. Once this was posited, the work was not done. It only began (see also Harrison 2011a). Evensky (2005c, p. 126) puts this in the following formula: "[…] the Deity offered humankind the prospect of happiness," but "the path toward this prospect is very much in our hands."

One of the most important thinkers of this era was Isaac Newton. Smith revered the polymath. According to Evensky (ibid., p. 109), Smith sought to accomplish for moral philosophy – a humanity and a social science – what Newton had succeeded in doing for natural philosophy, i. e., the natural sciences: to present the unifying principles that govern the course of all things. This was an ambitious, perhaps overly ambitious, project given the qualitative differences between the two fields, as Aspromourgos (2009, p. 255) warns. At any rate, by drawing on Newton's distinction between two kinds of providence, "general providence" and "special providence," Oslington now succeeds in answering the question why the invisible hand is invoked to explain extraordinary phenomena in HA, but ordinary phenomena in TMS and WN.

Most importantly, this distinction helps Oslington defuse the accusation that Smith's system requires some belief in miracles. General providence has arranged the world well; however, God must intervene now and then in the so arranged natural course of things, by means of special providence, to maintain this order (and thus, interestingly, God must thereby counteract his own general providence). This invisible divine hand becomes active only irregularly (Oslington 2012, p. 436). Thus, given the contingency of history, humans are very much left with the task – and with the necessary latitude – to manage their social affairs as wisely as possible. It would be quite impossible to reconstruct the stoic passivity, which ordoliberals wrongly accused Smith of,[38] through a Christian idea of providence (see Harrison 2011b, pp. 39, 44).

8 Liberty

Economics is widely regarded as a discipline that is, due to Smith, normatively prone to and shaped by a love of liberty. For the self-positioning of modern economists, it is all the more important to know whether the label "liberal" is accurate for Smith and what, if so, the substance of Smithian liberalism consists of. Here again, a field of activity has opened for the revisionists in Smith scholarship. The tenor is that although Smith was undoubtedly a freedom-loving person, he was anything but a market fundamentalist, let alone a libertarian by today's standards (see Griswold 1999, Rothschild 2001, Samuels and Medema 2005, Kennedy 2008, Sen 2009, Blomert 2012, Streminger 2017, and Fleischacker 2021).[39] But even in this struggle against clichés, there is a danger of revisionist overshooting, triggered by one's own ideological standpoint.

Rothschild (2001) sees the idea of liberty as central to Smith's oeuvre. She quotes Smith where he rapturously describes the feeling of breathing "the free air of liberty and independency" (TMS VII.ii.I.40). As she reads him, liberty is a universal good. It is an end in itself, and at the same time, it is also a means to achieve prosperity. A positive conception of liberty, she argues, combines both aspects insofar as material inequality is a form of oppression (Rothschild 2001, p. 71). The difficulties begin, however, with the fact that Smith nowhere really defines his concept of liberty.

35 On Smith's Calvinist undercurrents see Blosser 2011, with an emphasis on the link between freedom and responsibility, and Bloch 2019. For a consideration of Smith's remarks on religion, see also Weingast and Liu 2021 as well as Horn 2017.

36 Waterman (2002) and Gregory (2011), i. a., draw a connection to the teachings of Augustine; in contrast, however, Pabst 2011.

37 Just to avoid misunderstandings: natural theology is by no means to be understood as a theological attempt to prove God's existence without any recourse to revelation, but rather as a project to fathom more closely the nature and action of God through the study of his creation.

38 Brubaker (2006, p. 171) writes: "Smith rejects both Stoic resignation and utopian hubris. He is neither a naïve optimist nor a resigned determinist."

39 See also the attack on Smith by the libertarian economist Murray Rothbard (1995). He accuses Smith, like Schumpeter before him (1965/2007), of having seriously impeded the progress of economic science. In contrast, Ahiakpor 1999 as well as Matthews and Ortmann 2003.

