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Adam Smith and Liberal Economics: Reading the Minimum Wage Debate of 1795-96

Christopher Martin[1]

LINK TO ABSTRACT

Mention Adam Smith to someone on the street and she might envision the inspirer of the Adam Smith necktie, an apologist for big business, and an icon of conservatives. In scholarly circles, however, a rival interpretation of Smith has gained ground in recent decades. This Smith is friendlier to the poor than the Smith imagined by our woman in the street, and also less unfriendly to government intervention. Leading exponents of this new view include the modern scholars Samuel Fleischacker and Emma Rothschild, who suggest that Smith's vision of society could be compatible with policies and attitudes in deep tension with laissez-faire. Fleischacker, for example, advocates "education, health care, unemployment protection, etc. for everyone," severe financial penalties for factory closings, mandatory stakeholder democracy within corporations, and strong antitrust restrictions targeted at "labor monopsonies" (Fleischacker 2004, 208, 276-277). Rothschild argues that progressive taxation and "intervention in markets for labor, land rental, and public works" are consonant with Smith's mindset (Rothschild 2001, 82-83) and strongly implies that minimum wage legislation is so as well (Rothschild 1992, 92-93).

A close look at Rothschild's discussion of Adam Smith and minimum wages serves as a kind of case study of the power and danger of the "left Smithian" perspective. The historical debate over a minimum wage proposal in 1790s Britain plays a central role in her remarkable essay "Adam Smith and Conservative Eco-

1. Graduate student, Department of Economics, George Mason University, Fairfax, VA 22030.

nomics" and is discussed by other contemporary authors as well (Lux 1990, 31-32; Fleischacker 2004, 264; McLean 2006, 90-91). Rothschild's overall argument is that conservatives hijacked the true legacy of Adam Smith and transformed him into a two-dimensional "hero of commerce" whose works conveyed one and only one lesson: that "all trade should be free." The real Smith, she contends, was warmly sympathetic to the poor, favored political as well as economic liberty, and tolerated "government interference, especially when the object is to reduce poverty" (Rothschild 1992, 93). The two rival interpretations of Smith clashed when the British parliament discussed the correct response to the grain crisis of 1795-96. In the winter of 1795, in response to abnormally high food prices, a Whig reformer named Samuel Whitbread proposed a bill to establish what Rothschild describes as a minimum wage for agricultural workers. The idea's defeat at the hands of the then-premier, William Pitt, marks in her view the triumph of the "conservative" interpretation of Smith—namely, a Smith rigidly bound by "general principles" —over the left interpretation represented by Whitbread—namely, a Smith warmly compassionate toward the poor and quite open to contravening free-market principles on their behalf. Although Rothschild acknowledges, fairly, that "there is something of Smith in both sides of the parliamentary debate," she clearly believes that Whitbread "is in many respects closer to the 'real' Smith, or to the real *Wealth of Nations*" (Rothschild 1992, 86).

Rothschild's *overall* historical argument, it should be said at this point, is intriguing. Adam Smith, during his lifetime, was friendly to the radical ideas about human equality then associated with French intellectuals. He died, however, before the French Revolution entered its more sanguinary phase. Smith was then initially (and posthumously) "claimed" by the pro-French side of the Revolution Controversy—a side which included Thomas Paine and Mary Wollstonecraft. However, once the French Revolution began to spin out of control, a fearful reaction seized Great Britain. Men were actually tried and punished in Scotland for expressing opinions, such as opposition to jingoism and excessive public debt, which were very close to Smith's own opinions. Out of self-preservation, Smith's intellectual heir—Dugald Stewart—minimized the political side of Smith's view of liberty and highlighted only a truncated message of economic freedom that would not be threatening to the authorities. This maneuver laid the groundwork, according to Rothschild, for "left" and "right" streams of Smithian interpretation in the nineteenth and twentieth century; the one associated with the common man, political liberty, and equality and the other with the political status quo, employers, and laissez faire (Rothschild 1992, 78-82).

