ARTICLES

Adam Smith's Treatment of Historical Evidence as Illustrated from the Theory of Investment Priorities

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I. Introduction

Book III of *The Wealth of Nations [The Wealth]* "Of the Different Progress of Opulence in Different Nations" together with its close complement, Book II Chapter V, "Of the Different Employment of Capitals," have evoked a long succession of 'economistic' interpretations, many of which have cast unfavourable judgement on the cogency of Smith's analysis. Smith constructs an argument supporting a natural order of investment headed by agriculture, followed by manufacture, inland trade and foreign trade. Ricardo and McCulloch, among others, were quick to criticise Smith's hierarchy.[1] Walter Bagehot's (1880, pg. 323, 324) attitude epitomizes the nineteenth-century outlook on what were regarded as mostly aberrant propositions in Book II

* Comments on an earlier version of this article by K. Haakonsser, D. Winch and participiants in Samuel Hollander's History of Economic Thought Workshop, University of Toronto, have enabled me to make revisions before publication.

[1] The essence of the Ricardo-McCulloch critique is expounded in Hollander (1973, pp. 278-80).

(v) and Book III of *The Wealth:* they contained, in Bagehot's view,

> Adam Smith's... peculiar opinion ... as to agriculture. He held that it was the most profitable employment to which the capital and industry of a country could be directed. Probably few passages in so eminent a writer... contain so much curious falsehood.

Some recent rational reconstructions of Smith's doctrine of investment priorities have, on strictly economic-theoretic grounds, produced results mostly sympathetic to Smith's propositions. This *genre* of interpretation is illustrated by the reconstructions of Hollander, Eltis and Negishi. Some of their results are sharply divergent.[2] All were assisted if not preoccupied in their restatements by competing economic-theoretic traditions in modern economics. Without being informed by one or other of these traditions, Smith's arguments on investment priorities appeared, in their pristine form, as "not systematic, not persuasive; rather [they were] ambiguous, confusing and mutually inconsistent" (Negishi, 1986, p. 23).[3]

I review Smith's theory of investment priorities in *The Wealth* Book II (v) and Book III using broader 'Smithian' disciplinary standards compared with those which economists have

[2] Hollander (1973, pp. 277-304 and 1987, pp. 170-76) was the first to reconcile many of Smith's utterances on investment priorities from the standpoint of neoclassical economics. In Hollander's estimation Smith had in mind factor endowments and relative factor prices which determined differential profit rates between agriculture and manufacturing. *Per contra,* Eltis (1984, p. 91) concludes that there "is no production function where the substitution of capital for labour depends on relative factor prices in *The Wealth of Nations.*" Eltis constructs a growth model the outcome of which, by emphasising the role of capital accumulation and increasing returns, restates and reinterprets Smith's doctrine of investment priorities (pp. 91-104). Negishi (1986, pp. 23-24) adopts a self-styled non-Walrasian approach and defends Smith's doctrine by highlighting increasing returns in manufacturing caused by the division of labour which are made possible by capital accumulation. Negishi gives greater scope to the division of labour than Smith explicitly gave it in Book II (v) and Book III.

[3] Myint (1977, pp. 240-41) is another leading commentary on *The Wealth* which concludes that the doctrine of investment priorities did not lend itself to a clear, consistent interpretation on purely *economic* grounds and therefore needed supplementation and modification.

hitherto preferred in their historiographical work. What were the implicit disciplinary standards which underwrote and sustained *The Wealth*? What consequences did these standards have for the *content* of Smith's argument, for instance, how did they influence his use of historical evidence? Ascertaining the role of the historical dimension of *The Wealth* has troubled many scholars; their deliberations on this subject have produced conflicting results.[4] This problem is *not* brought closer to resolution in Bowles (1986, p. 114) which reproves Smith because the concept of a 'natural progress of opulence' is allegedly "an *a priori* one" with which Smith "did not succeed in reconciling historical experience." The application of a more sophisticated, consistently 'Smithian' perspective to the role of historical evidence and the nature of historical explanation in Book II (v) and Book III of *The Wealth* is long overdue.

Skinner (1979b) admirably discussed how various aspects of the *The Wealth* are closely interwoven with Smith's complete "system of social science." Donald Winch's contributions indefatigably challenge the stream of narrowly economistic and anachronistic reconstructions of arguments in *The Wealth*. In his latest pronouncement on developments in the literature on Smith, Winch (1988, p. 47) laments that:

> the gap between Smith scholarship and the writings of economists on Smith shows few signs of diminishing, despite the existence now of complete edi-

[4] Some leading examples are: Hollander (1979, p. 77) which sees the historical dimension of *The Wealth* as dispensable "scaffolding"; Campbell and Skinner (in Smith 1976a, 'Introduction,' p. 55) which refers to Book III, "where the historical evidence is... embedded at the centre of the exposition, not merely providing a peripheral part of the reasoning"; and Coats (1975, p. 225) which equivocates on the issue. On the one hand Smith's "historical passages are frequently abstract and simplified in content for they were more often designed as support for a preconceived theory than as a source of data on which to base inductive generalizations" (Coats, *ibid*). This finding fails to avoid the implication that Smith's historical work was of little consequence to his economic theory. On the other hand, when Smith uses history "in his critique of the mercantile system" Coats then argues that Smith "be taken seriously" (*ibid*). Mirowski (1982, p. 196) characterizes Smith "by modern standards, [as] at best an indifferent empiricist."

> tions of the works which enormously facilitates appreciation of the strong links that exist between Smith's ethics, jurisprudence, politics and political economy... The Glasgow edition is still *the* publishing event of the last decade, setting higher and more cosmopolitan disciplinary standards by which scholarship on Smith should be judged. And if economists continue, so to speak, to take in each other's intellectual washing, concentrating on *The Wealth* as though none of his other writings existed or had any bearing on the interpretation of his position, the gap mentioned above will widen.

It will be presumed from the outset that Smith's other writings *matter* in the interpretation of his position in *The Wealth.* That way, Smith's 'peculiar opinion' on investment priorities will not only be clarified; it will no longer remain entirely unalloyed with the Scottish intellectual currents of the eighteenth century which turned on rhetorical, philosophical or methodological and jurisprudential questions - questions which ranged far beyond the purview of economists when reading *The Wealth* Book II (v) and Book III from the narrower vantage point of either nineteenth century political economy or twentieth century economics.[5]

II. The Rhetorical Background

Smith lectured on the subject of rhetoric and *belles lettres* from as early as 1748 through to those years when the early drafts of *The Wealth* were being compiled in 1762-63.[6] Smith would hardly have lectured for so long on rhetoric without his ideas on this subject regulating at least to some extent, the compositional form and content of *The Wealth.* Skinner (1979b, pp. 184-208) and Endres (1991) have given attention to possible links between Smith's *Lectures on Rhetoric and Belles Lettres*

[5] In adopting this position on *The Wealth* a debt is owed to some of Winch's programmatic suggestions. See, for instance, Winch (1988) which is a comment on West (1988) and Winch (1983a) which urges against reading *The Wealth* as "first and foremost... an *economic* classic, the magnificent opening speech in a largely autonomous form of discourse" (p. 255, his emphasis).

