
An Inquiry into the Nature and Causes of the Wealth of Nations

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OVERTURE

Allow me to start with a nod to St. John the Divine and another to Stephen Colbert: In the beginning was **THE WORD**. And the word is **FORTUNE**.

The modern use of the term “fortune” refers to that sum of worldly wealth piled up by a shrewd individual who, since the nineteenth century, has assumed that his pile (usually *his* and not *hers*) represented the just rewards of hard work, frugal attention to economy, and perhaps a bit of sharp dealing. His own agency in its accumulation was celebrated with rising confidence as the primary causal vector. In short, sometime after 1800 we came to see a “fortune” as that cache of material riches that was “made” by an enterprising person who took nearly all the credit. Finally, sated with accumulation, he proclaimed himself to be an impossible generative anomaly—a “self-made man”—and in doing so challenged all others to get off their duffs and do likewise. Several thousand years’ of history clearly document the fact that *actual* riches more often than not flowed from extortion, theft, intimidation, artful marriage, or the arbitrary favor of the sovereign. Nevertheless, that evidence dissipated like smoke before the winds of a new ideology that called itself “political economy.” Charles Dickens satirized the scientific pretensions of the new social analysts in *Hard Times* (1854), savagely portraying

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the faux empiricist Thomas Gradgrind as the custodian of the one true perspective, grounded in facts, facts, facts!¹

It had not always been so. Before the triumph of modern political economy, the term “fortune” wore a variegated costume made up of luck, chance, the gifts of the gods, the slow turning of cosmic wheels. In the Anglo–American culture of the eighteenth century, for example, fortune might have reflected just desserts but it could as likely seem arbitrary and capricious. One was “fortunate” or “unfortunate,” not just because of one’s own conduct but also the alignment of forces beyond one’s control. Fortunes were won or lost, found, crossed, seized, reversed, or squandered; rarely were they “earned.” In moralizing literature, a man who thought himself the author of his own good fortune invariably got his come-uppance, while the guileless foundling who lived by the golden rule usually found his benefactor. A classic example is *The History of Little Goody Two-Shoes* (1765). Farmer Graspall and Sir Timothy Gripe, avaricious enclosers who tortured the poor, lost all in the end to the orphan Margery “Two-Shoes,” who then distributed her windfall to the humble neighbors Gripe had wronged. Such happy outcomes invariably followed surprising, even magical, turns of fortune: Here her long-lost brother Tom returned rich from the sea, enabling Margery to marry a gentleman whose death then cloaked her with bountiful property. Only the wicked dared think themselves masters of their fate, and the prudent man or woman kept one eye out for the shoals that ruined fortunes. William Moraley’s aptly titled autobiography, *The Infortunate* (1743), works the same changes in an ironic key, relating the tale of one whose fortune stubbornly eluded him.²

It was the publication in 1776 of Adam Smith’s *Inquiry into the Nature and Causes of the Wealth of Nations* that marked the beginning of the ideological revolution I explore here. Political economy had been much debated in the previous hundred years, but Smith captured the

1. Charles Dickens, *Hard Times* (London, 1854), 4–11.

2. See [John Newberry], *The History of Little Goody Two-Shoes* (London, 1765; repr. New York, 1775); also William Moraley, *The Infortunate: The Voyage and Adventures of William Moraley, an Indentured Servant*, ed. and with an introduction by Susan Klepp and Billy G. Smith (1743; repr. State College, PA, 2005). “Fortune” appears significantly throughout J. G. A. Pocock, *The Machiavellian Moment: Florentine Political Thought and the Atlantic Republican Tradition* (Princeton, NJ, 1975).

whole sprawling intersection of money, markets, people, and policies. His formulation set the terms of discussion and over the next fifty years displaced a centuries-old rhetoric of economic values that had celebrated moderation, restraint, stewardship, and charity over greed, lust, and self-interest. Note that I said *rhetoric*. We can debate how often those values controlled behavior; but honorable persons rarely spoke against them. Bernard de Mandeville's scandalous *Fable of the Bees: or Private Vices, Public Benefits* (1714) introduced the celebration of self-interest and corruption as the essential foundation of every powerful and prosperous society; but virtually everyone took offense (or pretended to). Social philosophers, especially David Hume in his essay "Of Commerce" (1752), further softened the ground in the middle decades of the century. By 1776 Smith's new critique of Georgian mercantilism was hailed as a scientific breakthrough exposing natural laws as pristine and certain as those of gravity and Newton's mechanics. Over time it evolved into an all-out assault on values that had, since the Sermon on the Mount, condemned avarice and exploitation as disruptive of good order in this world and salvation in the next.³