However grounded this larger argument may be, Rothschild is much less convincing when she apparently associates the "real" Smith with the proposal promoted by Samuel Whitbread. Since skepticism that minimum wages help the poor is a key element of orthodox economics, to claim that advocating such a policy accurately channels Adam Smith requires at least some acknowledgement of the incongruity. Rothschild could, for instance, have argued that a "Smithian" analysis of such a policy would differ from the later neoclassical one. She could then have argued that this Smithian analysis was simply wrong; or, alternatively, that Smith or his interpreters grasped on an inarticulate level the case for minimum wage legislation advanced in the late twentieth century. It would not be the only time Smith correctly differed from later orthodoxy. Special theoretical situations where a minimum wage could—conceivably—help workers have long been acknowledged (Stigler 1946). And of course the empirical controversy sparked by Card and Krueger's 1994 paper still sways back and forth, with first one side then another claiming victory (Neumark and Wascher 2008 defend the view that the regulations are counterproductive). Rothschild however makes no attempt to address the incongruity at all. She must be aware of the view that minimum-wage laws give rise to employee-adverse alterations in job offers and in non-wage job attributes. This omission would be less of a problem if her article did not favor Whitbread (as characterized in the article) and the associated interpretation of Adam Smith. She calls for "modern economic inquiry" to "move…beyond the 1790s, to something closer to Smith's own conception" and implies that this conception could entail considerable government intervention, of which the minimum wage is only one example. In this view of Smith, a presumption in favor of free markets must often be balanced with concern for the poor (Rothschild 1992, 86, 92, 94).

Rothschild runs into interpretative difficulties, I will argue, because she presses an ill-fitting frame onto the historical debate. The frame she uses is polar: "left" or "right"/"conservative"; "warm" or "cold"; "for justice" or "for the general principles of political economy." Government intervention and notions of equity are associated with the first element of each opposition. This opposition not only does violence to Smith's own views, but also leads to an incomplete characterization of William Pitt's discourse in the historical debate. By construction, Rothschild's analysis doesn't consider the possibility that Pitt may actually have been right, whatever his role promoting conservative policies in other areas. By backing off from Rothschild's presumed connection between government intervention and real benefit to the poor, we can get a clearer picture both of the minimum wage debate and Smith's own views. To foreshadow the result, we'll weaken the link between compassion for the poor and government intervention—and argue that the opposition between the "two strands" of Smithianism is an unnecessary one.

Pitt Versus Whitbread Reread

Starting around May of 1795, grain prices in Britain began to climb significantly and stayed between 66 and 100% higher than usual until October of 1796 (Stern 1964, 169). The rural poor were seriously affected by the increase in living costs. To assist them, the MP Samuel Whitbread introduced legislation, in December of 1795, that justices of the peace (that is, county-level officials) should have the ability to fix minimum wages for "labourers in husbandry" (*Parliamentary History* [PH], XXXII, 700-705). After a Parliamentary recess, discussion of the bill resumed in February 1796 with another speech from Whitbread. In Rothschild's characterization, Whitbread "…was strongly influenced by Smith…[and] followed the *Wealth of Nations* [WN] closely in his parliamentary presentation." She bolsters Whitbread's Smithian credentials with several passages from the WN in which Smith's sympathies lay with the laborers over the "masters", and seemingly smiled on "regulation[s]…in favour of the workmen" (Rothschild 1992, 84).

William Pitt, at that time both the prime minister and the Chancellor of the Exchequer, answered Whitbread with a long speech. For Rothschild, Pitt's interpretation of political economy was "very different" from Whitbread's, relying on the "unassisted operation of principles." His alternative solution, a reform of the poor laws to allow workers to circulate freely throughout the country, was attacked by Whitbread and his allies as too slow given the urgency of the crisis; and Rothschild implies that Smith wouldn't have approved of his rigid adherence to "general principles" and "systematical" policies (Rothschild 1992, 85).