[6] For historical details and commentary on Smith's lectures on rhetoric and belles lettres see Lothian, 'Introduction' to Smith (1963); Howell (1975) and Bryce, 'Introduction' to Smith (1983).

[*LRBL*] and specific sections of *The Wealth.*[7] In the present inquiry my interest is in what appears to be a combination of didactic and historical discourses in *The Wealth* II (v) and III. O'Brien (1975, p. 33) stated that "Book III... is an historical treatment of growth much influenced by Hume's great eight-volume *History of England*." Such a general characteristation of Book III leaves the question of the precise function of Smith's 'historical treatment' unanswered. Why, initially, should Smith's rhetorical strategy be of much interest in this connection? Intellectual historians in cognate disciplines to the history of economic thought have appreciated the importance of what may broadly be designated as 'discourse analysis' to which there are many conceivable approaches. I choose to explicate the rhetorical form of *The Wealth* in terms of the categories that *Smith* exposited; modern literature on the rhetoric of the human sciences may offer other avenues for research along these lines.[8] Hayden White (1987, p. 64) has argued that "[t]hroughout the eighteenth century... [s]cholars *per vocationem* were trained in. ... mastering techniques of rhetorical composition. Historical writing... in fact, was regarded as a branch of the art of rhetoric." Eighteenth century histories, including historical vignettes in *The Wealth*, might therefore usefully be read as something authors have made rather than exclusively as something historiographers 'find.' It is my contention that Smith subordinates history both to certain rhetorical conventions established in *LBRL* and to methodological rules established in some of his other early writings. He later integrates these conventions and rules of inquiry with the content and structure of *The Wealth;* they form part of the discursive context of *The Wealth.* The discursive context may be divided, *only* for the purposes of exposition, into two

[7] Skinner (1983) provides a more general account of the place of the *LRBL* in Smith's work as a whole.

[8] For example, white (1987). Cf. Tribe (1978) which offers a very different prolegomenon to a discourse analysis of eighteenth and nineteenth century political economy and economics than is provided in this paper.

components: (i) the context of instruction which includes 'Smithian' logico-empirical rules sustaining his arguments in *The Wealth* and (ii) the context of persuasion. That the context of persuasion is ineradicable in historical writing is something that (as we shall see anon) Smith stressed in *LRBL*. Smith was a sophisticated rhetorician and always aware that "sensitivity to the fact that *what* is said in historical sources or historians' accounts can be fully grasped only if we attend to *how* it is said" (Megill and McCloskey, 1987, p. 224, their emphasis). Smith would have expected historiographers to treat his own historical work in *The Wealth* accordingly.

The *LRBL* treat the aesthetic dimension in the expression and communication of ideas. Smith's investigation indicates that 'rhetoric' is the organisation of language appropriate to a range of chosen modes of discourse. Rhetoric in *all* its forms has a capacity to convey knowledge; in the case of the forms of historical composition which he outlines, rhetoric conveys the past as it actually was subject to the important condition that the discursive or compositional mode is deemed agreeable or pleasing to both author and audience (Bryce, 'Introduction' to Smith 1983, especially p. 30). The writing of history aims to *instruct* the reader by ordering and classifying phenomena and by pointing to causal sequences. It also aims to persuade by assisting the audience to understand the means by which good effects might be produced or bad effects avoided in human life (Smith, 1983, p. 90). The author's aims are guided by the intended audience(s); instruction often shades into persuasion. Different forms of discourse "were to establish their separate identities by calling themselves histories, or philosophical dissertations or scientific treatises or orations, *in proportion* as they find themselves differing from each other in respect to natural gradations in their content and aim" (Howell, 1975, p. 29, emphasis added). In *LRBL* Smith closely connects the content and aim of didactic compositions with narrative, historical discourses such that he is inclined *not* to treat didactic composition at length. The conventions applying to historical writing will "with a few alterations be easily accommodated" to didactic composition (Smith, 1983, p. 117). The latter aim to "lay down a proposition and prove this by the different arguments which lead to that conclusion." Both logical and empirical means of proof are included, hence the overlap with historical writing. Instruction is of course a pre-eminent consideration for the author but persuasion is apparently ineliminable. An argument will often "make a greater impression on the mind" of the reader if a principal proposition is stated clearly and concisely at the beginning (*ibid.* p. 142).

When confronted with *The Wealth* II (v) and III it is not immediately obvious to the reader what predominant discursive mode Smith had in mind. What does a microscopic comparison of gradations in their content reveal? When comparing these chapters on the basis of their historical content, that is, on the extent to which they include real historical examples, anecdotes, quantitative and qualitative data, we find that *The Wealth* II (v) 'Of the Different Employment of Capitals' is far more of an historical piece than III (i) "Of the Natural Progress of Opulence." The latter contains nine paragraphs only two (22%) of which have historical content whereas the former contains thirty seven paragraphs, each of which on average are of similar length to those in III (i) and fourteen (38%) of which contain historical content. The central principle of investment priorities is formally defined and established in III (i) and is then applied in the rest of Book III. Book III (ii-iv) is compiled in the form of a detailed historical narrative explaining real cases involving the consequences of policies designed to thwart the principle of investment priorities; such an explanation also serves a didactic purpose.

While *The Wealth* II (v) and III (i) certainly deal in different proportions with historical evidence or with 'facts' in the sense that they contain explicit reference to particular, concrete cases as already defined, they also elucidate causal processes. The employment generating capacity of alternative investments is traced to the place in the hierarchy of sectors to which capital is allocated at different stages of development. In both II (v) and III (i) Smith continues a didactic, philosophical inquiry concerning fundamental economic principles in the manner, as he understood it, of Newton as adumbrated in *LRBL:*

> We lay down one or a very few principles by which we explain the several rules, or phenomena, connecting one with the other in natural order... [W]e may lay down certain principles known or proved in the beginning, from whence we account for the several phenomena, connecting all together by the same chain" (Smith, 1983, pp. 145, 146).[9]

Smith's lecture 15 on didactic (scientific) discourse makes out that the perfect organization of argument is more important than strict perfection in logical proof and evidential verification. Referring to Shaftesbury's *An Inquiry Concerning Virtue* [1669], Smith concludes, "whether his reasoning be sufficient or not, his method was perfect" (*ibid.* p. 142).[10] Moreover, if particular auxiliary propositions derived from a general, principal proposition are 'proven' by appeal to logic or to a wide range of real cases then "the principal one must necessarily be true" (Smith, 1983, p. 144).

