

## Chapter 12

# Final assessment

We have now come to the conclusion of the main elements of Adam Smith's thought. We have covered everything from who he was, to what his conception of the nature and purpose political economy is, to his moral theory, to the role he thinks the desire for mutual sympathy of sentiments plays in the development of our moral standards, to the connection between his *Theory of Moral Sentiments* and *Wealth of Nations*, to his explanation of what wealth is and what its causes are, to his conception of and distinction between justice and beneficence, and to the role he believes government should play in our lives. What remains? We have yet to offer a final assessment of Smith's work and importance.

In evaluating Smith's work, we have to consider criticisms and objections that have been raised to it. Although we have addressed a few of these in previous chapters, there are numerous other worries about, and objections to, Smith's arguments that people have raised that we unfortunately do not have space to address here. Some of them concern specific claims Smith makes that contemporary scholars dispute. For example, Smith seems to rely on labor as an ultimate criterion of value (see WN: bk. 1, chap. 5, for example). But a "labor theory of value" has been rejected by modern economists as being unworkable and even ultimately confused: most economists today believe in a "subjective theory of value," which holds that a thing has whatever value a valuing agent ascribes to it, rather than holding that a thing has any objective measure of value based on how much labor went into it.<sup>9</sup> Similarly, many claim today that Smith's conception of justice is too thin. As we saw in Chapter 4, Peter Singer, for example, believes that "justice" should properly also include some positive obligations to help others—like a child drowning in a pond, or

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9 I note, however, that Smith's policy recommendations do not depend on a labor theory of value.

people starving in developing countries (Singer, 2009). Yet others claim that the role of government should be more expansive than Smith allows. Many claim that it is indeed a proper function of government to provide things like social security, welfare benefits, health care, or more extensive education, for example.

Other worries people raise concern things like monopolies or cronyism, which some claim are endemic in market-based economies modeled on Smith's recommendations. Smith seems to think these matters become concerning only when government intervenes improperly in the market—when, for example, it grants legal monopolies or gives subsidies to favored firms or industries—and that if instead the government refrained from such interventions, as Smith recommends and as is consistent with his conception of “justice,” we would have much less ground for concern.

Still others worry about the scope of material inequality that can arise in countries with market-based economies, about the “destructive” part of the market’s “creative destruction” (in economist Joseph Schumpeter’s famous phrase), about the boom-and-bust cycles in market economies, about the ability of marketing to manipulate people’s choices, and many other concerns that are too numerous to list. The reader interested in pursuing these subjects further is encouraged to consult the suggested further readings. The final issue for us to consider here is Smith’s place in the history of economics, political economy, and moral philosophy. Has his enormous influence been, on the whole, beneficial—or not?

### **Smith’s enduring significance**

In my judgment, Smith was an intellectual pioneer. He developed a new way of understanding large-scale human social institutions, what I called the “market model,” which explains the creation, maintenance, change over time, and sometimes death of systems of moral sentiments, of systems of political economy, and even of human languages, of systems of law, and even of science.<sup>10</sup> That alone would make Smith worthy of study.

But Smith actually managed to accomplish a feat that few prominent thinkers of the past could: he got a lot of things right. Modern science has

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<sup>10</sup> See Smith’s essay on the origins of language (Smith, 1985), his lectures on jurisprudence (Smith, 1982b), and his essays on the history of astronomy and physics (Smith, 1982a).

rediscovered and found evidence to confirm, for example, Smith’s claim about our natural desire for mutual sympathy of sentiments. The vast majority of Smith’s historical analyses have withstood the test of time. There is modern support for Smith’s “market model” as an account of human language, and there is a large body of research confirming, applying, and extending this model as a theory of “spontaneous order” in everything from law to economics to the development of cities to the development of ecosystems. Thus Smith’s “market model” constitutes something of a *grand unification theory* of social science, one that has enjoyed substantial modern vindication.<sup>11</sup> That means that Smith might well have been on to something important.

And, finally, to Smith’s bold—I called it “audacious”—prediction about the almost limitlessly increasing prosperity that could be generated by countries adopting and maintaining Smith’s “obvious and simple system of natural liberty”: Did he get that right? By now, the evidence—drawn from scores of countries over decades and even centuries—is strong to the point of compelling, which suggests that Smith got that right too. The levels of wealth that the world enjoys today, including especially those that have more closely approximated Smithian political economy, is historically unprecedented and continuing to grow ever higher. In just the last fifty years, for example, we have gone from 75 percent of the world living in extreme poverty, to just 9 percent. We have increased human productivity by some 3,000 percent. Since just 1970, the proportion of the world’s population living at the humanity’s historical norm of between \$1 and \$3 per person per day has dwindled from 27 per cent of the population to today, for the first time in history, below 5 percent. And the rate of decline is increasing, which means we might well soon see, again for the first time in human history, the total elimination of absolute poverty in the world. And those countries that have most closely approximated Smithian political economy have done best: they have vastly outperformed countries that have other political-economic institutions.<sup>12</sup>

Now, this does not mean there are no problems in the world, or that there are not still great challenges that we will face. It also is not meant to imply that money is the only thing that matters. But our increasing wealth

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11 See Ridley (2011), Zak (2012), and McCloskey (2016).

12 See the Fraser Institute’s annual *Economic Freedom of the World Report*, which shows the high correlation between Smithian institutions—what it calls “economic freedom”—and economic prosperity, all the way up and down the rankings (Gwartney et al., 2017).

provides us the resources to address, and even hope to vanquish, ever more of the problems humanity faces—from poverty to education to health care to environmental protection—than could have been imagined at any prior time in human history. Adam Smith played no small role in articulating the institutions that could enable this spectacular growth. And the moral mandate that he felt and that infused his entire life’s work—of understanding human nature and the human condition so that recommendations could be made that would allow ever more people, including in particular the least among us, to achieve lives of peace, prosperity, and purpose—provides a model that should inspire every researcher today.

I think that makes Smith one of the great minds, and still greater souls, that humanity has produced. And it justifies Smith’s place in the pantheon of luminaries with whom every educated person should be familiar.