

ADAM SMITH AND THE ORIGINS OF POLITICAL ECONOMY

BY MARIA PIA PAGANELLI

Abstract: The method of analysis Adam Smith uses is relatively similar to the method economics generally uses today, especially the subfield of experimental economics. The method of analysis that Smith uses is coherent and consistent throughout his whole work. He searches for constant variables and then sees what variables are changed by exogenous changes. In particular, Smith looks for the constancy in human nature, and analyzes how historical and material circumstances change the incentives that the constant human nature faces. This method, applied to human conduct in all its aspects, makes it easy for many economists today to see some continuity between Smith's political economy and today's economic science.

KEY WORDS: Adam Smith, experimental method, human nature, political economy.

In today's economic experiments, economists create circumstances in which they can study how changes in a variable may affect another variable, holding everything else as constant as possible. Their goal is by and large to better understand economic behavior and human conduct in general. Adam Smith (1723–1790), the eighteenth-century Scottish thinker, used a similar method, making it relatively easy for some later economists to recognize him, correctly or not, as one of the pillars at the origins of political economy.¹

Adam Smith lived in a bubbling time, with strong economic growth and innovations. People increasingly used scientific experimentation in several aspects of life, for commercial as well as intellectual purposes. He observed and studied it, and systematically applied it in his analyses of human action in all its aspects—from the different kinds of societies, to the different institutions within societies, to the different individual conducts within institutions. In this essay I thus first describe the context in which Adam Smith lived and then offer examples of how Smith, holding human nature constant, is able to explain differences in the kind of societies we observe, differences in institutions within a society, and differences in human conduct, by identifying changes in constraints. An economist may be able to recognize in Smith's work the kind of modeling used today, even if the former was not mathematized and was applied to a sphere traditionally broader than the narrow economy.²

¹ Vernon L. Smith, *Rationality in Economics: Constructivist and Ecological Forms* (Cambridge and New York: Cambridge University Press, 2008).

² Vernon L. Smith, "Adam Smith, Scientist and Evolutionist: Modelling Other-Regarding Behavior without Social Preferences," *Journal of Bioeconomics* 20, no. 1 (2018): 7–21; Vernon

In the eighteenth century, Scotland experienced significant growth, both at the economic and at the intellectual level. Thanks to the Union with England, Scotland gained access to large markets, including the colonial ones, stimulating economic growth. The total tonnage of oceanic vessels passing through Scotland ports rose from 54,407 in 1759 to 109,895 tons in 1771, and coastal vessels from 150,995 to 257,494. Glasgow soon became the largest port for tobacco trade in the world. Scottish linen manufacturing ballooned. Iron manufacturing and coal output increased by more than a factor of ten. Sugar refining, rope and sailcloth manufacturing, tanning, kelp and soap production, and fishery, all experienced very rapid growth. Agricultural production improved too, driven by high demand. This rapid and significant growth required, and was sustained through, investment in infrastructure. Dikes and fen draining, roads, harbors, bridges, canals, including the construction of the Forth and Clyde Canal connecting the two coasts of Scotland, and the Monklands canal linking Glasgow to the coalfields of Coatbridge, were all built at this time. Scotland developed an extremely competitive and sophisticated banking system able to finance all these activities and to provide the financial stability needed during this rapid growth.³

An “ideology of improvement” and experimentation⁴ linked the booming economic growth to a booming intellectual life. There were several improvements and experiments in agriculture, ranging from the introduction of spade husbandry and potato cultivation, to the introduction of different kinds of sheep to develop sheep farming. Sheep farming was a potential new source of income in the Highlands, given that the clan system had been outlawed and many forced to leave their land, either to the lowlands or to the colonies, during the so-called Highland Clearances. There were also attempts to improve the climate by planting palm trees throughout Scotland. Palm trees grew with good weather. So if palm trees were brought to Scotland, the theory went, they would bring good weather with them. The direction of causation soon became clear.⁵

L. Smith, “Adam Smith: From Propriety and Sentiments to Property and Wealth,” *Forum for Social Economics* 42, no. 4 (2013): 283–97.