What would a rhetorical reconstruction following Smithian compositional conventions for didactic discourse in the *LRBL* make of *The Wealth* II (v) and III (i)? Smith sought to develop the auxiliary proposition that the quantity of productive labour "which equal capitals are capable of putting into motion, varies extremely according to the diversity of their employment." Several other auxiliary principles are also developed and proven,

[9] In a letter to Smith soon after publication of the first edition of *The Wealth*. Pownall (1776, pp. 3, 23) predicts that Smith's *Wealth* "might become *principia* to the knowledge of politick operations; as Mathematics are to Mechanicks, Astronomy, and the other Sciences" and that it should be considered "as Institute of the *Principia of those laws of motion* by which the operations of the community are directed and regulated" (his emphasis). That Smith's (and hence Pownall's) understanding of Newton's scientific method was rather inaccurate is demonstrated in Wightman (1975, pp. 62-63).

[10] By method here Smith means *organization* of the discourse rather than scientific method or method of inquiry.

for example: "[n]o equal capital puts into motion a greater quantity of productive labour than that of the farmer" and that productive labour "which is employed in the trade of exportation has the least effect" on the annual produce of a nation compared with agriculture and manufacturing respectively (Smith, 1976a, pp. 360, 363, 366). Smith's principal proposition uniting all the auxiliary propositions and confirmed by them, comes at the close of Book III (i). The natural progress of opulence is said to follow a temporal, ordered pattern of capital investment: "the greater part of the capital of every growing society is, first, directed to agriculture, afterwards to manufactures, and last of all to foreign commerce" (p. 380).

To establish what may be regarded as superficial parallels between sections of *The Wealth* and the *LRBL* is one thing; to appreciate their interpretative significance a more consequential matter. It might be expected that any rhetorical reconstruction of sections of *The Wealth* using Smithian compositional conventions would tend to minimise logical or analytical 'faults' that contemporary readers (let alone modern readers) may have discerned in Smith's work. Attention would then be focussed on the relationship between the form and content of *The Wealth* from a perspective closer to that held by Smith at the time the composition was being constructed. Of particular interest is the relationship between the chosen compositional modes in *The Wealth* Books II (v) and III and the functions of the historical content in each chapter.

III. The Philosophical and Methodological Framework For the Investment Priorities Doctrine

Smith follows his own recommendation in *LRBL* by assuming that the principle which directs his inquiry into the progress of opulence was well-known, needing only to be supported by a set of auxiliary propositions and real cases in a concatenated didactic composition. How was the core principle of the natural order of investment itself discovered, formulated and applied in subsequent chapters in Book III? The content of the epithet 'natural' as applied to the nouns 'progress' and 'order' evokes consideration in this connection. The method of inquiry employed by Smith, as distinct from the compositional mode, is also of interest here.[11] In addition, is Smith's theory of the natural progress of opulence best viewed as 'conjectural history' as originally suggested by Dugald Stewart and as revised in Meek (1976, p. 239)? Given my attribution of both Smithian standards of didactic and narrative discourse and (to follow) a specific Smithian method of inquiry in the chapters of *The Wealth* under review, how is Smith's arrangement and use of historical evidence best characterised?

1. Formulation of the Natural Order Principle

In *LRBL,* as already noticed, Smith explains how didactic discourse putatively follows Newton in laying down certain familiar, known or proven principles which link all auxiliary propositions by the same chain to the principal proposition. In his "Essay on the History of Astronomy" in *Essays on Philosophical Subjects* [EPS], Smith claims that Newton's "principle of the universality of gravity" functioned to "connect together the otherwise disjointed and discordant phenomena of nature." The "gravity of matter is... after its inertness, that which is most familiar to us" (Smith, 1980, pp. 104, 105). There is a parallel here with Smith's ascription of familiarity to the central principle developed in *The Wealth* II (v) and III; just as the principle of gravity was discovered by 'observation,' so too was the principle of investment priorities "in every society... in some degree

[11] Skinner (1983, p. 83) observes that Smith "was aware of the point that the principles governing the *organization* of didactic or scientific discourse are distinct from those rules of procedure which constitute scientific method properly so called" (his emphasis). Smith would not, however, have invited the conclusion that the chosen discursive mode was independent of the preferred method of inquiry.

observed" (Smith 1976, p. 380). If the "History of Astronomy" is allowed more freely to apply in interpreting the discovery and formulation of the core theoretical edifice in *The Wealth* it will not be easy to avoid the implication that while Newton's connecting principle of gravity was one of many "mere inventions of the imagination" (Smith, 1980, p. 105) Smith's principle of investment priorities would have been understood similarly by Smith.[12] Construction of the principles which direct scientific inquiry is for Smith initiated by everyday experience and introspection; such principles are then used "in the imagination" (Smith 1980, p. 105) to connect a wide range of seemingly incoherent real world phenomena. In many human activities close and regular acquaintance with certain "natural orders of succession" conditions the imagination. Similarly, core, familiar philosophic principles are used to represent "the invisible chains" which connect disjointed phenomena; these organising principles become customary, taken-for-granted human constructs (*ibid.* pp. 441-45). It is precisely this outlook on the role and character of the principles at the centre of philosophical inquiry which we should carry with us when reading *The Wealth*.

2. *The Functions of the Notion of a 'Natural' Order in Smithian Historical Explanation*

Campbell (1971, pp. 53-59) produces a systematic evaluation of Smith's concept of the law of nature and Smith's use of the terms 'nature' and 'natural' which form one of the main pillars of the organising principle of investment priorities in *The Wealth*. In the *Theory of Moral Sentiments [TMS]* what is 'natu-

[12] We should, however, concur with Wightman (1975, p. 64) that Smith's formulation of *economic* principles differs from "Newton's Law in involving the deductive argument [that is, in our terminology, in involving a set of auxiliary propositions] by which the *introduction* of these concepts is justified. It necessarily differs... from the 'Newtonian' method *sensu strictu* in not being based on *experiment*" (his emphasis). In the construction of economic principles Smith conflates observation and experiment.

ral' is "that which normally takes place, or would take place, in the absence of some distinctively human factor" (Campbell, 1971, p. 56). As Campbell recognises, this definition is not unambiguous since human affairs would have to be evaluated in the light of the human factor in question. That is, what were the distinctively human factors to be kept out of account? Campbell attempts to answer this question on the basis of Smith's actual practice. The long-term, average or normal outcomes of spontaneous human activities are natural outcomes provided that spontaneity is, in turn, a more or less permanent result of habit, custom or education. Therefore:

> Smith does not... tie the concept of nature to the idea of some pre-governmental state of nature. What is 'natural' may be opposed to behaviour which is influenced by religion, extensive utilitarian reflection, or 'violence and artifice' from a source external to the individuals concerned. Its meaning is always relative to the particular contrast Smith has in mind and to the stage of development of the individual or society concerned (*ibid.*, p. 56).

