

Hello everyone,

Today I would like to speak to you about two political philosophers, Adam Smith and Bertrand Russell, who I believe have a striking degree of overlap in their approach to economics. What's more, where they differ provides insights of its own, both between Smith's time and Russell's, and Russell's and our own. I believe this intellectual link is worthy of note for a few reasons. First, a review of the scholarship does not yield any substantive analysis on the link between these two thinkers. Second, we know that Russell likely read Smith very early on in his life, and advocated a liberal outlook on subjects like free trade in some of his earliest political writings. Despite that fact, explicit references to Smith are few and far between. Symbolically, Russell's most significant work of political theory, *Freedom and Organization*, mentions Smith and stresses his significance, only to add that he falls outside the period of study. Nonetheless, a review of how these two thinkers approached economics can tell us a great deal about how the world has changed since the late 18th century.

In what follows, I would like to briefly review the modern history of economic thought, before turning to a few areas in which I think Russell and Smith's thinking shows a remarkably similar temperament. Finally, I will dwell on how some of the differences in their thinking can help flavor how political philosophy itself needs to adapt to changes in the economic structure of society. I begin with a brief survey of economic thought, and economic progress more generally, because I believe the changes in society brought about in the last two-hundred and fifty years are of vital importance in comparing the constructive proposals of Adam Smith with Bertrand Russell, who were separated by the most economically dynamic years in human history.

The esteem economics commands amongst the social sciences today is so taken for granted today as to scarce seem worth comment. Yet little more than two centuries ago it numbered amongst the fringe disciplines, a mere appendage of the social sciences more concerned with methods of extracting taxes than the tedium of the common people. From the point of view of the intelligentsia, moreover, concern with the everyday seemed wholly irreconcilable with the priorities of exalted "sciences" like theology or metaphysics. Indeed, the etymology of economics, "Οικονομικά", derives from the Greek word for "householding", and the place householding has traditionally been swept placed it far below the more speculative "sciences". For most of history one could imagine most of the intelligentsia of previous ages, dominated by ancient and feudal clergies, remarking on economics as Hamlet did of all worldly affairs:

How weary, stale, flat and unprofitable,
Seem to me all the uses of this world!
Fie on't! ah fie! 'tis an unweeded garden,
That grows to seed; things rank and gross in nature
Possess it merely. That it should come to this!¹

What is more, without differentiation in employment, the dynamics of growth, or the data to piece it

¹ Shakespeare, William. "The Tragedy of Hamlet, Prince of Denmark." *Yale University Press*. 1954. Act II, scene i. Page 22.

together, the means with which to research the subject matter of macroeconomics was effectively nonexistent. As result of this dearth of dynamism and data, it was in some respects natural that intellectuals, prodded by Plato, consistently drew their eyes either up to heaven or imagined themselves capable of gazing down on earth from it, inspired by his deductive method for which little empirical evidence appeared necessary. Versions of this thinking, partly liberated from its theological overtures, made their way into the universities during the late Middle ages, imbuing the forerunners of modern social science through a renaissance in what is now called Natural Law theory.

With the rise of merchant, commercial, and then eventually industrial civilization, all of this began to change. The emphasis on the progression of the division of labor which marked off Smith from earlier theorists, and the shift out of agriculture that has defined every industrialization programme ever recorded, appears particularly prescient in light of the historical record.² At the same time, centuries of war and turmoil empowered the forces of centralization while rising debts compelled the creation of an efficient bureaucracy capable of administering and taxing the increasingly differentiated classes of people. With this newfound complexity came the need of cataloging and relating the various sectors in society to one another. Both the protagonist, industrialization and the division of labor, and its footfalls, in the form of the rich data which the discipline of economics requires to conduct detailed analysis, came into birth around the same time.