Both our present and our future are shaped by the stories we tell about the past. It has long been a concern of mine that historians spent too much energy polishing minutia and too little of it looking for trends

3. Bernard de Mandeville, *The Fable of the Bees: or, Private Vices, Public Benefits* (1714; repr. Oxford, UK, 1924). My original understanding of this tradition owes everything to ch. 1 of Drew R. McCoy, *The Elusive Republic: Political Economy in Jeffersonian America* (Chapel Hill, NC, 1980); J. E. Crowley, *This Sheba, Self: The Conceptualization of Economic Life in Eighteenth-Century America* (Baltimore, 1974); Albert O. Hirschman, *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph* (Princeton, NJ, 1977); and Joyce Oldham Appleby, *Economic Thought and Ideology in Seventeenth-Century England* (Princeton, NJ, 1978). Commentaries have continued to pour forth at an alarming rate. For an introduction to modern commentaries, see *The Cambridge Companion to Adam Smith*, ed. Knud Haakonssen (Cambridge, UK, 2006), especially chs. 9, 10, and 12; also *Wealth and Virtue: The Shaping of Political Economy in the Scottish Enlightenment*, ed. Istvan Hont and Michael Ignatieff (Cambridge, UK, 1983); T. W. Hutchison, *Before Adam Smith: The Emergence of Political Economy, 1662–1776* (Oxford, UK, 1988); an essay collection by Istvan Hont, *Jealousy of Trade: International Competition and the Nation-state in Historical Perspective* (Cambridge, MA, 2005); and *Mercantilism Reimagined: Political Economy in Early Modern Britain and Its Empire*, ed. Philip J. Stern and Carl Wennerlind (Oxford, UK, 2013).

and patterns from higher off the ground. This address is intended to contribute to that latter objective. It is my argument that during the American revolutionary era, when restless colonial elites began crafting explanations for their independence project, the publication of Smith's treatise on political economy put into play a new framework for considering the wealth of nations. This new framework resonated as a scientific discourse alongside the equally important new "science of politics" made famous by the revolutionary Whigs. It resonated as well with the new sciences of nature that lately had been exposing immutable "laws" by which human beings now explained their physical world. In each realm—economy, politics, and the natural world—scientific reasoning promised to disable the tyranny of ancient prerogatives, superstitions, illegitimate customs, and fantastical explanations. These new scientific perspectives sometimes intersected directly and sometimes influenced each other only by induction. By their consilience they fed each other's credibility. In 1816, Harvard professor Jacob Bigelow pronounced this benediction on a century's enlightenment achievement: in the "history of philosophy . . . every thing is permanent and progressive." The practical triumphs of science had shown a "uniform tendency" to "promote the happiness of mankind." Extending their past trajectory promised "an unlimited prospect for the future." Gone in Bigelow's assessment were the organic cycles of rise and decline, birth and death, that preoccupied conjectural thinkers in the eighteenth century; in their place we find a straight and ascending path to the future. Behold the birth of the modern!⁴

4. Jacob Bigelow, "Inaugural Address Delivered in the Chapel at Cambridge, December 11, 1816," *North American Review and Miscellaneous Journal* 4 (Jan. 1817), 271–83, quotations 272. The twenty-nine-year-old Bigelow had just been named to the Rumford Chair for the Application of Science to the Useful Arts at Harvard. In stark contrast to Bigelow, Ben Franklin worried to the end of his days (1790) that progress *past* the agrarian "third stage" would wreck the American platform on which revolutionary republicanism was being staged. Between the two lies the turning point from early modern to modern perspectives. See McCoy, *Elusive Republic*, 49–67; also Gordon S. Wood, *The Americanization of Benjamin Franklin* (New York, 2004). In his landmark essay "The Moral Economy of the English Crowd in the Eighteenth Century," E. P. Thompson located the temporal boundary separating these two "historical territories" in the half decade following 1795, in part because of the "triumph of the new ideology of political economy." See *Past and Present* 50 (Feb. 1971), 76–136, quotation at 129.