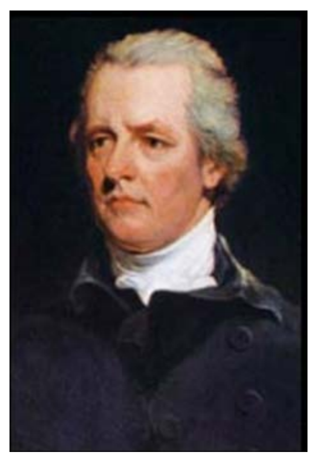
The necessarily compressed account of the debate in "Adam Smith and Conservative Economics" could not cover much that is relevant, in both details and historical context. To begin with, the use of the term "minimum wage" overstates the resemblance between Whitbread's proposal and modern regulations of the same name. Whitbread and his ally Charles Fox did, it is true, cite rudimentary statistics suggesting that the cost of living was outstripping rural wages (PH, XXXII, 703-704). And although Smith is not named by any debate participant, Whitbread challenges what appears to be Smith's wage theory as a "deductio[n] of reason" that is "confuted by experience" (PH, XXXII, 703). The consequences of falling real wages, Whitbread and Fox thought, were disastrous. Impoverished workers increasingly had to rely either on private charity or the poor rates. The first alternative was "precarious and degrading" and the second undermined the British political order since anyone who had received poor relief was in the future ineligible to vote. Fox asked "what…was the state of a country which first compelled every poor man to dependence, and then reduced him to servitude?" (PH, XXXII, 702).

However, Whitbread's proposed policy bore little resemblance to the uniform minimum wages set by modern governments and adjusted infrequently by statute. His proposal was, instead, linked to an existing 16th-century act that allowed justices of the peace to fix *maximum* wages for agricultural labor in their county at their quarterly administrative sessions. He did not "[commend] the principle of these statutes …[which] operated as a clog to industry, by permitting justices to fix the maximum of labour" and indeed they gave the magistrates power to "oppress the labourer" (PH, XXXII, 704-705). However, given that such statutes existed, at least the justices of the peace could be given power to fix a minimum wage rate as well and relieve the immediate suffering of laborers. Whitbread's idea was therefore much more flexible than modern minimum wages in both duration (quarterly adjustments) and geographic extent (counties). More importantly, it was presented in the context of an existing power by the same officials to set maximum wages. Rothschild's essay does note Whitbread's low opinion of this law in passing (1992, 84) but not his express hope that, even if his full proposal is rejected, Parliament should at least repeal the existing act (PH, XXXII, 701). Even if they actually were "Smithian," then, Whitbread's wage proposals in context seem much less *dirigiste* than modern laws.

Limited English labor mobility at the time suggests another way in which Whitbread's proposal seems less interventionist. Charles Fox, Whitbread's ally and party leader, complained that "a griping and avaricious employer…might be disposed to take advantage of their [workers'] necessities, and undervalue the rate of their service" (PH, XXXII, 701-702). Although he would not have thought in such terms, what Fox really describes is market power on the part of the employer. In this situation, a minimum wage has at least a chance of theoretical justification (Stigler 1946). Such a response seems much less unreasonable if the market power results from workers being tied to a parish and unable to move in search of better wages and conditions—the possibility explicitly discussed by Smith with respect to the Law of Settlements (WN I.x.c, 152-157).

Of course, the obvious first-best solution to the problem of "undervalu[ing]" that Fox pointed out would be reform of the law restricting labor mobility. William Pitt easily saw this point in his speech responding to Whitbread's proposal. The deeper causes of the crisis, he explained, were abuses in the poor law system that "prevented the workman from going to that market where he could dispose of his industry to the greatest advantage, and the capitalist, from employing the person who was qualified to procure him the best return for his advances." These effects of the law of settlements were themselves a warning against Whitbread's wage-fixing proposal; Pitt notes that "such were the institutions that *misguided* benevolence had introduced, and, with such warnings to deter, it would be wise to distrust a similar mode of conduct" (PH, XXXII, 707-708; emphasis added).