According to Sagar (2022, chapter 2), there is a good reason for this: in Smith's view, liberty is historically contingent; this is why he mentions "liberty in the present sense of the word" (WN III.iii.5). In essence, liberty means independence, but what it takes to secure such independence always depends on the context. In any case, however, given that people depend on each other as social beings, they should at least be able to be independent in the sense that they do not have to submit to the arbitrariness of others. This is no less than a moral imperative: "Nothing tends so much to corrupt and enervate and debase the mind as dependency, and nothing gives such noble and generous notions of probity as freedom and independency" (LJ(A) vi.6).

It is against this view that the economist Elias Khalil (2002) sets a counterpoint with his consideration of Smith's remarks on authority, denying him the label "liberal" on these grounds. In WN, Smith assumes that civil government is possible only if the citizens agree to a certain degree of submission, which raises the question what it is that authority tends to spring from. Smith observes four such sources: first, "[…] the superiority of personal qualifications, of strength, beauty, and agility of body; of wisdom, and virtue, of prudence, justice, fortitude, and moderation of mind;" second, "the superiority of age;" third, "superiority of fortune;" and, fourth, "superiority of birth" (WN V.i.b.3–119). The political system that Smith implies, writes Khalil, thus has its foundation in the admiration of the weak for a person who is strong in one or more of these four dimensions. And this, he judges, is clearly "nonliberal" (ibid., p. 665).

Sagar (2022), in contrast, rediscovering Smith as a political thinker, reconstructs the Scot's understanding of liberty on the basis of his historical narratives. It emerges that Smith views the domination of people by people as a (sad) historical normality and locates its ultimate cause in quite a sobering universal psychological disposition of man: "The pride of man makes him love to domineer" (WN III.ii.10). This is taken to its extreme in the institution of slavery, known since antiquity, which for Smith is as morally intolerable as it is economically nonsensical (see, among others, Klein 2020 and Weingast 2021). Accordingly, liberty means that people are redeemed from the threat to their own physical security, including to that of their property.

According to Smith, it was an unexpected stroke of luck in history that feudalism was overcome and that the rule of law and the separation of powers could be introduced in Western Europe, and above all in Great Britain. It was only this stroke of luck, Sagar explains, that gave rise to our understanding of "modern liberty" – which is why it cannot be conceived of without government. Thus, even if the concept of liberty is historically contingent, Smith's work can nevertheless be used to indirectly infer a theory of modern liberty that unfolds on the foundation of the rule of law and of the separation of powers. As the philosopher David Schmidtz (2016, p. 91) shows, this modern liberty consists, at its core, in economic freedom through a market which saves people from hunger and dependence so long as it is not corrupted by private or government power. Modern liberty and a "commercial society" are complements.

One passage of WN is often used as textual evidence for Smith's free-market, anti-interventionist credo. It follows right after his diatribe against mercantilism, a passage which Smith himself saw as a "very violent attack […] upon the whole commercial system of Great Britain."[40] It prepares the transition from Book IV to Book V, the latter being dedicated to the remaining tasks, expenditures, and revenues of government, treated in quite classical public finance manner. The passage runs as follows: "All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, so long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men" (WN IV.ix.51).

Otteson (2011) is not the only scholar who reads this as an obvious plea for laissez-faire. Among many others, the libertarian economist Don Boudreaux (2020) evaluates it similarly. But this is met with vehement opposition from the rest of current Smith scholarship. The economists Ramesh Chandra (2021) and Maria Pia Paganelli (2023) correct the picture to the effect that Smith was concerned with competition secured by government, not with laissez-faire (see also Menudo 2013). Overhoff affirms that "Smith was […] not a proponent of a 'laissez-faire' economic policy, but rather an ordo-liberal in the twentieth-century sense, advocating that government should take responsibility for the common good and promote and protect it with all its power" (Overhoff 2005, p. 191, my translation; see similarly Klump and Worsdörfer 2010, Kurz and Sturn 2013, Evensky 2015, p. 253, and Streminger 2017).

Smith speaks of the "system of natural liberty." But what does he mean by this? What is natural about liberty? The term "natural liberty" occurs only ten times in WN (Klein and Matson 2023). Like so much else in Smith, it has often been misunderstood, and this has contributed to the visceral rejection of parts of his oeuvre by later scholars, for example by Schmoller. While appreciating the psychological, moral-philosophical, and sociological aspects of Smith's analysis, and regretting that Smith's successors "had

40 Letter to Andreas Holt, October 26, 1780, in CAS, p. 251.

no organs for it," Schmoller demanded with rather spiteful aplomb that "Smith's doctrinaire teachings on liberty in natural law [be] called what they are: one-sided, overstretched natural-law ideals of his era" (Schmoller 1913, p. 134, my translation).