Key attributes of the American national experiment derived from these intellectual revolutions in the late eighteenth century: 1) the abandonment of hereditary monarchy and prerogative government, 2) the embrace instead of a potentially egalitarian social system, 3) the encouragement of a scientific method that continued to erode both tradition and revealed religion as primary sources of worldly knowledge, and 4) the adoption of ideas of political economy that would energize revolutionary changes in the centuries ahead. That said, none of the earlier reigning principles died quietly without a fight. Lingering notions of prerogative marked political and social aspects of many post-Revolutionary struggles. (Think Fisher Ames.) Many scientists engendered scandal when they contradicted Biblical cosmology. (Consider William Maclure's geological speculations.) Finally, core tenets of political economy—the sanctity of private property, the celebration of self-interest, the virtue of free competition, the primacy of contract, the superiority of market forces, and an apparent disregard for the plight of the poor—these foundation stones of the market revolution were not easily embraced by many in the first generation after independence. One whole branch of revolutionary republicanism remained anchored in organic conceptions of the virtuous citizen and the common good, postponing for a generation the triumph of a truly modern liberal perspective.⁵

ACT 1: WHAT DID SMITH SAY?

A “decent respect to the opinions of mankind” requires that we pause a moment to review what Adam Smith actually wrote in *Wealth*

5. On Fisher Ames, see Winifred E. A. Bernhard, *Fisher Ames: Federalist and Statesman, 1758–1808* (Chapel Hill, NC, 1965); on William Maclure, see Academy of Natural Sciences in Philadelphia *Journal*, Part II (June, July, Aug., 1818), 1: 262–68, 344–45; and Dennis R. Dean, “New Light on William Maclure,” *Annals of Science* 46 (1989), 549–74; on economic principles see, for example, Cathy D. Matson and Peter S. Onuf, *A Union of Interests: Political and Economic Thought in Revolutionary America* (Lawrence, KS, 1990); Andrew Shankman, *Crucible of American Democracy: The Struggle to Fuse Egalitarianism and Capitalism in Jeffersonian Pennsylvania* (Lawrence, KS, 2004); John R. Nelson, Jr., *Liberty and Property: Political Economy and Policymaking in the New Nation, 1789–1812* (Baltimore, 1987). For contrasting reviews of the whole process of adjustment, compare Gordon S. Wood, *The Radicalism of the American Revolution* (New York, 1992); with Woody Holton, *Unruly Americans and the Origins of the Constitution* (New York, 2007).

of *Nations*. Allow me to reduce 900 pages to nine bullet points. First, three assumptions:

- that people have a natural inclination to truck and barter, to exchange stuff;
- that people *by nature* pursue their own best interest in a rational manner that cannot be improved by state coercion;
- that leaving them to do so automatically advances the general good in the most effective way.

Then six additional observations:

- that division of labor (specialization) was the source of all material gain above subsistence—that is, economic growth;
- that economic growth brought higher wages and a rising standard of living;
- that money was not wealth itself but only a marker useful for making exchanges or enhancing productivity;
- that supply and demand *automatically* governed prices and guided investment decisions—and *this could not be disregarded* (this was a *big* one);
- that (therefore), restrictions and regulations on the exchange of goods or specie were misguided and futile (another *big* one);
- that (nevertheless), the duties of the sovereign included defense, education, and commercial infrastructure, especially in a new country (this one is often omitted).

In the end, the private individual—Smith’s primary actor—facilitates the greater good simply by following his self-centered impulses:

He intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.⁶

6. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. Edwin Cannan (1776; repr. New York, 1937, 1965), 423. Here I profited greatly from Jerry Z. Muller, *Adam Smith in His Time and Ours*

Considering the fame of the “invisible hand” just referenced, it is a bit unsettling to find it buried here, playing a bit part, supporting a point about domestic investment. This was no revolutionary assertion offered up as the “trope-du-jure” by a wordsmith intent on shaping economic history. He did not say that he *knew* the automatic self-regulating mechanism clearly worked; rather, he saw no proof that mercantilist direction of private actions served the “public good,” and he thought it likely that selfish motives might “frequently” promote the general welfare “more effectively.”