³ Tyler Beck Goodspeed, *Legislating Instability: Adam Smith, Free Banking, and the Financial Crisis of 1772* (Cambridge, MA: Harvard University Press, 2016), 130–31.

⁴ Christopher J. Berry, *Social Theory of the Scottish Enlightenment* (Edinburgh: Edinburgh University Press, 1997); James Buchanan, *Crowded with Genius: The Scottish Enlightenment: Edinburgh’s Moment of the Mind* (New York: HarperCollins, 2003); Hiroyuki Furuya, “Working the Peripheral into the Picture: The Case of Thomas Hepburn in Eighteenth-Century Orkney,” *European Journal of the History of Economic Thought* 18, no. 5 (2011): 697–714; T. C. Smout, “A New Look at the Scottish Improvers,” *The Scottish Historical Review* 91, no. 1 (2012): 125–49; Christopher J. Berry, *The Idea of Commercial Society in the Scottish Enlightenment* (Edinburgh: Edinburgh University Press, 2013); Brian Bonnyman, *The Third Duke of Buccleuch and Adam Smith: Estate Management and Improvement in Enlightenment Scotland* (Edinburgh: Edinburgh University Press, 2014); Fredrik Albritton Jonsson, *Enlightenment’s Frontier: The Scottish Highlands and the Origins of Environmentalism* (New Haven, CT: Yale University Press, 2013).

⁵ Jonsson, *Enlightenment’s Frontier*.

Studies and improvements in botany also played an important role as medical, commercial, and aesthetic improvements, as well as potential answers for political conflicts. The eighteenth century saw a bloom in number, size, and importance of botanical gardens. Those landowners who rejected slave labor tried finding substitutes for products made with slave labor: Silesian milkweed was to replace cotton, sugar beets to substitute for sugar cane. Tobacco was successfully produced in Scotland to cut imports from Virginia, but this was stopped by the powerful lobby of tobacco merchants, as Adam Smith would tell us in his *Wealth of Nations*.⁶ Sir Alexander Dick (1703–1785), president of the Royal College of Physicians of Edinburgh, grew rhubarb from seeds brought from St. Petersburg in the attempt to break into the Russian monopoly. He succeeded, but eventually the production was moved to the possessions of the East India Company, a British monopoly.⁷ To limit China's dominance in the tea market, John Hope (1725–1786), also president of the Royal College of Physicians of Edinburgh and Regius Keeper of the Royal Botanic Garden and King's Botanist, as well as Professor of Botany and Materia Medica at the University of Edinburgh, tried, and failed, to produce Chinese tea in the Highlands of Scotland. Joseph Banks (1743–1820), a naturalist and botanist as well as an explorer not only made the Royal Botanic Gardens of Kew in England the world's leading botanical gardens, but also introduced Chinese tea cultivation in India, with better results than in Scotland.

The experimentation that brought improvements in all fields was a result of the systematic application of a new method of enquiry—the experimental method. In Scotland, the experimental method was practiced both inside and outside the universities. Possibly because of the need to attract paying students,⁸ Scottish universities were centers of innovation. Edinburgh University was the first to teach Newtonianism, even before Cambridge, where Newton was a professor.⁹ Newton's *Principia* was published in 1687 and it was in Edinburgh's library as early as 1690. In Glasgow it appeared in 1695 and a bit later in Aberdeen and St Andrews. The textbook on Newton's *Principia* used in Scotland and eventually at Cambridge was written in Scotland by Colin Maclaurin from the University of Aberdeen.

The bubbling of economic and intellectual activities and innovations gave birth to what became known as the Scottish Enlightenment. On the humanistic side, the main idea of the Scottish Enlightenment was that humankind was part of nature just like the plants and the planets in the sky. A method similar to the one used to study rocks or the planets could be used to study

⁶ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Indianapolis, IN: Liberty Classics, [1776] 1981).