Natural law traditions of thought do indeed form a background melody in parts of the Scottish Enlightenment literature (see Ronge 2015, p. 406, among others). But one needs to bear in mind that these thinkers sought to move on and reorient classical natural law (Haakonssen 1996, p. 5). Also, Smith's oeuvre in particular did not take much from classical natural law. Instead, it is underpinned by a good deal of factual consequentialism (see Den Uyl 2010, C. Smith 2020, and Schliesser 2017, chapter 8). Smith's reference to natural law, moreover, may also have rhetorical reasons: he speaks to contemporary readers in a conceptual language that they are familiar with.

According to the economists Daniel B. Klein and Erik W. Matson (2023), the adjective "natural" in the quoted passage on the "obvious and simple system of natural liberty" does not even refer to natural law, but simply means the opposite of "artificial." At best, it directs one's attention to the imagined counterfactual situation: an early state of civilization, a state of nature in the Hobbesian sense, in which people have not submitted to a monopoly of power. Klein and Matson argue that one must also be aware that, in the course of civilizational development, liberty has become a good that people expect and claim. However, it is a good that is not always easy to have; there are obstacles to be cleared out of the way. These obstacles, for their part, also result from nature – from human nature, to be precise: from man's susceptibility to error, from the partiality of those in power, from the craving for recognition. Nature thus has an opponent from within, and needs our tutoring (see also Brubaker 2006).

Philosophically, the "system of natural liberty" forms the institutional counterpart (i. e., as related to the state) to commutative justice (i. e., exchange justice), the norm that requires each individual to respect other people, their property, and the obligations entered into (Klein and Matson 2023, p. 92, see also Matson 2022a, p. 599). Klein and Matson (2023) thus use an ethical criterion that corresponds pretty much to the pattern detected by the economist Jeffrey T. Young (2005) in TMS and WN: For Smith, the actual policy norms are "commutative justice, distributive equity, and public utility" (Young 2005, p. 116); these bring order to his system of three main tasks of government and special powers. Commutative justice, however, is the most important of these three norms, according to Young: If commutative justice is guaranteed, the other two norms are also fulfilled, thanks to favorable side effects of individual action.

For this very reason, according to Smith, government, which is easily influenced by powerful particular interests, should rather not attempt to supervise private activities, guide them in detail, and direct them toward the common good. In doing so, it would, time and again, fall victim to its lack of knowledge and to the self-serving influence of lobbyists. The economic policy errors that Smith enumerates are evidence enough for him. Paganelli (2023) regards this account as in some important ways anticipating public choice theory, with both economic and ethical underpinnings (see also Farrant and Paganelli 2016). "Rent seeking and state capture by special interest groups is not only inefficient, but it uses the (actual) 'blood and treasure' of fellow citizens to enrich a few merchants and manufacturers under the false pretense of enriching the country" (Paganelli 2023, p. 4, citing WN IV.vii.c.63).

The anti-interventionism manifested here should not be overemphasized, however, Fleischacker cautions (2021, pp. 305 f.). Smith, he says, is a pragmatist who always carefully examines what works best (similarly also Rasmussen 2013). This depends on the circumstances. Smith assigns a lot of active responsibilities to government. "According to the system of natural liberty," Smith writes, "the sovereign has only three duties to attend to […]" (WN IV.ix.51): the provision of national defense, justice, and public goods such as infrastructure and education. For today's readers, the word "only" may sound minimalist, but Smith's list is not yet exhausted. He can very well think of other specific governmental tasks beyond the three main categories, e. g., the appropriate regulation of the financial industry to prevent dangerous contagion effects in the event of a crisis. In his view, the market must be actively organized.