The whole of Smith’s treatise represents a phenomenal conjectural exercise. He spelled out fundamental definitions and dynamic interactions, combining real-time observations (the famous pin factory) with *a priori* assertions about rational economic actors, schematic discussions of town and country, trade, manufacturing, and agriculture, and historical assessments of European and global economic development since the fall of Rome. Whatever he got wrong pales beside what he understood and got right about commercial networks, some of which were but a few decades old. But what must arrest our attention here is Smith’s clear and central objective—a devastating critique of the mercantilist principles that had for generations steered the world’s commercial powers. Committed to controlling and directing the balance of trade and the flow of gold and silver, European powers doggedly propped up corrupt monopolies, coddled court favorites, and distorted investment markets at home and abroad—possibly even contributing to what Smith obliquely referred to as the “late disturbances” in America.⁷

Because of its iconic stature, Smith’s book tempts us to treat it as a scripture. Historians do better to situate this volume within the context of Smith’s life work as a moral philosopher. His *Theory of Moral Sentiments* appeared in 1759, and a third volume dealing with jurisprudence and the role of the civil state apparently was planned but never finished before his death in 1790. Smith’s famous volume appeared on a shelf

(Princeton, NJ, 1993); and Samuel Fleischacker, *On Adam Smith’s Wealth of Nations: A Philosophical Companion* (Princeton, NJ, 2004). See also Emma Rothschild, *Economic Sentiments: Adam Smith, Condorcet, and the Enlightenment* (Cambridge, MA, 2001). E. P. Thompson famously described Smith’s model of a “natural and self-adjusting economy” as a “superstition” still much cherished by economic historians; see “Moral Economy of the English Crowd,” 91.

7. *Ibid.*, Edwin Cannan’s introduction, xxiii.

already groaning with recent treatises on political economy, and it seems unlikely that everyone recognized at once that this was *the* breakthrough text. Jerry Z. Muller, in *Adam Smith in His Time and Ours*, makes the point that, viewed in the context of three courses of lectures at the University of Glasgow, Smith's claims in *Wealth of Nations* appear more grounded than we might think in eighteenth-century assumptions about social class, Christian obligations, public morality, and the common good. Up to his ass in alligators, as they say, Smith decided to drain the swamp and launched an all-out attack on "conventional wisdom." He had no way to foresee (and I like to think might well have disapproved of) the later deployment of his insights by Nassau William Senior and John Stuart Mill as they erected the edifice of heartless liberalism we associate so fondly with Victorianism.⁸

ACT 2: A NEW ORDER FOR THE AGES

In 1776 Smith's publication "dropped" on an American reading public that was, shall we say, preoccupied. The shooting had begun a year earlier at Lexington and Concord, and with the Declaration of Independence now in hand it was clear at least that the rebels would hang if they did not succeed. In the run-up to the crisis, attentive Americans were bathed in speculative discourse on the rise and decline of empires, the life cycles of civilization, the merits of commerce and agriculture, the sources of virtue and corruption, the nature of money, schemes of banking, and the true sources of happiness. In the colonists' eyes decadence and corruption had come to define Georgian England. Mercantilist policies favoring West Indian planters, chartered trading companies, British shipping, and other special interests pinched American entrepreneurs. Americans lacked an adequate money supply, but imperial authorities ignored their appeals and swatted down local currency initiatives, giving credence to the paranoid conclusion that British elites conspired *on purpose* to enslave the provincials and destroy what they had built. When the moment of rupture arrived, American radicals had lost interest in reform. What was required, they said, was a wholly new system. Enter modern republicanism.⁹

8. Muller, *Adam Smith in His Time and Ours*, 19; see also Muller's "Guide to Further Reading," 240–62.

9. In addition to McCoy, *Elusive Republic*, ch. 1–3, see Wood, *Radicalism*, Part I "Monarchy," 11–94; Daniel Walker Howe, "Political Psychology of *The Federalist*," *William and Mary Quarterly* 44 (June 1987), 485–509; and Howe,