⁷ Fredrik Albritton Jonsson, "Scottish Tobacco and Rhubarb: The Natural Order of Civil Cameralism in the Scottish Enlightenment," *Eighteenth-Century Studies* 49, no. 2 (2016): 129–47.

⁸ Smith, *Wealth of Nations*.

⁹ Leonidas Montes, "Newton's Real Influence on Adam Smith and its Context," *Cambridge Journal of Economics* 32, no. 4 (2008): 555–76.

the rest of nature—humankind included.¹⁰ Humankind, from body to soul, was now a proper object of study by the natural sciences. And the empirical and scientific investigation of humans looked for a deeper understanding of human nature, institutions, politics, religion, law, and the economy. David Hume called it the “science of man.”¹¹

The empirical and scientific investigation implied collecting “data” to observe and analyze. The more observations, the better off the formulation of laws concerning human nature would be. In eighteenth-century Scotland, history was made into the source of observations, as the study of history became a way of extending the powers of observation.¹² And history was not just the history of a country or of a people. It included accounts of societies not just temporally distant, but also spatially distant. Travel diaries also bloomed as a genre contributing to history,¹³ and therefore offered useful observations to improve the “science of man.” History books multiplied in number and popularity: David Hume’s *History of England* (1754–61), and William Robertson’s *The History of Scotland* (1759), *The History of the Reign of Charles V* (1769), *The History of America* (1777) were all best-sellers. Adam Smith’s writing is dotted with historical examples. His library had a large collection of history and travel books.¹⁴

Adam Smith embraces the research project of the “science of man” so that his whole intellectual life can be interpreted as his contribution to this science. From an early age, he seems to indicate his willingness to adopt the scientific method already used in natural philosophy to study moral philosophy as well. In his “juvenile” essay on the *History of Astronomy*,¹⁵ published posthumously in 1795, he demonstrates deep knowledge of astronomy and methods of inquiry. In *History of Metaphysics*,¹⁶ another essay that survived the fire with which Smith wished all his manuscripts would be destroyed, and which was also published posthumously in 1795, he describes the method he would eventually use in his system of analysis: understand what is “constant” and what is “accidental.” His goal is to identify what is fixed and what is variable—what is fixed in human nature, and what is circumstantial and dependent on historical circumstances. This is the method he would be using in both of his two published works (*An*

¹⁰ Margaret Schabas, *The Natural Origins of Economics* (Chicago: University of Chicago Press, 2009).

¹¹ Christopher J. Berry, “Adam Smith’s ‘Science of Human Nature,’” *History of Political Economy* 44, no. 3 (2012): 471–92.

¹² Alexander Broadie, *Scottish Enlightenment* (Edinburgh: Birlinn Limited, [2007] 2011).

¹³ Gina Dahl, *Libraries and Enlightenment: Eighteenth-Century Norway and the Outer World* (Aarhus: Aarhus University Press, 2014).

¹⁴ Hiroshi Mizuta, *Adam Smith’s Library: A Catalogue* (New York and Oxford: Oxford University Press, 2000); Shinji Nohara, *Commerce and Strangers in Adam Smith* (Singapore: Springer, 2018); Nicholas Phillipson, Shinji Nohara, and Craig Smith, “Adam Smith’s Library: Recent Work on His Books and Marginalia,” *Adam Smith Review* 12 (2018).

¹⁵ Adam Smith, *Essays on Philosophical Subjects*, ed. Ian Simpson Ross (Indianapolis, IN: Liberty Classics, 1982).

¹⁶ *Ibid.*

Inquiry into the Nature and Causes of the Wealth of Nations [1776]¹⁷—WN hereafter—and *The Theory of Moral Sentiments* [1759]¹⁸—TMS hereafter), the method that unifies them, and the method that some economists recognize as similar to the one used in today's science of economics: the identification of the relevant variables, the assumption of *ceteris paribus*—the Latin expression of “all else the same”—and the analysis of how changing one variable affects another variable.