A latter day Smithian, Karl Marx, clearly recognized this when he remarked the following in his much-celebrated introduction to the *Grundrisse*:

It was an immense step forward for Adam Smith to throw out every limiting specification of wealth-creating activity – not only manufacturing, or commercial or agricultural labour, but one as well as the others, labour in general. ... [but] Indifference towards any specific kind of labour presupposes a very developed totality of real kinds of labour, of which no single one is any longer predominant. As a rule, the most general abstractions arise only in the midst of the richest possible concrete development, where one thing appears as common to many, to all. Then it ceases to be thinkable in a particular form alone. On the other side, this abstraction of labour as such is not merely the mental product of a concrete totality of labours. Indifference towards specific labours corresponds to a form of society in which individuals can with ease transfer from one labour to another, and where the specific kind is a matter of chance for them, hence of indifference... Here, then, for the first time, the point of departure of modern economics, namely the

² In his encyclopedic monument to economic thought, the economic historian Joseph Schumpeter stresses Smith's noteworthy emphasis on the division of labor both in development and economics more broadly when he observed: "nobody, either before or after A. Smith, ever thought of putting such a burden upon the division of labor." See: "History of Economic Analysis". *Oxford University Press*. 1981. [1954]. Page 187.

abstraction of the category ‘labour’, ‘labour as such’, labour pure and simple, becomes true in practice.³

To all this we need only remark that the masterpiece for which the *Grundrisse* was merely, as the name itself translates to, a “groundwork”, *Capital*, could never have been without the government blue books and commission reports made available to Dr. Marx at the British Museum.

Once the economics discipline began to assume its modern form, its decisive importance amongst the social sciences became obvious. As a guide to a state’s social policy in the early period of capitalistic production, the mentality of the economist found ready purchase amongst policymakers in a way that the work of theologians could no longer.⁴ Seen in this way, Adam Smith’s *Wealth of Nations*— a work replete with both analytic distinctions and empirical polemics of the “Policy of Europe” prevailing amongst the monarchies and republics of the continent— is truly deserving of its reputation as a foundational text.⁵

Having just looked over the forces that helped make the substance of modern economic thought what it was, we can now lay Smith and Russell down next to each other. The former emerges at the beginning of industrialization— if not slightly before— when the real stuff of economics was only just able to be discerned, whereas the latter arrives when that same system of small-scale liberal capitalism was reaching its apex, before bursting under its own contradictions. In what follows, we will compare both Smith and Russell on a few of the major issues that preoccupied them. First, their theory of motivation in economics, second, their analysis of combinations, including the place of the working class in capitalist society, and finally, the nature of the state. What will emerge from each of these points are prominent parallels between the two philosophers who were each drawn to the economics profession from their own primary professions as philosophers due to the vital role economic questions played in public life.

Smith and Russell have theories of motivation that are remarkably similar. Contrary to purely utilitarian and materialist interpretations of social phenomena, they both give a great degree of space to cultural and status-conscious aspects of economic behavior, even as they recognize the extractive nature of productive relations.⁶ In laying stress on these factors they betray their debts to the wider social sciences outside of economics, which lacks such a dogmatic focus upon studying commodity production alone. While Russell gives no sign of a conscious debt to Smith, the similarity between their critique of materialism is remarkable.

³ Marx, Karl. *Grundrisse*. *Penguin Classics*. 1993. Page 104.

⁴ For an echo of this summary in Russell, See: “Psychology and Politics” in “Sceptical Essays”. *Routledge Classics*. Esp. pages 173-176.

⁵ Schumpeter describes Smith as “the most famous of all economists”, even going so far as to claim *Wealth of Nations* was the most successful scientific book in history, “with the possible exception of Darwin’s *Origin of Species*.” See: “History of Economic Analysis”. *Ibid*, 181.

⁶ See the “deductions” from labor’s proceeds, as well as the bargaining process of labor in Book I of the *Wealth of Nations*. *Penguin Classics*. 1999. Page 168-170. Henceforth *Wealth of Nations, Book I-III*. See also Russell, Bertrand. “Economic Power” in “Power: A New Social Analysis”. *Routledge Classics*. 2004. Pages 95-108.