Rothschild does acknowledge Pitt's reform proposals in passing, but doesn't remind the reader what the law of settlements actually was. Out of this context, Pitt's proposed reform sounds like technocratic tinkering—a cold "defence of the 'unassisted operation of principles'" more important to him than the immediate suffering of the poor, whose plight "was [not] strong enough for the exception [to the general rule of non-interference]." Nor does Rothschild mention the strongest part of Pitt's case—his question "whether the means proposed [i.e., a minimum wage] were suited to the object intended" (PH, XXXII, 706). To all appearances, Pitt was sincere in his belief that the minimum wage proposal would have unintended negative consequences. His speech on February 12, 1796 was more than three times as long as Whitbread's, much longer and more carefully composed than it needed to be if dismissing the concern was his only goal. Pitt openly acknowledged that a problem existed, and expressed his goal to "find out the causes of the evil, and…remov[e] the causes…" by a "remedy…more general in its object, less exceptionable in its example, and less dangerous in its application." (PH, XXXII, 707).



Pitt's proposed reforms were actually quite radical, fracturing any portrait of him as heartless or unimaginative. He proposed to alter the Poor Law so that a workman would not be forced to move to his parish of birth just because he applied for relief—a major benefit if unemployment was only temporary or the worker's home parish had little demand for labor (PH, XXXII, 707). He clearly was not opposed to emergency relief in principle; he wanted the law to "make relief in cases where there are a number of children, a matter of right and an honour, instead of a ground for opprobrium and contempt … [while at the same time] engraft upon [the law] resolutions to discourage relief where it was not wanted [that is, truly needed]" (PH, XXXII, 710). Pitt preferred to "[supply] the necessities of those who required assistance by giving it in labour or affording employment" and furthermore sought to encourage membership in "friendly societies [through which] individuals would be rescued from becoming a burthen upon the public, and, if necessary, be enabled to subsist upon a fund which their own industry contributed to raise." He opposed a requirement that the poor have no assets before receiving aid, and spoke in favor of what we would call trade schools. With the exception of his advocacy of "the industry of children" his proposals would not be far out of place in a modern democracy. Orthodox economics would agree that his policies would "tend … to remove every complaint to which the present partial remedy [i.e., Whitbread's legislation] could be applied" (PH, XXXII, 710-711). Although it is difficult to know if a more flexible labor market on its own would have raised real wages enough to prevent hunger, Pitt's direct relief proposals would seem a sufficient backstop against that contingency. Whitbread's minimum wage idea, by contrast, was not nearly as comprehensive and much more hazardous.

The glaring flaw in Whitbread's idea, from the perspective of modern labor economics, was pointed out even by a backbench participant in the debate. The MP, Buxton, argued that

> … the bill did not appear likely to be of much service, for if the price of labour were to be fixed by the justices of the peace, he feared many industrious people would be thrown out of employ…those who by sickness or old age were rendered incapable of doing so much as a common labourer, and who would consequently be rejected for persons of more strength and activity. (PH, XXXII, 712)

Ultimately, even Whitbread partly recognized the force of this reasoning. He congratulated Pitt on his "able and eloquent speech" and strikingly acknowledged that "If the poor laws were actually such, as the right hon. gentleman has stated they ought to be, it would not have been necessary for me to have brought forward any proposition." In other words, Whitbread himself conceded that Pitt's measures were the correct long-term policy, although he still thought his bill useful as a form of immediate relief. Fox, too, acknowledged the superiority of Pitt's long-term analysis: "If what [Whitbread] had brought forward should induce the House to go into a full examination of the subject [of the Poor Laws]…he would not only have accomplished his own benevolent intentions, but would have done a much greater service to the country, than even if the bill which he had now brought forward were adopted" (PH, XXXII, 713-715). It is difficult to argue that Whitbread was the true heir of Smith in this debate, when both he and his party leader paid such tributes to their opponent.

A contemporary anecdote reinforces this view of Pitt as a true Smithian. Lord Sidmouth (previously Henry Addington, himself a prime minister) recollected a dinner in which both Pitt and Smith conversed. Afterward, Smith remarked

"What an extraordinary man Pitt is—he makes me understand my own ideas better than before" (Pellew 1847, 151).