Smith identifies human nature as fixed and common to all humans. In this sense, all humans are equally human and thus equal. The differences we observe are differences in character, which change with different circumstances, and differences in conduct, which change with different incentives.¹⁹ Identifying what is “constant” in human nature allows for the discovery of laws, similar to the laws we find in physical nature, which can be discovered through observation. The “mirror of society” is what is “accidental” and what produces differences in character through differences in constraints.

Smith, in this, follows a group of other scholars, including Montesquieu, John Millar, Thomas Reid, James Beattie, and the Wise Club of Aberdeen, who saw all humans as deriving from one single original stock. David Hume, Lord Kames, and William Robertson, though not without controversies, seem to see some differences among humans as possibly implying multiple human natures because human differences may have developed from different progenitors.²⁰

Working with the idea of human homogeneity instead,^{21,22} Smith uses this method of discovering what was constant and what was accidental so that wealth formation could be studied in a scientific way, understanding its nature and its causes, as well as its effects on human conduct.

Some of the identifying “constant” characteristics of human nature that Smith recognizes as unchanging and universal, and relevant for this analysis, are our propensity to truck, barter, and exchange (WN I.ii), our desire to better our condition (WN II.iii.28), our desire to be praiseworthy and not blameworthy (TMS III.ii), and our desire to distinguish ourselves from others (TMS I.iii.2.1). This short list is not meant to be comprehensive, but it gives a sense of the constancy of human nature in both of his published

¹⁷ Smith, *Wealth of Nations*.

¹⁸ Adam Smith, *The Theory of Moral Sentiments* (Indianapolis, IN: Liberty Classics, [1759] 1984).

¹⁹ Jerry Evensky, *Adam Smith's Moral Philosophy* (Cambridge and New York: Cambridge University Press, 2005); cf. Eric Schliesser, “Reading Adam Smith After Darwin: On the Evolution of Propensities, Institutions, and Sentiments,” *Journal of Economic Behavior and Organization* 77, no. 1 (2011): 14–22.

²⁰ Silvia Sebastiani, *The Scottish Enlightenment: Race, Gender, and the Limits of Progress* (New York: Palgrave Macmillan, 2013).

²¹ David M. Levy, *How the Dismal Science Got its Name: Classical Economics and the Ur-Text of Racial Politics* (Ann Arbor: University of Michigan Press, 2002).

²² Sandra Peart and David M. Levy, *The “Vanity of the Philosopher” from Equality to Hierarchy in Postclassical Economics*, ed. Project Muse (Ann Arbor: University of Michigan Press, 2005).

works. Different material circumstances are “accidental” and create different incentives, and thus different conduct and institutions, as exemplified below. Despite the emphasis on material constraints incentivizing differences in societies, institutions, and individual conduct (or morality, or culture, as some may wish to call it), it is worth mentioning that I do not see any determinism in Smith’s analysis. Furthermore, following Vernon Smith,²³ I prefer use of the word “conduct,” rather than “behavior,” to underline the Smithian idea that human actions are not mechanical reactions to stimuli, but are always part of a moral evaluative system. Finally, despite Smith relying occasionally on “types” (for instance, “the man of system,” “the man of fashion,” and so on), I believe the analytical equalitarianism remains untouched. “Types” are groups of people who shared similar nurture, not nature.

Smith claims that human nature is constant and universal on several occasions, both implicitly and explicitly. In WN, from the very beginning, he states that our innate differences are so minute and so irrelevant, that all the differences among human beings come “not from nature, as from habit, custom, and education” (WN I.ii.4). If we mistakenly think otherwise, it is because our vanity has blinded us.

Given this strong homogeneity in human nature, Smith’s first step in his science of man and in the science of economics is to identify the sources of potential difference. Wealth and institutions are among the relevant constraints causing observable differences.