Therefore, liberty may be central in Smith's work, but he does not hold on to this value dogmatically, whatever the cost. He is quite willing to compromise and allows for pragmatic deviations from the ideal. Smith is not a revolutionary but an advocate of gradual reforms (Hill 2016, especially p. 331; see also Irwin 2019). In line with this, the economist Michael Clark (2010, pp. 94–110) draws attention to the fact that the duties that Smith assigns to government were consistent with the status quo at the time. Clark (2021) draws parallels to the Greek statesman Solon, an ancient model of wise governance. Smith does evoke Solon several times (see also Evensky 2005c, p. 128). Moreover, the word "only" must be understood in the context of the mercantilist interventions that Smith discusses and which he wants to ward off. Finally, as Ronge (2019, pp. 98 f.) muses, the relative brevity of the list of duties that Smith assigns to the state must probably also be attributed, at least in part, to the fact that state bankruptcy was looming large at the time. In Ronge's view, nothing proves that Smith would

impose only three core duties on the government of a prosperous state.

There is "a hole in his anti-interventionist program large enough to drive a welfare-state-sized truck through," Fleischacker (2021, p. 308) concludes. In any case, Smith is clearly concerned with a reorientation of politics and government, "[a]way from a power state that is little more than an agency of particular interests […], toward a state based on law and service that can easily be addressed as a 'public sector'," as Sturn (2019, p. 188, my translation) puts it.

Similarly, Ronge (2019) sees a regulatory framework project at the core of WN, with government as the central actor: "The sharp criticism of mercantilist economic policy, the expressions of sympathy for the economic policy ideas of the Physiocrats, the staging of the North American colonies as a blueprint for the necessary reforms at home – all this aims to make visible in its complexity the state's duty to legislate economic policy and to give the readers (and government) an idea of its desirable or non-desirable realization" (ibid., p. 105, my translation).

This ties in with Fleischacker's (ibid.) argument against the appropriation of Smith by libertarians. For Smith, he explains, private property is by no means as fundamental and inviolable as it is for them; great wealth does not interest him; he does not paint a rosy picture of private enterprise; and he is also no radical individualist. Rather, he always connects the idea of individual freedom with a socially structured conception of the self. Liberty serves the purpose that man may lead a good, virtuous, and thus happy life. For Smith's liberalism, Fleischacker, after these reflections, finds a name as beautiful as it seems convincing: "a liberalism of virtue" (ibid., p. 314).

The "system of natural liberty" is thus a guiding star that may give orientation to those who govern. It forms the core of an ideal conception of "good government" (see Silvestri and Walraevens 2023)[41] and comes with a pinch of utopia (Paganelli 2021). The ideal is not attainable. And this is not a bad thing, because this way, no claim to absoluteness will be connected with it. "Smith emphasizes the politics of imperfect 'second-best solutions'," explains Sturn (2019, p. 181, my translation). As Sagar (2022, p. 111) cautions, "natural liberty" related to the economic sphere should also under no circumstances be confused with its political precondition, modern liberty.

But what does all this mean in terms of state politics? And is Smith really a political thinker at all? The political scientists István Hont (2009) and Paul Sagar (2022) affirm this emphatically and reconstruct Smith's political theory – which is not laid out in a work of its own – with recourse to the wealth of his historical narratives. But where exactly is one, then, to situate Smith politically? Sagar sketches Smith primarily as a theorist, as a representative of a realistic view of politics, borne by skepticism; in his view, normative classifications miss the core of the analytical matter.

Nevertheless, one may ask whether Smith, with his "limited, cautious and often indirect, but nevertheless essential, program of philosophical and political statesmanship" (Brubaker 2006, p. 171), is perhaps to be understood as an early advocate of republican liberty, as the philosopher Philip Pettit (2006, p. 142) suggests. The political scientist Edward Harpham (2000) categorically denies this. Indeed, Smith nowhere insists that laws must be made by those who live under them, nor do mechanisms of active participation appear anywhere in his oeuvre. Buchan (2006b, p. 6) also weighs in: Smith "was regarded as a man of liberal principle and republican tendency, though neither meant much in a country where three thousand voters represented a million and a half people."