Smith's Views on Wages

What were Smith's own views on wages and the well-being of the poor? Rothschild appeals to quotes from the *Wealth of Nations* and Smith's lectures on jurisprudence to suggest that the real Smith was closer to Whitbread's minimum wage stance than to Pitt's defense of general principles (Rothschild 1992, 86). However, as many commentators on similar left-Smithian maneuvers have already pointed out (Den Uyl 2005; Muller 2006; C. Smith 2007; Otteson 2011, chs. 6,9), the conflict between "principles" and compassion that Rothschild tries to establish is spurious, in the main. A better explanation is that Smith believed that his principles, or, better put, the operation of the market system of natural liberty, *were* good for the poor. In this framework, it seems likely that Smith (had he lived) would have had a just regard for the workers and simultaneously resisted demands for a minimum wage. A closer look at the quotes from Smith that Rothschild employs supports this interpretation.

The first "proof text," to speak loosely, comes from Book One of the *Wealth of Nations*. Here Rothschild cites Smith's observation that "[w]hen the regulation, therefore, [of wages or working conditions] is in favor of the workmen, it is always just and equitable; but it is sometimes otherwise when in favor of the masters" (WN, I.x.c.61, 157-158). Rothschild seems to take this as a forward-looking benediction on *any* regulations in favor of workmen, but the context makes it clear that Smith is mainly assessing political experience. The passage opens with a discussion of the *maximum* wage laws, and then observes that "[w]henever the legislature attempts to regulate the differences between masters and their workmen, its counsellors are always the masters" (WN, I.x.c.61, 157). This sentence was the reference of the word "therefore" in the passage cited by Rothschild ("When the regulation, *therefore*") although she actually omits it in an ellipsis. As George Stigler points out, the paragraph is puzzling—why would the legislature, dominated by the interests of the employers, ever pass a just and equitable law in favor of the workers (Stigler 1971, 139-140)? The most reasonable answer seems to be that the best workmen could hope for was "merely" justice and equity, since they would never get actively favorable treatment and in fact often suffered from active *in*justice such as maximum wage laws. When he advocates prohibition of truck (or in-kind) wages, Smith notes that "…it imposes no real hardship on the masters" which is consistent with a view of a legislature grudgingly conceding fair treatment to workers only when not too costly to the employers (WN, I.x.c.61, 158).

Furthermore, it is possible that in practice Smith's proposal would not actually restrict employment contracts (for if the worker is agreeable to receiving payment in-kind, what bite would the law have?) but rather would empower workers to appeal to law to receive cash payments as agreed (Clark 2010, 2011). Nothing in the passage suggests that Smith wants active government interference (in a modern social democratic sense) on behalf of the workers; we infer that he would simply like to see them treated as legal equals to employers, with respect to "combinations" for instance.

Before passing on, it is worth noting that in the paragraph immediately preceding the first "proof text" Smith had approvingly quoted a passage opposed to wage regulations. "[I]t seems time to lay aside all endeavors to bring under strict regulations, what in its own nature seems incapable of minute limitation" (WN, I.x.c.60, 157). And elsewhere Smith says that "experience seems to show that law can never regulate [wages] properly, though it has often pretended to do so" (WN, I.viii.34, 95). Likewise on the assize (price control) of bread he comments that "[w]here there is an exclusive corporation [monopoly], it may perhaps be proper to regulate the price of the first necessity of life. But where there is none, the competition will regulate it much better than any assize" (WN, I.x.c.62, 158). Though these comments do not refer to minimum wages specifically, there seems to be no reason Smith would have changed his analysis when thinking about a price floor.