Thus, first, Smith explains wealth formation and changes in levels of wealth. Combining our propensity to truck, barter, and exchange, with our homogeneity, Smith tells us that we naturally start bargaining with each other and exchange the few things we can make on our own. Exchange brings the will and ability to specialize in the things we exchange. And this specialization brings differences in skills. So at the end of the process, we do observe differences in human beings, but these differences are the consequences of trade and specialization, not their causes (WN I.ii). At the same time, trade and division of labor allow for capital accumulation, more trade, more division of labor, more capital accumulation, and thus more wealth (WN I-II). So, when wealth is endogenized, Smith uses specialization as the explanatory variable for human differences.

When wealth can be considered exogenous instead, Smith observes that the increasing presence of wealth changes both the kind of society we live in and our incentives. In the absence of wealth, the opportunities to distinguish ourselves from others are quite limited. They are mostly based on physical and moral superiority. Since these differences are not very deep, equality is common. Under these circumstances, there is no need for a regular government or a regular administration of justice. The absence of wealth implies an

²³ Vernon L. Smith and Bart J. Wilson, *Humanomics: Moral Sentiments and Wealth of Nations for the Twenty-First Century* (New York: Cambridge University Press, 2019).

absence of property, which in turn implies the absence of the need for a regular government or administration of justice. Trade is so limited that there is no point in having contract or property laws, and their enforcement systems.

But as trade starts to be a little more frequent, and division of labor a little more present, wealth starts to be a little more present too, which means that property emerges, even if only in terms of animals and their products. Pastoral societies, emerging and creating a different environment than hunter-gatherer societies, will thus have different incentives, adapted to the different material circumstances of these societies. Wealth creates a more effective means of distinction than age or virtue. So wealthy individuals will command more authority than non-wealthy ones, wealth being measured in terms of sheep or equivalent animals. The presence of property creates the incentives to defend it against envious have-nots. So the first systems of justice and government emerge. They will take a more complete form when the predominant means of subsistence changes from the nomadic pastoral one to the sedentary agricultural one. Here the need to protect the property of the wealthy against the envious attacks of the poor is fully felt, and a fully developed juridical system is to be expected, as is some form of stable government.²⁴ Commercial societies—societies where people rely mostly on commercial activities for their subsistence—are the most complex of these societies, and their complexity of relations is reflected in the complexity of their institutional systems (WN V).²⁵

So, with just a few assumptions on the fixity and universality of human nature, Smith is able to describe different kinds of societies, given differences in the level of wealth (and the means of producing it).

Smith's analysis is not limited to the societal level, but it dissects specific institutional arrangements within societies of the same kind, analyzing both their different origins and the incentives that create them, as well as the different incentives they create.

Within the same society, how do we explain different institutional arrangements? An example that Smith offers is the presence or absence of primogeniture in an agricultural society. Smith sees that the barbaric invasions cause dangers and insecurity that incentivize the consolidation of land ownership. A divided land is difficult and expensive to defend. The larger the land the more security there is, as power is less fragmented. The incentives are such that the law of primogeniture emerges, so that the estate would go to the firstborn and remain undivided. And when security is no longer a severe problem because of the end of the barbaric invasions and the end of internal fights, and when a secure and well-run system of justice can be established, primogeniture becomes superfluous and actually damaging

²⁴ See also James Harris's piece in this volume, and his elaboration about the consequences on inequality.

²⁵ See also Craig Smith, *Adam Smith's Political Philosophy: The Invisible Hand and Spontaneous Order* (London: Routledge, 2006).

for society as it prevents the emergence of a competitive market in land. If primogeniture laws continue to be present in commercial societies where they are unnecessary, it is just because of our innate desire for distinctions and our refusal to let go of existing privileges (WN III.ii.3-7). Fixity of human nature and differences in incentives explain different institutions in the same kinds of societies.