Both of Smith's major works make reference to the psychological motivations to engage in economically productive work. In *Theory of Moral Sentiments*, Smith's main philosophical work, his rather wordy central argument distills to the fact that "man naturally desires, not only to be loved, but to be lovely", and that, "to attain this satisfaction, we must become the impartial spectator of our own character and conduct".⁷ This is done by way of comparing ourselves to others, and our vision of ourselves to how we believe others perceive us, a test whose results constitute a vital source of self-esteem.⁸ In Smith's own words, "the desire of becoming the proper objects of this respect, of deserving and obtaining this credit and rank among our equals, is, perhaps, the strongest of all our desires".⁹ Tellingly, Smith also regards this deference, bordering "almost to worship" of the "rich and powerful" as "the great and most universal cause of the corruption of our moral sentiments".¹⁰

Smith regards this desire for respect as the psychological basis of social distinctions. In the section entitled "On the origin of Ambition, and of the distinction of Ranks" [sic], he observes that the "end of avarice and ambition" is not to "supply the necessaries of nature". Rather it is "the vanity, not the ease, or the pleasure, which interests us".¹¹ But this vanity cannot simply be equated with direct material self-interest, even if it often assumes the desire to accumulate riches. This distinction is clear from the outset of the work, and is echoed in the "Wealth of Nations" when it repeats on several occasions that the "greater part" of man's desire to "better their condition" lies in the "augmentation of his fortune."¹² Wealth is a primary means, but not the end, of that quest.

We find a strikingly similar argument in a number of Russell's books. Unable to wholly endorse the economic materialist theories of Marx and Engels he became acquainted with while studying in Germany, Russell would develop a deep interest in psychoanalysis and psychology, and show the fruits of his learning across long treks across the broader social sciences in his hopes of bringing in more eclectic and nuanced considerations of human behavior.¹³ This was most visible in his interwar work, including the

⁷ Smith, Adam. "Theory of Moral Sentiments". *Penguin Classics*. Pages 136-137. 2009. Henceforth *Theory of Moral Sentiments*. The phraseology recalls Ovid in the *Ars Amoria*. "To be loved you must show yourself lovable". Ovid. "The Erotic Poems". *Penguin Classics*. 1982. Page 194.

⁸ He calls these two aspects the "two tribunals" of our thought: the "man within" and the "man without". See *Theory of Moral Sentiments*, page 152-3

⁹ Ibid. 250.

¹⁰ Ibid. 73.

¹¹ Ibid. 62-63.

¹² The *Theory of Moral Sentiments* begins with the acknowledgment that "how selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it but the pleasure of seeing it." Ibid, 13. The passage on "bettering their condition" can be found in the *Wealth of Nations*, Book II, page 441. Smith also uses the same turn of phrase on pages 443 and 502 of Books II and III, and page 120 of Book IV, and page 260 of Book V. It is a recurring theme throughout his work.

¹³ Russell's early interest in becoming an economist is not much discussed in the literature, but the following forms a fairly lucid introduction to his early forays into political philosophy and economics. See: King, J.E. "Bertrand Russell on Economics, 1889-1918". *La Trobe University*. December, 2003. Accessible at: citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.197.4901&rep=rep1&type=pdf.

Sceptical Essays (1928), and *Power: A New Social Analysis* (1938). In each of them we find long retired the notion that all social behavior is best understood by deriving from it how it constitutes a purely economic motivation, though the economic motivations are given plenty of space, and all works display an attentiveness to them that testifies to their realism.

Though often giving decisive influence to economic factors, Russell makes clear how the desire for status differs from wealth. This is evident in an extensive part of his essay “Machines and the Emotions” in the *Sceptical Essays*:

Why do we, in fact, almost all of us, desire to increase our incomes? It may seem, at first sight, as though material goods were what we desire. But, in fact, we desire these mainly in order to impress our neighbors. When a man moves into a larger house in a more genteel quarter, he reflects that ‘better’ people will call on his wife, and some unprosperous cronies of former days can be dropped. When he sends his son to a good school or an expensive university, he consoles himself for the heavy fees by thoughts of the social kudos to be gained... One of the most powerful of all our passions is the desire to be admitted and respected. As things stand, admiration and respect are given to the man who seems to be rich. This is the chief reason why people want to be rich. The actual goods purchased by their money play quite a secondary part.¹⁴