This is a broad interpretation; how does it fare when applied to the sections of *The Wealth* under review? To begin with, in Book II (v) Smith refers to the "power of nature" and the "natural... fertility of the land" (1976a, p. 364) where he is obviously using the terms almost in a pre-human sense. Otherwise, in Smith's dynamic analysis of the sectoral allocation of capital the stage of development of society is of prime concern and any interpretation of the content of the terms 'nature' and 'natural' must take the stage of development into account. And Campbell's point is corroborated. At a very high level of generality, what is said to occur "naturally" is historically relative to the stage of development of opulence.[13] There is another sense in which 'natural' is used which does not become clear until *The Wealth* III (i): Smith twice refers to the "natural course of

[13] An exegesis of *The Wealth* II (v) and III (i) reveals that "naturally" is used in the historically relative sense in Smith (1976a, at p. 366 paragraph 20; p. 371 para. 30; p. 372 para 31 and p. 374 para. 37).

things" (p. 378, paragraph 4 and p. 380, paragraph 8) by which he expressly explains natural is *not* the normal observed pattern of events but that which would occur in the absence of human restraining influences. In the longterm, "necessity imposes" a natural order of things, for instance, a natural order of investment and subsequent progress of opulence will ultimately prevail - it will always be operative and work within and through temporary hindrances (*ibid*, p. 377). Smith adds another layer of meaning not readily identifiable in previous chapters, in Book III (ii-iv). We learn that Smith's notion of the natural order of investment is that which would appear from the incipient point of the commercial stage of development as the unintended result of atomistic, self-interested investors' allocative decisions unencumbered by imperious attempts to design outcomes on the part of misguided politicians, large landholders and monopolising merchants.

Smith avers frequently that it is *customary* to think in terms of an ordered pattern of investments by sector at the commercial stage. There is an identity here between the thought processes of the artizan in *EPS* and the political economist composing *The Wealth:*

> When we enter the work-houses of the most common artizans... we observe a number of appearances which present themselves in an order that seems to us very strange and wonderful. Our thought cannot easily follow it, we feel an interval betwixt every two of them, and require some chain of intermediate events, to fill it up, and link them together. But the artizan himself, who has been for many years familiar with the consequences of all the operations of his art, feels no such interval. They fall in with what custom has made the natural movement of his imagination (Smith, 1980, p. 44).

Correspondingly, Smith tells his readers in *The Wealth* that it is 'natural' (read: customary to imagine as a reliable guiding rule) for investment to follow a hierarchical arrangement "in every society that had any territory" (1976a, p. 380). This is to reason only *as if* Smith actually knew "the real chains which Nature makes use of to bind together her several operations"

(Smith, 1980, p. 105).[14] Smith uses 'natural' in *The Wealth* Books II (v) and III as a heuristic assumption; his assertion as to a natural order of investment is but one early stage in theory development seen as a process of successive approximation.[15] Musgrave (1981, p. 383) demonstrates how Newton adopted this method of inquiry:

> When Newton sought to discover what his theory predicted about the solar system, he first neglected inter-planetary gravitational forces by 'assuming' that there was only one planet orbiting the sun. He proved that, if his theory was correct, the planet would move in an ellipse with the sun at one of its foci. This assumption was not a negligibility assumption: Newton knew that planets would sometimes have detectable gravitational effects on one another. Nor was it a domain assumption: Newton was not saying that his theory only applied to one-planet solar systems. You miss the point if you object that Newton's assumption is false, because our solar system has more than one planet. You also miss the point, though less obviously, if you object that the *consequence* of Newton's assumption was false because planets do not move exactly in ellipses. The consequences drawn from heuristic assumptions do not represent the precise predictions of the theory in question; rather, they are steps towards such precise predictions.

There are some parallels between Newton's method and Smith's practice in *The Wealth.* In Book III (i) Smith (1976a, p. 380) ignores the experience "in all modern states of Europe" which point to an entire inversion of the natural order of investment, only later to consider this experience in great detail (Book III) (ii-iv). Smith follows an economical manner of theory development by simplifying the logical development of his investment priorities doctrine to begin with in *The Wealth* II (v) and

[14] In his reflections on the Newtonian system it did not seem to Smith "necessary or even possible to establish that some particular coherent system is 'true'" (Olsen, 1975, p. 123). Using Smith's own standard of theory evaluation I am bound to conclude that he would have applied this judgement to his own analytical system in *The Wealth*.

[15] This is quite consistent with Smith's methodology in his earlier work such as *TMS* where he attempted to account for all appearances from a small number of basic and familiar principles (Smith 1976b, p. 299). See also Campbell and Skinner ('Introduction' to Smith 1976a, p. 4). Cf Skinner (1974, p. 182) which, in referring to Henry Guerlac's authoritative treatment of the common methodological ground between Newton and Smith, reports that in "Smith's economics" as elsewhere in Smith's work" conformity of theory to reality had to be approximate and limiting."

III. He initially leaves out of account real cases which conflict. Broadly similar to Newton's procedure, Smith seeks to establish enduring regularities in the flux of economic events, in particular regularities in the process of economic development. He uses a method of successive approximation because the progress of opulence was such a complex question. He begins by neglecting the growth effects of the development of commerce in the towns on *initial* cultivation and improvement in the country. He assumes that requirements of human subsistence would first engender some progress in the country (1976a, p. 377). He does not gainsay the mutual gains for annual produce *per capita* from trade between town and country at later stages in the development of opulence, insisting only that improvement of the country would be "prior to the increase of the town." Moreover, at *any stage* of the development of opulence, capital invested in improving and cultivating land was always preferred before more capital was allocated to other sectors of the economy given both "equal or nearly equal profits" in each sector and available, uncultivated land (*ibid.*).[16] Once investment opportunities have

[16] Campbell and Skinner ('Introduction' in Smith, 1976a, p. 57) object that "another part of Smith's system [*viz*, the division of labour], and the empirical content he gave to its operation in agriculture, *casts doubt* on the pre-eminence given to agriculture in economic progress" (emphasis added). They add that in Book I (i) (p. 16) Smith asserts "that the division of labour, the great agent of change, is least applicable in agriculture." At the risk of being merely captious, Campbell's and Skinner's 'doubt' is the result of a misunderstanding. Smith's reasoning in Book I must be set against his conditions relating to the possibilities for productivity gains in agriculture and the profit rate in agriculture relative to other sectors *at different stages* of opulence as stated in Book II (v). As development proceeds, because of the more limited opportunities for the division of labour, capital investment and "the improvement of the productive powers of labour in this art [agriculture] does not always keep pace with their improvements in manufactures" (Smith 1976a, p. 16). In their editorial notes on the text, Campbell and Skinner suggest that Smith held that the benefits of the division of labour were least applicable in agriculture at "the *same time*" (emphasis added) as he was also claiming that "agriculture was the most productive investment" (in Smith 1976a, p. 16 note 6). However, this ignores Smith's relative profitability rule which implies that investment in agriculture was not the most productive at *all* stages of the development of opulence. Hollander (1987, p. 170 *ff*) clears this matter up satisfactorily in my view.