Even more specifically, Smith describes how even different institutions within a society create different incentives and thus different observed conduct. That difference in human actions is not rooted in innate human differences, but in circumstantial incentives that different institutions generate. The perverse incentives that exclusive or joint stock companies create are an example. Joint stock companies require each member to share the profit or the loss of the company in proportion to their share in it. The directors of joint stock companies manage a great deal of capital. To give a sense of scale, Smith tells us that the trading stock of one of these companies, the South Sea Company, was three times larger than the capital of the Bank of England. In addition, members can sell their share at the market price, which may be different from the amount that its owner originally gave to the company. Furthermore, and most importantly, owners of joint stock companies have limited liability: the owner of stock is liable only for the amount he contributed to the company. In addition, given that the directors manage other people's money, not their own, they are not as cautious about its correct use. It is not by accident that "negligence and profusion" are typical of joint stock companies. They cannot compete with other companies. They cannot survive without exclusive privileges, and often not even with exclusive privileges. Without exclusive privileges, they would succumb to mismanagement. But even with exclusive privileges, they still succumb to mismanagement and in addition, reduce trade. And even if the court of directors is controlled by the court of proprietors, the proprietors do not understand what goes on in the company, and they get dividends without trouble or risk (WN V.i.e. 15-30). Mismanagement is the inevitable result of this set of incentives.

The East Indies trade was cursed with these companies. For Smith, the exclusive companies in the East Indies, combined with the fact that the indigenous population was not as defenseless as the one in America, are the explanation for the lack of economic growth experienced in the East Indies compared to the high growth of the American colonies. This curse is rooted in the fact that the government of an exclusive company is a "government subservient to the interest of monopoly" (WN IV.vii.c.104). It is not by chance that the council of merchants can only command obedience with military force; the incentives are such to make it a despotical government. Vain are the requests of moderation coming from the home country. "Nothing is more foolish than to expect that the clerks [. . .] at ten thousand miles distance [. . .] should, upon a simple order from their masters, give up at once doing any sort of business upon their own account, abandon ever all

hopes of making a fortune, of which they have the means in their hands, and content themselves with moderate salaries" (WN IV.vii.c.105).

Smith continues his analysis of the incentives in the following way: The interest of the sovereign is in line with the interest of country, while the interest of the merchants is the opposite. If a sovereign wants to increase his revenue, he needs to increase the revenue of his people, which means increasing their production, which in its turn means decreasing the number of monopolies. An exclusive company acts as a sovereign but cannot think as a sovereign. It only thinks: buy cheap, sell high to increase profits; keep competitors out; decrease production to raise prices high enough to have exorbitant high profits. An exclusive company prefers temporary profits to permanent revenue. The reason for this is masters of countries are different from servants, not because they are naturally different, but because they have a different set of incentives. A country belongs to its master, so a master has an interest in it. If he oppresses it, it is out of ignorance: he does not understand his interest well enough. But the country does not belong to the servants. Their interest is therefore different. Even with perfect knowledge, they would have no incentives to stop its oppression. Think of the exclusive company as a government in which each member of the administration will leave, and will leave carrying their fortune away with them. When they leave, they are therefore completely indifferent to what will happen to the country.

Here again Smith is explicit about his method: differences in conduct are due to differences in incentives, not to different types of people. People are still homogeneous. A sovereign is as good or as bad as a clerk working in the East India Company. The destructive results of exclusive companies are not the results of bad people working in them. It is not that replacing bad people with good people would make a difference. That destruction comes from the perverse incentives that that institution generates. Human homogeneity remains. Institutional incentives are what make the difference (WN IV.vii.c.107).

Note that this is the same approach that a couple of centuries later, James Buchanan used in his Public Choice analysis. Government officials and bureaucrats are not perverse individuals, but they may act in perverse ways because the institutional incentives with which they operate are perverse.²⁶

Smith's incentives analysis also extends to the level of individual moral conduct, in the sense that the formation of some rules of conduct is also dependent on either the institutional setting or the material environment in which individuals live, incentivizing them in different ways.²⁷

I offer two of the many separate examples of how individual moral conduct differs not because of innate differences but because of differences

²⁶ James M. Buchanan, "Same Players, Different Game: How Better Rules Make Better Politics," *Constitutional Political Economy* 19, no. 3 (2008): 171–79.