Russell also stakes out from the outset of *Power: A New Social Analysis* that this differentiates himself from the “orthodox economists as well as Marx” who he thinks erroneously supposed “that economic self-interest could be taken as the fundamental motive of the social sciences.”¹⁵ By contrast, Russell followed Hobbes in regarding the “chief” infinite desires of man as “power and glory”, concepts which he develops in their various historical guises throughout the book.¹⁶

One notable difference between the two thinkers is how they valued the non-economic motivations. Standing at the high-water mark of British commercialism, Smith valued economic motivations as more rational ordering incentives than those of social distinction. The “prudent” logic of capital accumulation was something that marked off the capitalistic classes Smith supported over the vanities of landlords and the pomp of the court he so bitterly hated. Smith argues that the rational pursuit of gain, “turning a penny wherever a penny was to be got” as he called it, that was carried out by merchants and manufacturers is also something that ensures the ascendancy of the bourgeois class, as opposed to the wasteful idleness of the landlords who all too readily prove themselves happy to “sell their birthright” for “trinkets and

¹⁴ Russell, Bertrand. “Machines and the Emotions” in “Sceptical Essays”. *Routledge Classics*. 2004 [1928]. Page 66.

¹⁵ Russell, Bertrand. “Power: A New Social Analysis”. *Routledge Classics*. 2004 [1998]. Henceforth *Power*. Page 3.

¹⁶ Loc Cit. In the *Leviathan*, Hobbes gives “the three principle causes of quarrel” as “competition”, “diffidence”, and “glory”. Collier Books. 1975. Page 99.

baubles.”¹⁷ For Smith, economic self-interest is the weapon against the excesses of the feudal age.

In Russell, by contrast, the limitations of the economic motivation is a sign that an alternative economic system is readily conceivable. For if commercial gain is the only end of social activity, as the materialist conception believes it is, then it stands to reason that it will be significantly harder to organize a socialist society that constrains these impulses, or channels them into alternative pathways. The capitalist class will resist every measure to curb their power, if their power is only able to be satisfied by their unfettered pursuit of economic gain. If, on the contrary, we understand that people can be satisfied with other measures of success, then a new mechanism of reward, merit and rank, can be awarded through different mechanisms than profit. Therefore understanding that people do not merely desire to consume the most they possibly can is “of the greatest practical importance” because “the desire for commodities, when separated from power and glory, is finite, and can be fully satisfied by a moderate competence.”¹⁸

In conclusion, for Smith self-interest is the prod out of the vanity of feudalism, whereas for Russell appealing to vanity is a way out of the plutocracy of capitalism. Both of these worldviews are flavored by the problems of their times, but they each display an appreciation of the social and cultural motivations of economic behavior at odds with the monotonous monotonicity of economic rationalism. As Russell might summarize for both thinkers “economics as a separate science is unrealistic, and misleading if taken as a guide in practice. It is one element— a very element, it is true— in a wider study, the science of power.”¹⁹

This appreciation of the social nature of humankind action helps explain why both Adam Smith and Bertrand Russell also placed a strong premium on the importance of economic combinations. This takes us into our second area of comparison. In Smith’s case, the major combinations are traceable to their income streams: workers (wages), landlords (rent), merchants and manufacturers (profit), and the state (taxes). This approach set the template for classical economics’ focus on social classes. For Russell the approach is similar, although the focus is more squarely between capitalists and wage-earners, with the state exhibiting either plutocratic or totalitarian tendencies. Unlike in the previous section, here the worldview of Russell and Smith differs in a pronounced way. Smith was essentially a preindustrial thinker, whereas Russell wrote after the first period of centralization. As a result, Smith endorsed proto-capitalism, whereas Russell endorsed socialism.²⁰ Yet as we shall see, the goals of both have some marked overlap.

The most powerful combinations in Smith’s day were landlords, merchants and manufacturers

¹⁷ *Wealth of Nations*. Books I-III, Page 514-515.