The philosopher Fernando Aguiar (2011) however defends Smith's classification as a republican liberal, though not in the enlightened tradition of Rousseau but rather in line with Cicero, on the basis of virtue, nondomination, and a mixed constitution. Against the British background of Smith's work, Elazar (2021) also emphasizes the "happy mixture" of republicanism and monarchy. Sagar (2022, p. 101) adds that Smith values the common law, a system of legal practice that has grown over centuries, not to be manipulated by citizens or government: "The common law is a wonder of nondomination because it made the administration of justice regular by breaking any linkage between day-to-day politics […] and the functioning of the courts and judiciary." Sagar is aware that this is by no means participatory, but it effectively protects the independence of citizens – and this, he argues, is the core of liberalism.

41 (Perhaps a bit too much) in passing, the philosopher Paolo Silvestri and the economist Benoît Walraevens (2023, p. 22) conceptualize the legislator as a counterpart to the "Impartial Spectator" of TMS: "[…] the legislator should be a well-informed, uninvolved, and indifferent spectator of the economy and thus be impartial toward the interests of the different individuals, social classes and economic sectors, respecting an 'equality of treatment' (WN V.i.g.9) of all and hence keeping a proper distance with economic interests." This idea deserves to be elaborated more fully, both systematically and substantively – in connection, among other things, with Herzog's (2013a) turn to Hegel, who, in his "Elements of the Philosophy of Right" (Hegel 1820/1991), deals with the question left unanswered by Smith as to how the required impartiality of government is to be guaranteed (see especially Herzog 2013a, p. 137).

9 Conclusion

It is a pleasure to watch current Smith scholars as they thoroughly sift through and increasingly decipher the great Scot's system – not always unanimously, often controversially, occasionally overshooting in its revisionism, but mostly in very clarifying and always immensely productive ways. In a fruitful interdisciplinary division of labor, long-established readings are shaken up by new interpretations; it is now necessary to say farewell to many an old preconception. Familiar concepts are given unexpected backgrounds and thus obtain new depth. One cliché after the other dissolves. It becomes clear that it is necessary to take a closer look, not read anything into a classical work that does not belong there, and, above all, not judge too hastily. Also, probably no one will ever have the last word in Smith scholarship. And precisely because this is the case, Smith's oeuvre should no longer be treated as a museum piece that is brought out from time to time, polished, displayed, and then quickly put away again – but rather as a source of inspiration for today's research.

After all, studying Smith's oeuvre in detail is an enormously delightful and rewarding venture for all those who embark on it. And behind all the complex philosophical and ethical considerations that he proposes, behind all the economic and political impulses that can be taken home from his writings, the personality of Adam Smith always shines through, the man of whom otherwise not so much is known. His work reveals him not only as a deep thinker and gifted rhetorician with sometimes captivating irony, but also as a man for whom self-control was a duty and peace of mind the essence of a good life: a model of balance and moderation (see Craiutu 2017). This is how he may be remembered.

Smith can only get really worked up about merchants who enrich themselves at the expense of the general public, and especially at the expense of the poor. Otherwise, he shows himself to be a sober-minded adviser and a mild, cautious humanist who relies on scientific knowledge, human virtues, and unintended consequences. Smith's moderation is not merely a reflection of his nature: it is the keystone of his thought. According to Smith, a balanced unity of morality, justice, and prosperity is not only a task for society at large, but also for all its individual members, for all human beings: "The man who acts according to the rules of perfect prudence, of strict justice, and of proper benevolence, may be said to be perfectly virtuous" (TMS VI.iii.1).

Acknowledgement: "What gratitude chiefly desires, is not only to make the benefactor feel pleasure in his turn, but to make him conscious that he meets with this reward on account of his past conduct, to make him pleased with that conduct, and to satisfy him that the person upon whom he bestowed his good offices was not unworthy of them" (TMS II.iii.1.4). So be it: Many thanks to Justus Haucap for inviting me to write this survey, to Richard Sturn for wisely commenting on the manuscript, to Christoph Schmidt for reviewing it, to Astrid Schürmann for her corrections to the German original, to Eric Schliesser for urging me to translate it into English to make it accessible for a wider community, and to Kacey Reeves West for her edits that have made the English version so much better to read. I am solely responsible for any errors.

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