Rothschild next appeals to a famous passage from Smith's "Wages of Labour" chapter:

> No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labor as to be themselves tolerably well fed, cloathed and lodged. (WN, I.viii..36, 96)

These powerful words clearly convey a deep regard for the welfare of the poor. They contain no suggestion, though, that Smith advocates some legislative scheme to raise wages. He has just observed that wages have *in fact* already risen due to market forces; he's saying that this is a good thing, and not something to regret: "Is this improvement in the circumstances of the lower ranks of the people to be regarded as an advantage or as an inconveniency to the society?" (WN, I.viii.c.36, 96). Smith has just spent the previous six long paragraphs arguing that real wages in Great Britain are above subsistence level and that standards of living have risen during the eighteenth century (WN, I.viii.c.35, 95-96). His real target here was the jaundiced view that begrudged the poor these improvements: "the common complaint that luxury extends itself even to the lowest ranks of the people, and that the labouring poor will not now be contented with the same food, cloathing and lodging which satisfied them in former times…" (WN, I.viii.c.35, 96). Just as in the earlier passage about "regulations" Smith is concerned to put the poor on a footing of equal dignity with the rest of society, able to enjoy what they have rightfully earned.

The final passage Rothschild cites in the immediate context of the wage debate is Smith's claim that wages are "regulated" by "common humanity" (Rothschild 1992, 85). It is not easy to unpack what Smith means here, but whatever is doing the regulating certainly does not seem to be government. The full passage is

> …the wages of labour seem, in the present times, to be evidently more than what is precisely necessary to enable the labourer to bring up a family … [t]here are many plain symptoms that the wages of labour are no-where in this country regulated by this lowest rate which is consistent with common humanity. (WN, I.viii.28, 91)

Smith's phrasing here—and particularly the words "this lowest rate"—strongly suggest that "common humanity" means only subsistence wages. This conclusion is consistent with Smith's discussion of wages in China, which he thought was not experiencing economic growth (WN, I.viii.24, 89). From his description of the extreme poverty of the Chinese it is clear that the forces that Smith thought "regulated" wages were population growth and famine. In Smith's view, increased population growth would tend to drive wages towards subsistence. This, to him, was just a fact about the world. There is little ground for reading any moral or political decision into the phrase "common humanity."

The only way that workers could become prosperous was if wages raced ahead faster than increasing population. The mechanism by which this could happen obviously matters for this discussion: it is another clear test of the conflict, and of the concord, between Rothschild's twin themes of "general principles" and concern for the poor. Wages rise, Smith thought, with increases in the demand for labor:

> When in any country the demand for those who live by wages; labourers, journeymen, servants of every kind, is continually increasing…the workmen have no occasion to combine in order to raise their wages. The scarcity of hands occasions a competition among masters, who bid against one another, in order to get workmen, and *thus voluntarily break through the natural combination of masters not to raise wages*. (WN, I.viii.17, 86, emphasis added)

Rising "demand for labour" therefore promotes higher wages, without any need for outside intervention. And the demand for labor itself comes from "the increase of the revenue and stock of every country, *and cannot possibly increase without it*" (WN, I.viii.21, 86-87, emphasis added). When a landlord or rentier achieves a surplus over immediate maintenance, he hires a servant; when a workman accumulates more stock than he needs personally, he hires a journeyman. Smith clearly thinks that this beneficial process proceeds best when not meddled with by the government. He writes that "the general industry of the society never can exceed what the capital of the society can employ … *no regulation of commerce* can increase the quantity of industry in any society beyond what its capital can maintain" (WN, IV.ii.3, 453, emphasis added), and he generally trusts individuals to be good stewards of their own business decisions.[2] He argues "…the study of his own advantage naturally, or rather necessarily leads [the holder of capital] to prefer that employment which is most advantageous to society" (WN, IV.ii.4, 454) and explicitly rejects government meddling: "…every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him" (WN, IV.ii.10, 456). Smith explicitly views the accumulation of capital as beneficial to the less well off; when someone saves, he "not only affords maintenance to an additional number of productive hands, for that or the ensuing year, but, like the founder of a publick workhouse, he establishes as it were a perpetual fund for the maintenance of an equal number in all times to come" (WN, II.iii.19, 338). Finally, Smith notes that only profit can give owners the incentive to invest their stock in this way (WN, I.viii.7-8, 82-83). Although he was suspicious toward the *political* power of merchants and the rich, in the economy of an enlightened and virtuous society Smith saw a tolerable harmony of interests between those who live by wages and the owners of inanimate capital.