¹⁸ *Power*, page 3.

¹⁹ Ibid. 108. One commentator on Adam Smith, paraphrasing Terence Hutchinson, agreed: “Adam Smith was unwittingly led by an Invisible Hand to promote an end no part [sic] of his intention, that ‘of establishing political economy as a separate autonomous discipline.’” *Wealth of Nations* Books I-III, page 84.

²⁰ “Socialism as a political movement has aimed at furthering the interests of the industrial wage-earners; its technical aspects have been kept comparatively in the background... This is a proposal for the taming of economic power, and therefore comes into the purview of our discussion. Before examining the argument, I wish to say unequivocally that I consider it valid.” *Power*, page, 235.

(capitalists) and the State. The story Smith tells across the *Wealth of Nations*, especially in the shortest book, book III, is the transfer of economic, and increasingly political power from the landlords of the countryside to the merchants and manufacturers in the city. In his narrative, this constitutes a progressive development because the republican governments of the cities are able to exact more civil liberties from their monarch's, including forcing the constitution of republics, than a social order founded on landlordism would ever promote.²¹ This titanic transfer of power is essentially the same story told by Ricardo, Marx, and all economists covering the period up to the repeal of the Corn Laws.

What Smith's narrative is necessarily missing is the potential of the industrial working class, and the modern labor movement. This is because combinations of workers were illegal in Britain until 1824.²² But with the rise of the labor movement, as Russell recognized from his earliest days, came the potential for the expansion of participatory democracy in a way that would radically transcend the sterile notion of bourgeois democracy embodied in government. While never succumbing to the illusion that the working class is a homogenous entity, Russell's political philosophy was keenly attuned to the potential latent within the labor movement to transform the economic system and end capitalism. In this way, despite his many theoretical polemics against them, Russell acknowledges the working class represents a potential economic combination with the kind of transformative power ascribed to it by Marx and Engels.

As he wrote in one of his most radical pamphlets:

British trade unionism, it seems to me, has erred in conceiving labour and capital as both permanent forces... This seems to me too modest an ideal. The ideal which I should wish to substitute involves the conquest of democracy and self-government in the economic sphere as in the political sphere, and the total abolition of the empower now wielded by the capitalist.²³

But the change in mentality represented Russell's rejection of economic liberalism cannot entirely be chalked up to the social contribution of the labor movement. As he wrote in his most mature work of political philosophy, it was also brought about by changes in "economic technique" which Russell regards as "the most important cause of change in the nineteenth century".²⁴ These changes in economic technique facilitated the centralization of industry and marked out the era of oligopoly and monopoly from that of the comparatively freer competition of Smith's age.

While the previous comparisons are fruitful as intellectual and academic questions, on this particular point the differences between Russell and Smith's political philosophy have far more wide-reaching effects.

²¹ *Wealth of Nations*, Book III, page 496-504.

²² Russell Bertrand. "Freedom and Organization". Routledge Classics. 2010 [1934]. Page 66. Henceforth *Freedom and Organization*.

²³ Russell, Bertrand. "Political Ideals". *Unwin Books*. 1963. Page 54.

²⁴ *Freedom and Organization*, page vii.

Changes in the technical basis of industry, and the rise of economies of scale and the need for economic planning imposed on the capitalist system by its own instabilities, as well as the rising importance of coordinated scientific research in order to produce the most important technological advances, are what make the socialist argument compelling even from a purely technical standpoint.²⁵ Reactionary political philosophies that are commonly backed out of Smithian arguments are ones that fundamentally refuse to engage with these technical developments, as the Smith of the neoliberal revolution cannot emerge from any more than isolated snippets of Adam Smith himself. This is because both Adam Smith and Bertrand Russell were believers in what can be called “self-government” in industry: the belief that the ideal arrangement of production is one in which the workers own the means of production under which they labor, and by that measure control their own economic destiny.²⁶ In Smith’s case this belief is mostly offhand and instinctive, whereas in Russell the changes brought about by large-scale industry made the technical case much more obvious.