been exhausted in agriculture (subject to the relative profit rule) this argument is applied next to manufacturing compared with foreign trade further down the hierarchy of investment. In all this, Smith does not rigidly define the domain of his theory - it applies to "*every growing* society" at the commercial stage (as did most of *The Wealth*) (Smith, 1976a, p. 380 my emphasis). There is no point in objecting to Smith's theory by appealing to particular real cases. Indeed Smith admits that Europe exhibited a pattern of investment which was an entire inversion of the natural order. Smith is saying: "Allow for the moment that the natural order of investment conforms to capital allocative decisions following pattern (say) X". When he relaxes this assumption in Book III (ii-iv) and considers cases where this assumed pattern is not followed, he then departs from Newton's procedure.[17]

Unlike Newton, Smith does not make specific predictions. He only 'predicts' generally that real annual produce *per capita* would be maximised for some hypothetical nation if investment decisions were allowed freely to follow his posited natural order. He indulges in examples of counterfactual analysis where concern is held for what would have occurred in the incipient commercial stage in specific cases had a natural investment pattern been adhered to. Thus, for example, he asks: what if agriculture was not discouraged by policies favouring the towns in Europe after the fall of the Roman empire? If investment patterns had not followed something like the natural order in the North American Colonies, would the advance in *per capita* incomes have been so rapid? What if foreign commerce in Spain and Portugal had not been so considerable and the greater territory of both countries more intensively cultivated (Smith, 1976a, pp. 381 *ff;* 422-23 and 425-26)? Answers to these questions turn

[17] While, as Skinner (1979a, p. 114) maintains, Smith admired "the completeness, beauty and predictive capacity" of Newton's system and was enthusiastic about applying "to history the methodology of Newton" (Skinner 1979b, p. 90), Smith's actual practice in sections of *The Wealth* under review here does not reveal that his method of inquiry had perfect identity with Newton's.

on specific *retrodictions*, not predictions. Retrodiction (or postdiction) determines what must have been the case in the light of theory and actual historical experience. In retrodiction, unlike prediction, particular events occur *before* presentation of an argument.[18] The term retrodiction is no longer fashionable in economics, economic history and the philosophy of science. The general form of a counterfactual conflates prediction and retrodiction (McCloskey, 1987). However, Smith avoids using counterfactuals to make specific predictions; Book III is limited to producing explicit retrodictions reliant for their plausibility and *ex post* explanatory power on the presentation of much detail about real cases. Smith does not predict that if a particular nation gave over immediately to following the natural order of investment it would necessarily maximise annual produce *per capita*.

Smith's investment priorities doctrine is based on a set of heuristic assumptions; these establish counterfactuals which are used exclusively in the retrodictive sense. This is a method rendering assertion easy but conclusive demonstration difficult at least *in the context of instruction.*[19] The progress of opulence is asserted to be all the more slower if manufacturing and foreign commerce are prematurely favoured by statesmen - so much so that the development of manufacturing and foreign com-

[18] See, for example, Hempel (1965, pp. 173-174). There is one parallel between Smith's employment of retrodiction and Newton's procedure. In Hempel's (*ibid.* p. 303) explanation of Newton's practice, "given certain information about the present location and velocities of the celestial bodies involved, the principles of Newtonian mechanics and optics yield not only predictions about future solar and lunar eclipses, but also 'post dictions' or 'retrodictions' about past ones."

[19] The context of persuasion should not be ignored. The real case policy implications of the investment priorities doctrine for which Smith's retrodictions have a persuasive function, are examined in Section IV, below. In *LRBL* Smith (1983, pp. 90-91) says that in didactic writing the author would "lay down certain principles which he afterwards confirmed by examples. This work would have the same end as a history but the means would be different." Confirmation by examples is only synonymous with *conclusive demonstration* if, in the "unbiased judgement" (*ibid.* p. 89) of the intended audience, an author's propositions are deemed sufficiently convincing or plausible.

merce can come mistakenly to be thought of as the cause rather than the effect of improvements in agriculture (Smith, 1976a, p. 422 *et passim*).

3. 'Conjectural' Historical Analysis and the Role of Historical Evidence in The Wealth

Some of Ronald Meek's (1976) conclusions in his study of Smith's economic interpretation of history as contained in the celebrated stadial scheme now deserve reassessment in the light of the discussion so far. Meek objects to Dugald Stewart's attempt to liken Smith's four stages scheme to conjectural or theoretical histories which Smith carried out in connection with languages, the imitative arts and astronomy.[20] Meek agrees that Smith's reasoning across such diverse subjects had some superficial similarities with isolated disquisitions on the four stages scheme in the *Lectures on Jurisprudence* [*LJ*] and *The Wealth*. "As later and more complex types of societies came up for consideration," writes Meek, "the 'want of direct evidence' became progressively less; more and more 'facts' of various kinds, of an increasingly relevant and reliable character, became usable, and were indeed avidly sought after; and the role of 'conjecture' in the analytical process therefore became less and less significant" (1976, p. 235). This argument turning on decreasing degrees of 'conjecture' severely weakens Stewart's notion of 'conjectural' history as assigned to *The Wealth* in particular. What aspects of *The Wealth* could Stewart have meant the term 'conjectural' *fully* to apply? Meek (1976, pp. 237, 238) quotes at length from Stewart's 'Memoir' and demonstrates that Stewart "had mainly in mind" the subject matter of *The Wealth* Book III (i) on the natural progress of opulence. Now this chapter dealt with the

[20] Stewart's oft-quoted statements on the subject are located in Stewart (1793 reprinted in Smith 1980, pp. 293-96).

fourth, advanced *commercial* stage of the stadial sequence. Parenthetically, that Stewart was not thinking of the four stages theory (as discussed at length in *LJ*) when using the terms 'conjectural or theoretical' history is dubious.[21] Of prime concern here is whether Stewart's notion of conjectural history may be attributed to *The Wealth* Book III with any confidence at all. Are there good specimens of conjectural history in Book III? In other words we might inquire whether Smith's account of the natural progress of opulence employs the same procedure as his account (say) of the origin of languages as suggested by Meek. It would be difficult for a study of progress at the commercial stage to be divorced from the historical 'facts' when, for Smith, that stage was more directly observable, more contemporaneous, indeed more familiar to him than any other stage: Smith would surely have had more evidence at hand on deeper, enduring mechanisms of development at the commercial stage.[22] Meek (1976, pp. 237, 238) proceeds so far as to claim that not only was Smith's theory of investment priorities conjectural in the sense of Smith's account of the formation of languages, it is also

[21] The passage upon which Meek places greatest weight runs as follows: "In his *Wealth of Nations*, various disquisitions are introduced which have a like object in view, particularly the theoretical delineation he has given of the natural progress of opulence in a country; and his investigation of the causes which have inverted this order in the different countries of modern Europe." Meek discounts (by not quoting) the very next sentence: "His [Smith's] lectures on jurisprudence seem, from the account of them formerly given, to have abounded in such [conjectural] inquiries" (Stewart in Smith, 1980, p. 295). Nor does Hollander (1979, p. 83, n. 23) find Meek's view totally convincing. Hollander rightly insists that *The Wealth* III (i) should not be considered in isolation from the remainder of Book III which includes very detailed historical work.