A Reunified Smithian Point of View

Should anyone besides historians really worry about what Adam Smith thought about such-and-such an issue? No one would consult Copernicus on string theory; why parse Smith on minimum wages? Kenneth Boulding (1971) observed that economics is not one of the disciplines—such as theology or literature—in

2. This trust is only general, and not universal. There are a few exceptions. For instance, Smith famously (or infamously) argues for the prohibition of small denomination banknotes on the grounds that they would allow "mean people" to enter the banking business, and that the poor would be harmed by the "frequent bankruptcies to which such beggarly bankers must be liable." He argued that, although this indeed was a violation of "natural liberty," such a relatively small violation was justified to prevent much greater harm to society (Smith, WN, II,ii.90-94, 323-324).

which ancient texts remain completely relevant to the present conversation. Neither, though, is economics like physics or biology in which only the most up to date contributions matter. The presence of interpretation and judgment in economics means that Smith, and other canonical authors, can still inspire broad *directions* for modern scholars even though we do not consult them any longer for up-to-date technique. With this outlook, whether Smith would have opposed minimum wages or not does not, of course, close the modern debate. But it does outline a point of view that later scholars can enter into and try to refresh with modern tools.

With respect to a crisis of subsistence, then,—which is what the 1795-96 debate was really about—the Smithian point of view might well contain the following elements. First, do no harm. Do not impose a counterproductive policy, such as a minimum wage. Next, as Pitt argued with respect to the law of settlements, remove any existing restrictions on natural liberty that are making the situation worse. Finally, if the above measures are either infeasible or insufficient to relieve present suffering, consider well-designed private or public relief as Pitt did in his reform proposals. This policy solution is inevitably somewhat speculative, since Smith never confronted the exact circumstances of 1795-96, but the first and second elements in particular are clearly compatible with his writings. Discussing the effects of sudden sectoral disruptions in the labor market, for example (such as came from military demobilization, or might come from the restoration of free trade) Smith's prescription was to reform the law of settlements and break down the restrictive apprenticeship and corporation laws (WN IV.ii.42, 470). Here and elsewhere, with only slight exception,[3] he opposed interferences with workers' natural liberty (the freedom to move and contract wherever they chose). His stance on tax-financed relief is less clear; although he never explicitly advocates it, he never explicitly opposes it either.[4]

How would this ostensibly Smithian approach have fared in the crisis of 1795-96? Frost and floods led to a poor 1795 harvest, and war with France of course raged in Continental Europe. Whitbread's proposal, a violation of the "first do no harm" principle, was indeed voted down; but other forms of government interference may have worsened or even caused the crisis. The British government

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3. For example, Smith suggested that, to ensure a certain level of learning, the state might require that the individual pass an examination before he or she entered certain trades, occupations, or offices. Note that Smith entertained this idea *as an alternative* to "giving salaries to teachers" or "giving itself [the state] any trouble about providing them [the people] with proper teachers" (WN, V.i.f.57, 786; V.i.g.14, 796).

4. Smith's famous description of the proper duties of the sovereign (WN, IV.ix.51, 687) probably tips the scales towards a negative view. In the "system of natural liberty," as Smith describes it, the government has only three roles: national defense, maintenance of justice, and the provision of "certain publick works and certain publick institutions" which Smith describes according to the modern understanding of public goods. Central government relief would seem to fit only awkwardly into this third category.

took it upon itself, starting apparently as early as January 1795, to purchase wheat abroad and to handle all importation through chartered or government-owned ships—all on government account. With the government in the market, no private merchants traded in grain, and the state's performance was uneven. A state-sponsored fleet dispatched to collect part of the bountiful Canadian harvest of 1794 allowed half the cargo to spoil in hot conditions. Subsequently, fearing food shortages in Canada itself, the Governor-General embargoed further exports from the country. Finally, in November 1795 Parliament passed an act forcing the government to cease its grain-importing activities; by March 1796 (shortly after the Pitt-Whitbread debate) private grain imports began to reach England, easing the crisis. Indeed, grain imports in 1796 were three times those of 1795, although an unknown portion of these were due to government orders in arrears. Though all this at least suggests that state interference was the source of the trouble, the principal economic historian to closely study these events blandly foreclosed the idea—after all, "[t]he consequences of events which did not happen [that is, non-intervention in the grain market] are not amenable to historical proof" (Stern 1964).