Russell was acutely aware of these changes. The entirety of *Freedom and Organization* is branded as an attempt to “trace the opposition and interaction” of those two factors, the former of which is prized by liberals, and the latter by socialists. Economic technique, large-scale industry, and the corresponding need for organization all militate against the old liberal doctrines of *laissez-faire*, even in their own terms. What Smith prizes in extolling competition and distrusting state power is the right of the worker to dispose of his own labor, an essentially individual task in the context of small-scale industry. Yet capitalism as it actually emerged is predicated off of removing this form of individual ownership through the system of wage labor, and as a result what Smith regards as the “most sacred and inviolable” right of the worker, namely “the property which every man has in his own labour”, is removed from the start.²⁷ Thus, underlying their superficial differences, in Smith there is the embryo of what would later blossom into the socialist critique of wage-labor in favor of self-government, a critique Russell takes up in earnest.

While Russell differs from Smith in explicitly advocating for self-governance against the capitalist class, he shares Smith’s wariness of state power in a way that was alien to much of the socialist movement in his own time. Whereas both Smith and Russell desire the emancipation of the worker, neither believes that nationalization is the solution as an end unto itself. This takes us into our final subject. In Smith’s age, the state was distrusted as an economic agent because of its weakness and corruption. By contrast, especially in the inter and postwar period, Russell feared the *strength* and unity of state power, and the

²⁵ Russell stresses how undervalued he believes this aspect of socialist doctrine is in his famous-essay “The Case for Socialism”, where he writes: “[W]hile I am as convinced a Socialist as the most ardent Marxian, I do not regard Socialism as a gospel of proletarian revenge, nor even, *primarily*, as a means of securing economic justice. I regard it primarily as an adjustment to machine production demanded by considerations of common sense, and calculated to increase the happiness, not only of proletarians, but of all except a tiny minority of the human race.” Accessible at: <http://www.ditext.com/russell/cs.html>.

²⁶ Russell is of course a more full-throated supporter of this concept, but the idea is everywhere in Smith, from his defense of “the superiority of the independent workman” over “servants”, to his repeated criticisms of the institution of slavery on both ethical and economic grounds. The basis of both statements is the same: the desirability of workers being in control of their economic livelihoods. See: *Wealth of Nations*, Book I, page 187. For a critique of slavery, see pages 183-4, 488-9.

²⁷ *Wealth of Nations*, Book I, page 225.

fearsome despotism that resulted from uniting economic and political power in the hands of the state, as he saw in Soviet Russia.²⁸

But while Russell feared state power, he also came to recognize that short of a socialist transformation of industry, regulation of capital by the state was the best that could be expected to reform the excesses of capitalist production. Thus, while Smith is more consistent in drawing sharp red lines to limit the purview of the state, Russell was forced to grapple with both the possibility and the danger of state interference in the economy. In his later work he expressed a hope that Roosevelt's New Deal in the United States would help create "a new kind of democratic intelligence" that would see in the trust system that "the organization, as organization, was valuable" while transcending "the defect" of the system, which "was in its purpose, which was solely to make rich men richer".²⁹ Though Roosevelt would disappoint, the welfare state he and his "Brain trust" would help create was the most conscious recognition of the need for this new "democratic intelligence" the American ruling class would ever demonstrate.

The difference between Smith and Russell on state power belies a common faith in the primacy of independent producers in civil society over the institutions of political governance. Faced with barony and monarchy, Smith affirmed the "system of natural liberty" which would dismantle the "commercial system" and liberate Britain from the strictures of feudalism. After these systems had been swept aside and replaced with capitalist plutocracy, Russell favored the emancipatory potential of the working class against the political programmes of state capitalism and state socialism. Despite presenting different visions, what binds these two British philosophers is their faith in the capacity of people to manage their own affairs free from despotical intermediation. In this way, they both remain exemplars of an illustrious tradition of critical British political philosophy.

²⁸ His classic account of this is *The Theory and Practice of Bolshevism*, published upon returning from a tour of the Soviet Union in the early 1920s.

²⁹ *Freedom and Organization*, page 296-7.