²⁷ Michele Bee and Maria Pia Paganelli, "Adam Smith Anti-Stoic," *Manuscript* (2017).

in incentives that different constraints generate. An explicit example of how some differences in otherwise similar institutional settings in similar kinds of societies create different moral incentives is Smith's description of the legal systems in Greece and Rome (WN V.i.f.39-44). In ancient Greece, education in music and gymnastics was mandatory for all. Gymnastics would harden the body and prepare for war. Music would humanize the mind for social and moral duties. Ancient Rome had similar policies for martial education, but not for music. And yet, Smith claims, the morals of the Romans were superior to those of the Greeks, if judged by the behavior of factions in the two states. What made the differences between the morals of these two countries is not music education but their different legal systems and legal procedures. In Greece, law was not a science, while in Rome it was, and it gave a great reputation to those who understood it. In Greece the courts of justice involved between five hundred and fifteen hundred people. The decisions were essentially random since blame for a bad decision could not fall on anyone in particular, given the very large number of justices. In Rome, on the other hand, decisions were made by a single judge. The responsibility and the reputational consequences of a bad judgment would fall exclusively on him. In doubtful cases, he would use examples and precedents. "The superiority of characters in the Romans over that of the Greeks [...] was probably [...] owing to the better constitution of their courts of justice" (WN V.i.f.44).

Similarly, if the professors at Oxford or at other endowed universities "[gave up] even the pretense of teaching," it is not because they are inherently lazy, but because their salary structure gives them no incentive even to pretend to teach, given that they are paid regardless of whether they teach or not (WN V.i.f.1-16).

A final explicit example, among the many Smith offers us to see how material conditions change constraints and thus conduct, is his analysis of the concurrent presence of two parallel systems of morality due to different material environments: within the same society there is an austere system of morals and a loose one (WN V.i.g. 10). The austere system of morality is appropriate for and adopted by the poor, while the loose one is appropriate for and adopted by the rich. The rich, being rich, can indulge in luxuries, intemperance, "disorder and extravagances [and] excesses" for several years, without feeling the consequences. The poor, on the other hand, being poor, would not survive a few days if indulging in the same excesses. They would ruin themselves and their family immediately. They thus develop an austere system—the more severe their poverty, the more austere the system. Different material environments, not differences in human nature, thus incentivize the formation of different moral systems that allow for the survival of people with different levels of wealth.

The differences among rules of conduct are also present across different societies. And they are also a reaction to the different constraints and thus different incentives that different levels of wealth create. So for example, in

the introduction of his work, Smith tells us that there are societies “so miserably poor” that people are forced, or think themselves forced, to “sometimes directly destroy[. . .], and sometimes abandon[. . .] their infants, their old people, and those affected by lingering diseases, to perish with hunger, or to be devoured by wild beasts” (WN intro. 4). Similarly in China, the practice of exposing children or “drown[ing] them like puppies” is well established and so commonly accepted that people can even make a living out of it (WN I.viii.24). As societies become wealthier, these practices and their acceptance decreases, as there is enough wealth to support all lives (TMS V.2.15).

The systematic thinking of Adam Smith²⁸ is consistently present in all his works, both published during his lifetime as well as those published posthumously, and it consists in rigorously working with the idea of a constant human nature and analyzing the changes that changes in the material environment bring about in human conduct and the institutional framework. This is the method used in Political Economy and it is still used in the economic science.²⁹

Economics, Trinity University, USA

²⁸ Eric Schliesser, *Adam Smith: Systematic Philosopher and Public Thinker* (New York: Oxford University Press, 2017).

²⁹ Maria Pia Paganelli, “Adam Smith on the Future of Experimental Evolution and Economics,” *Journal of Bioeconomics* 20, no. 1 (2018): 23–28.