[22] Cf. Winch (1983b, p. 60) where it is proposed that Stewart's pupils became less enamoured with "the Scottish intellectual genre" which Stewart "had christened as 'theoretical' or 'conjectural' history" precisely because "such history could best be reserved to *earlier* stages of society which were more at the mercy of physical and social circumstances than modern forms of polity..." (emphasis added). I am arguing that Stewart's most revered *teacher* would have been inclined to agree with Stewart's pupils.

alleged that Smith "did *not* intend" (Meeks emphasis) his ideas on investment at the commercial stage "as a generalisation of the historical facts" which is correct as far as it goes without recognising that Smith was constructing a heuristic assumption which he would generalise *to* historical experience.

Meek's assessment of Smith's method of inquiry in *The Wealth* Book III is unsatisfactory because it attributes to the first chapter of that Book *in vacuo* the aim of providing a conjectural substitute for actual history. Land's (1977, p. 678) study of Smith's writings on languages confirms the strong conjectural dimension - Smith's "conjectural history [in that work] is not concerned with historical fact." By way of contrast we have already demonstrated that the temporal order of investment at the commercial stage was established in *The Wealth* Book II (v); formalised in III (i) and then generalised *to* experience in different European nations in the rest of Book III using counterfactuals and retrodiction. Moreover, it is not the case that the natural order of investment is strictly conjectural in the sense that it had no real world validity; there is significant real historical content in *all* the chapters under review (as we ascertained by measuring the frequency, paragraph-by-paragraph, of Smith's citations of real cases and quantitative and qualitative data). We should not have expected anything less from Smith who, following the broad Newtonian criterion of 'familiarity' would have been motivated in his inquiry by the need to layout concrete historical evidence and observations which corroborated, step-by-step, the auxiliary propositions in Book II (v) leading to the principal proposition on investment priorities in III (i). Granted, the assumed natural progress of opulence is a highly simplified generalisation and also an organising framework which, under the pressure of a mass of historical evidence in Book III (ii-iv) is turned by Smith into a counterfactual scheme - for asserting what would have been produced if a more natural pattern of investment had been followed. What remains, therefore, of Stewart's characterisation of the theory of investment priorities as a theory derived from a conjectural history? Why must it be jettisoned in future historiographical work on *The Wealth*?[23]

First, Smith does not allude to conjectural or even fictitious histories in his outline of alternative historical compositions in *LRBL*.[24] Second, Skinner (1979b, p. 90) qualifies the term 'conjectural' ostensibly as applied to Smith's work in general by arguing that it should be used "in the sense that there are some occasions on which principles which derived from *known* facts must be applied to situations where facts are lacking" (his emphasis). In the sections of *The Wealth* under review, the facts were not lacking; Skinner's qualification is not applicable to Smith's procedure in *The Wealth* Book III where the theory of investment priorities is applied and where, consistent with conventions laid down for historical narratives in *LRBL*, extensive historical data is brought to account throughout. Third, as Höpfl (1979, p. 21) maintains without substantiation, Stewart's distinction between conjectural history and other types of history does not conform closely to Smith's actual practice in *The Wealth*. As I have shown, there is considerable interdependence between the so-called conjectural chapter (III (i)) and the previous chapter on the "different employment of capitals" (*The Wealth*, II (v)), *as well as* the more historical sections, III (ii-iv). Smith's practice in *The Wealth* sheds further light on his disinclination separately to treat didactic composition and narrative historical writing in *LRBL*. Fourth, I earlier elaborated on the overlap between didactic and narrative composition, both of which require varying gradations of logico-empirical support to

[23] In raising this question for further discussion, Hollander's (1979, p. 83) suggestive note, citing Meek's earlier work in *Economics and Ideology* in support, is worth quoting: "some questions have been raised regarding the justice of Stewart's designation of the method of the Scottish historians in the light of their formal adherence to the principal of empirical evidence." Cf. O'Brien (1975, pp. 66-67) on the latter.

[24] Hugh Blair, sometime student of Smith's lectures on rhetoric and belles lettres and later Professor of Rhetoric and Belles Lettres in the University of Edinburgh, was later to devote a section of his lectures to "fictitious histories"; these had no resemblance to Stewart's 'conjectural' histories. See Blair (178 III, pp. 75-83).

succeed simultaneously at both instruction and persuasion. Distinguishing between the type of empirical work required to buttress Smith's propositions on investment priorities brings us closer to the spirit and sophistication of his compositional endeavours in *The Wealth* III (i) than does applying the term 'conjectural' to it. In *Collected Works,* Stewart provides a broad sketch of Smith's procedure in *The Wealth:*

> If we examine the leading principles which run through Mr. Smith's *Inquiry into the Nature and Causes of the Wealth of Nations,* we shall find, that all of them are general facts or general results... They are practical maxims of good sense, approved by the experience of men in all ages of the world; and of which, if we wish for any additional confirmation, we have only to retire within our own bosoms, or to open our eyes on what is passing around us (Stewart, *Works* III, 1854, p. 333).

Smith distinguishes *particular* facts from *general* facts - the latter are just as empirically grounded as the former as far as Smith is concerned; introspection is an acceptable method of Smithian historical inquiry as confirmed in *LRBL.*[25] Otherwise Stewart captures Smith's procedure in *The Wealth* too imperfectly; caveats ought to be entered given our reading of that part of *The Wealth* dealing with investment priorities. For instance, it *is* accurate to state that when Smith elaborates on the natural progress of opulence and the natural order of capital allocation in commercial society he is rendering details on some general economic principles, but both the details and the principles were not applicable across all societies irrespective either of circumstances, or of the stage of development or of prevailing social customs. The political economist, having long observed the operations of a commercial society is much like the artizan (as described in *History of Astronomy*) whose understanding of the links in an operation he is performing "fall in with what custom has made the natural movement of his imagination" since he

[25] Thus "two different sorts of facts" are distinguished in *LBRL:* "one external, consisting of facts that pass without us, and the other internal, to wit the thoughts... of men, which pass in their minds" (Smith, 1983, p. 63).

"has been for many years familiar with the consequences of all the operations of his art" (Smith, 1980, p. 44). Smith is aware, as he shows in the case of the artizan, that confidence in *general* principles is shored up by deeply ingrained habits of thought, action and expression; such principles were, however, shakeable and assailable (Raphael 1977, p. 35). The familiarity criterion for theory construction and evaluation, especially in the human sciences, provided a full-proof strategy against any long-term tendency to a 'spirit of system,' that is, a tendency to "impose upon our credulity the most groundless and absurd fictions as the most certain matters of fact" (Smith, 1976b, p. 314).[26] Yet the manner in which Stewart presents Smith's method of inquiry in *The Wealth* upholds the contrary impression.