Nor was government grain trading the only policy violating Smithian principles. Efforts by bakers during the crisis to substitute other grains for scarce wheat were hampered by regulations, the so-called "assize of bread," which was a convoluted legislative survival from the Middle Ages. The assize defined the various types of bread which could legally be sold, fixed their price, and (in theory) set the allowable weight of the loaf proportionate to the price of wheat. The adjustment process broke down during the grain crisis, however, and the bakers reported that "they were not allowed enough to pay for manufacturing, and in many cases were considerably out of pocket" (Webb and Webb, 1904). Although Parliament authorized—and in fact commissioned—various attempts to find substitutes for wheat, the controls on bread hampered such adaptation: "the law laid down in detail what grades of wheaten bread could be sold and how to price them, making allowance neither for the introduction of a higher extraction rate for flour nor for the fixing of a price adequate to remunerate bakers" (Stern 1964, 185). Once again it was William Pitt who rightly assessed the situation, noting (on 3 November 1795) that "as the law stood, the farmer had an interest in preventing [the highest quality wheat] from coming into consumption" (PH, XXXII, 235-237). And it was Pitt who secured a relaxation of the assize for London and its hinterland, although not until 1797 (Webb and Webb 1904, 212). It seems at least plausible, then, that some or even much of the food crisis of 1795 was caused by foolish government policy. Ironically, then, the historical situation held up, by Rothschild and others, as justifying government intervention may itself have been a result of various governmentalizations of social affairs. What's been briefly discussed here is only a prima facie argument for that conclusion, of course, but it points to a basic danger: Combing Smith's texts for support for intervention can distract from his simple, obvious, yet extremely important maxims and presumptions about not tampering with free markets.

To sum up, we have seen how two sets of considerations—further details from the Parliamentary debate between Pitt and Whitbread, and a close reading of Smith's own views on wages—serve to complicate Rothschild's implication that a "warm" Smithian tradition favored the poor, and a degree of government intervention, while a "cold" tradition adhered to free-market principles at the poor's expense. It may well be true, as Rothschild argues, that the French Revolution made it safer to advocate economic rather than political freedom in the Britain of the 1790s—and that this historical circumstance helped to associate free-market economics with political conservatism. But there is a wide gap between this claim and the implication that Pitt's defense of market principles was less true to Smith—and less compassionate towards the poor—than Samuel Whitbread's ideas. Smith believed that the market system of natural liberty was good for everyone, rich and poor alike. He opposed government intervention in the price system, not merely because principles are important, but also because he did not think that intervention would work. Pitt's impulse to remove the restrictions on natural liberty harming the workers was deeply Smithian, as was his fear of causing harm with a well-intentioned but ultimately destructive policy. His opponent Whitbread, of course, was no villain, and the two men ended their debate in tolerable agreement and cordiality. Rothschild's narrative misses this rough concord between the two British parliamentarians just as it misses the possibility of concord between concern for the poor and concern for free-market principles. Smith himself would not have split his thought in the way expounded by Rothschild. He held that free-market principles, the principles of natural liberty, were presumptively better for the poor than any contravention of those principles. To conclude by paraphrasing Rothschild's own closing words from "Adam Smith and Conservative Economics": The interesting project, for both economics and intellectual history, is to move back in time and reunify the two sundered strands of Smith's thought in a way faithful to his own ideas.

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About the Author

Chris Martin is a Ph.D. student in George Mason University's economics program, and he also holds an M.Phil. in European Studies from Cambridge University in the UK. He was formerly the director of educational programs at the Institute for Humane Studies and continues to be associated with IHS during his doctoral work. His email is cmartinb@gmu.edu.

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