Particular empirical results were always going to be treated as subsidiary in a Smithian procedure which aimed to instruct. In *The Wealth* particular cases are offered as 'evidence' not just in Book II (v) where Smith formulates propositions auxiliary to the doctrine of the natural order of investment but also in close juxtaposition with his formal statement of the general (or natural) economic principles in Book III (i).[27] These particular items of 'evidence' functioned in the context of persuasion as confirmatory of general economic principles. And when the 'evidence' appeared to oppose such principles, as it did in much of the rest of Book III, it is again used as a persuasive device favouring policy changes or alterations in existing institutional arrangements so as to expedite establishment of the natural investment pattern as laid down in the general principle of investment priorities. Nonetheless, I must emphasise that it would be a violation of the Smithian approach to speak of historical evi-

[26] Haakonssen (1981, pp. 81-82) and Lindgren (1969, pp. 421-22) offer more detailed treatments of Smith's contrast between methods of inquiry in the human sciences compared with the natural sciences.

[27] *E.g.*, in Book II (v) p. 366 there are extensive data cited from North American colonies and in Book III (i) pp. 378-79 there is appeal to real cases - Egypt, China, Hindoostan as well as the North American colonies.

dence, data, facts, qualitative or quantitative observations as though these always referred to *particulars*.[28] After all, in Book III (i, p. 380) Smith expressly avows that his general principles have been "observed." For Smith, the epistemological status of general observations was superior to that of particular observations especially in predominantly didactic compositions. Leading commentators on Smith's philosophy of science have determined that general observations made in the Smithian context of discovery had to satisfy certain conventionalist criteria: a combination of aesthetic and psychological requirements such as comprehensiveness, familiarity, simplicity, coherence and beauty, as the case demanded. While Smithian general observations are a product of conventionalist criteria in the context of discovery, they were always subject to revision and ultimately to replacement over long periods of inquiry (Lindgren 1969, p. 413 and Raphael 1977, pp. 35-36).

The role of the historical dimension in *The Wealth*, at any rate in Books II (v) and III, must be viewed as the outcome of a complex interplay and overlap between instruction and persuasion which proceeds throughout Smith's discourse.[29] Whereas

[28] Rashid (1985, p. 256) suggests that Smith and Dugald Stewart were captives of the "Baconian spirit of the age," hence Smith's penchant to clutter *The Wealth* with particular cases. Simultaneously, argues Rashid, Smith (rather surreptitiously) and Stewart (more stridently) were taking steps toward the pure axiomatisation of economic theory. However, I should not want to link Smith so closely with Stewart on this matter. As Winch (1983b, p. 44) notices, consistent with my emphasis on the need to take account of compositional conventions outlined in *LRBL*, Stewart "displays little of Smith's detailed interest in the *problems of persuasion and the process of implementing desirable policies in an imperfect world*" (emphasis added). Particular cases mattered greatly for Smith in the context of persuasion given the interests of some of his perceived audience in the complexities of policy and in extant institutional arrangements.

[29] Formally, following *LRBL*, I mean by 'instruction' that Smith sees himself as a neutral expositor, teaching and imparting knowledge of the *general* observational kind. By 'persuasion' I mean that Smith attempts to develop conviction in his audience (or part thereof); he aims to make them willing to believe by arguing from existing *particular* circumstances in an imperfect world; he is an active advocate urging changes in *particulars* (institutions, policies).

the data of general observation function primarily in the context of instruction, the mass of particular facts function primarily in the context of persuasion. Smith's discourse proceeds in both contexts simultaneously. We are now closer to understanding why Smith bothers presenting all the circumstantial evidence in that section of *The Wealth* under review. He is not interested exclusively in composing a didactic discourse; he is also interested in persuasion. In Coleman's (1980, p. 775) assessment, "historical evidence was of secondary importance in his [Smith's] grand design of a comprehensive [theoretical] system". Of 'secondary importance' to what end? One clue, again to be gleaned from the *LRBL*, is that Smith probably had more than one audience in mind. Whereas didactic discourse is aimed to instruct a learned audience this compositional form does not suit people who "have no pleasure in... abstruse deductions; their interest, and the *practicability and honourableness of the theory* recommended is what alone will sway them" (Smith, 1983, p. 146, emphasis added). At least for one group in Smith's intended audience, the agreeableness of Smith's discourse in *The Wealth* turned on 'practicability' *viz*., the ability to account for and to suggest feasible reforms in specific policies to effect particular economic outcomes. Appeal to historical data in the particular sense was a *necessary* condition for performing that task.[30]

IV. Jurisprudential and Policy Implications of the Investment Priorities Doctrine

Analysis of Book II (v) reveals four references to policy matters. One refers obliquely to the policy of a commercial society

[30] I should not therefore agree with H.T. Buckle's admonition, quoted approvingly by Campbell and Skinner (in Smith 1976a, p. 56), that Smith's statistical evidence and historical illustrations "are essentially subsequent to the argument... [I]f all the commercial and historical fact in the *Wealth of Nations* were false... its conclusions would hold equally good..." This presumes that *The Wealth* was a strictly a didactic treatise throughout - that it was devoted exclusively to instruction (in the Smithian sense).

attempting to grow toward opulence by initially investing its capital equi-proportionately across sectors (p. 366); one refers to the diversion of capital "either by combination or any other sort of violence" (p. 367), and another two illustrations refer to statutes which encourage diversion of capital prematurely to manufacturing or foreign trade (pp. 372, 374). All these cases have in common references to policies which have a contingent, historical basis; they address the actions of statesmen who have constructed "particular encouragements" (p. 373). In Book III (i) the very same pattern of appeal to particular policies predominates; human institutions encouraged or sponsored by governments thwart the natural inclinations of individuals to invest appropriately according to the principle of investment priorities (pp. 377, 378, 380). There is one significant allusion, however, to the consequences of particular policies for justice: Smith cites the "folly and injustice" of these policies, implying that another set of laws, more fundamental and enduring, would need to be maintained to ensure the progress of opulence (p. 378).

By the close of Book III (i), the general economic principle of investment priorities had been established; it needed no further buttressing by more historical evidence of a particular kind. Under the guise of an historical disquisition Smith endeavours both to develop a critique of particular legislative matters affecting economic outcomes and to suggest general jurisprudential rules necessary for economic development. First, it is impotant to recall that Book III (ii-iv) treated material which in one form or another, previously constituted the subject matter of *LJ* (Smith, 1978).[31] Smith does not document economic development or stagnation from the fall of Rome in isolation; he closely relates economic factors to particular legislative changes. More generally, he is concerned with various features of the re-

[31] See editors' notes in Smith (1976a, p. 381) and also Skinner (1975b, p. 165 n 26) with respect to the age of this part of *The Wealth*. Winch (1983a, p. 261) also reminds us that the *LJ* "act as a bridge to carry us backwards and forwards between the *Wealth of Nations* and the *Theory of Moral Sentiments*."

lationship between government and the economy at different stages of development with a view to leading his intended target audience of 'legislators' on to seeing a favourable connection between the natural progress of opulence and his version of natural jurisprudence at the commercial stage. In writing the historical narrative he is confronted with two requirements as set out originally in *LRBL:* (i) to provide an instructive theory or a set of causal sequences which demonstrate how to maximise investment opportunities or how best to avoid the "slow and uncertain progress of opulence" (Smith 1976a, p. 422) and (ii) to meet the criteria of "practicability and honourableness," since all narratives are underwritten by a persuasive purpose.[32]

Smith's observations on policy matters in Book III (ii-iv) are of two distinct types each serving different requirements for a successful, convincing narrative history. As in previous chapters, there are copious examples of specific historical events and particular political institutions and the usually outmoded statutes largely responsible for them. For example, he mentions laws of entail and primogeniture; oppressive taxation regimes and general restraints on the inland corn trade (pp. 383-86, 394, 396, 423) all of which, *inter alia,* have been unfavourable to improving and cultivating the land. The natural progress of opulence though blunted, would continue to work *within* and *through* these legislative obstacles. In England, for instance, the net balance of the effects of particular legislative rules seemed to favour "the interests of commerce and manufactures." Therefore, notwithstanding some policies favouring agriculture, "commerce and manufactures have accordingly been continually advancing [from the reign of Elizabeth]. The cultivation and improvement of the country has no doubt been gradually advanc-

[32] That there is "a strategy of persuasion" lying behind arguments in *The Wealth* is reinforced in Winch (1983c, p. 503) which finds some suggestive comments in the *TMS.* Thus, Smith suggests appealing to the "public-spirited attitudes of the legislator at the expense of the politican" (Smith 1976b, p. 186; 'persuasion' is also mentioned at p. 233 in a similar vein).

ing too: But it seems to have followed more slowly..." (p. 424). Happily, in Smith's estimation, where the natural order of investment is inverted by particular policies, there was still some limited progress of opulence because *general* jurisprudential conditions, while by no means ideal or perfect, were favourable to it.[33] Hence Smith's approving references in Book III (ii-iv) both to the importance of cultivating "order and good government" (pp. 405, 412) and, on the other hand, to the disastrous economic impact of revolution (pp. 426-27). Smith is communicating with his audience(s) on two levels simultaneously in Book III (ii-iv): there is discussion on the level of particular policies and statutes and discussion on the level of general or constitutional rules. As West (1976, pp. 520-22) demonstrates, the constitution-making dimension becomes explicit at frequent points throughout *The Wealth*. And it is a dimension focussing on the necessity for ensuring natural liberty which if at least approximated would permit the natural progress of opulence despite the 'violence' of specific, extant institutions. It would be entirely otiose to rehearse the now familiar Smithian arguments on natural jurisprudence at length. The 'science of the legislator' tradition (Haakonssen, 1981; Winch 1983c) has taught economists that they should not abjure reliance on the *TMS* and *LJ* when attempting to improve their understanding of Smith's policy advice in *The Wealth* - advice which does not flow from purely economic considerations.

In using *LRBL* as my point of departure in analysing Smith's theory of investment priorities I am led to uphold the 'science of the legislator' perspective. Specifically, Smith's ideas on investment are applied neither to real historical cases dogmatically nor in a spirit which excludes or subordinates non-economic consid-

[33] Thus, in respect of particular agricultural policies, Smith says: "These encouragements, though at bottom... altogether illusory, sufficiently demonstrate at least the good intention of the legislature to favour agriculture. *But what is of much more importance than all of them, the yeomanry of England are rendered as secure, as independent, and as respectable as the law can make them*" (p. 425; emphasis added).

erations. That the 'practicability' rule set down in *LRBL* is operative in Smith's historical narrative in *The Wealth* Book III, is often illustrated by his pragmatic outlook on existing, particular legislative obstacles to the progress of opulence. To be sure, legislators in commercial society would be persuaded by a 'practicable' historical narrative to take care in crafting alterations to existing laws in closer correspondence with general economic principles - in this case the doctrine of investment priorities. There are no presumptions or explicit statements on Smith's part that legislative obstacles to economic progress as observed both in history and at the commercial stage, could have been removed all at once or expeditiously. This is consistent at a lower level of abstraction, with Smith's patient treatment of contemporary corn trade legislation (in Book IV) and with his actual practice as a Customs Commissioner from 1778.[34] Furthermore, on another distinct level of argument, the 'honourableness' rule (from *LRBL*) sustains and legitimates the intrusion of principles of justice to be embodied in the constitution of commercial society, in the historical work in *The Wealth,* Book III. There are scattered references to general jurisprudential matters in Book III; these surface more frequently in the 'Digression Concerning the Corn Trade' Book IV, although they were originally systematized in *LJ* and *TMS*.

V. Conclusion

Adam Smith formed some remarkable ideational continuities between his diverse range of research interests in the human sciences. In this reconstruction of arguments in *The Wealth* using Smithian compositional conventions I have traced one theme in

[34] On his policy analysis of corn trade issues and his work as Customs Commissioner respectively, see Winch (1983c, pp. 505-510) and Anderson, Shughart and Tollison (1985). The latter present the historical record which shows that "Smith was not a radical reformer who transformed the [customs] service, a daring deregulator responsible for singlehandedly slashing the bureaucracy down to size" (p. 758).

this set of continuities which is first established in *LRBL* and had consequences for sustaining the form, content and application of Smith's theory of investment priorities in *The Wealth.* I have asked questions of a sort which Smith did not expressly have to pose in the practice of composing relevant chapters of *The Wealth.* Accordingly, the notable historical dimension of *The Wealth* Book II (v) and Book III is assessed by referring to Smithian disciplinary standards — especially rhetorical and methodological rules — outlined in Smith's early work.

It is not at all proper to refer to historical explanation in that part of *The Wealth* associated with the theory of investment priorities, as 'conjectural'; a distinction must be drawn between particular and general historical facts since both forms of 'data' play a necessary role in the Smithian context of persuasion and instruction respectively. To our modern way of thinking it may seem outlandish that 'scientific' standards of theory justification which deny empirical status to introspection and which turn exclusively on consistent use of particular historical data either for confirmation or to form inductive generalisations, were not applicable when Smith was constructing and applying the theory of investment priorities. Unified rhetorical strategies are found embedded in *The Wealth* when restricting our attention to the standards which *Smith* exposited for composing didactic and narrative discourse. Narrative economic histories of Europe in the bulk of Book III serve a dual, simultaneous purpose: they instruct by using counterfactuals to draw-out retrodictions from the theory of investment priorities and they persuade on two levels, on the one level by arguing from particular circumstances to urge changes in existing legislation and on the other by recommending that general jurisprudential norms of natural justice be enshrined in the constitutions of societies at the commercial stage.

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