In 1969 a young Harvard graduate named Gordon S. Wood set fire to our historiography of the Revolution with the opening chapter of his *Creation of the American Republic*, called “The Whig Science of Politics.” Wood’s mentor, Bernard Bailyn, already had begged us to suspend disbelief and listen to what the American rebels *said* was on their minds. Wood took Bailyn’s plea to heart, read all their pamphlets, and found the Americans obsessed, not with actual oppression, but with the likely prospect of evils to come. The cherished English Constitution supposedly balanced the fundamental interests of the land, the people, and the nation; but imperial disregard for the rights and needs of the colonists suggested a campaign of abuse aimed at liberty itself. Schooled in speculative philosophy, the Americans had only to connect the dots: They “knew” that “the actions and affairs of men” were governed by “regular and uniform laws,” and that “the laws of Mechanics” applied “in Politics as well as in Philosophy.”¹⁰

Nothing short of a cultural and political sea-change would do. There was not a campaign to rebalance interests or prerogatives but a total revolution in the science of politics. What they needed was a “new order for the ages.” The solution was a republic, exhumed from the classics, souped up by Renaissance humanism, and transported to the New World for safe-keeping. Compelled by the logic of their own analysis, the radicals lost patience with persuasion and adopted instead a rhetorical shortcut that called for a rip in the fabric of time, a suspension of history, an in-breaking of new knowledge (as if from the Starship Enterprise): “We hold these truths to be self-evident, that all men are created equal. . . .” Breathtaking!¹¹

“Why the Scottish Enlightenment Was Useful to the Framers of the American Constitution,” *Comparative Studies in Society and History* 31 (July 1989), 572–87. For economic context, see John J. McCusker and Russell R. Menard, *The Economy of British America, 1607–1789* (Chapel Hill, NC, 1985, 1991), especially chs. 2, 3, and 17; David Hancock, *Citizens of the World: London Merchants and the Integration of the British Atlantic Community, 1735–1785* (Cambridge, UK, 1995); and T. H. Breen, *The Marketplace of Revolution: How Consumer Politics Shaped American Independence* (New York, 2005).

10. Wood, *The Creation of the American Republic, 1776–1787* (Chapel Hill, NC, 1969), quotation at 5.

11. Among the dozens of possibilities, see Pocock, *The Machiavellian Moment*; Pocock, *Virtue, Commerce, and History: Essays on Political Thought and History, Chiefly in the Eighteenth Century* (Cambridge, UK, 1985); Michael Lienesch, *New*

For the purposes of my argument the important thing is this: America's revolutionaries did not select a "new order for the ages" based on mere desire for a different kind of political regime. They pretended not to *seek* a dissolution of the empire, nor to *stage* a revolution in the sense of taking calculated actions designed to yield predictable outcomes. (Of course they *did* both, but they said they *did not!*) Rather, they insisted they were forced into action by perverse, relentless assaults on the natural rights of a free people, swept along, practically against their will, and guided not by desires or interests but by their obligation to the laws of nature and nature's God. To embark on such a grand experiment in self-assertion by a simple act of collective volition would be arrogant, pretentious, and existentially perilous. To be legitimate, the event—John Adams liked to call it an "epoch"—had to stand outside of normal time and be guided by nothing less than the arc of history, the natural order of things, as lately revealed by the progress of science and human reason. Our most pious founders comfortably credited Providence; the more skeptical referenced "design" and the marvelous coherence of the universe. Most Americans mingled the two promiscuously. Such exalted framing of the revolutionary struggle set the stage for all kinds of trouble later, when Americans tried to craft real governing regimes and return to "normal politics." It also set a standard expectation that fundamental national goals should reflect, not transient desires, but higher transcendent purposes. As a result, settler encroachment on the landscape would be seen not as land hunger but the reclamation of a wilderness; Indian removal involved not extermination but a noble, tragic effort to save the doomed aborigines; and later acts of territorial aggression against even European colonial powers fell before the rubric of "manifest destiny."

It is not my charge to review the well-worn story of how the new science of politics was made to bear fruit in the launching of the new United States. Instead I want to return to that thread called political economy, about which revolutionaries could not post a clear consensus

Order for the Ages: Time, the Constitution, and the Making of Modern America (Princeton, NJ, 1988); Forrest McDonald, *Novus Ordo Seclorum: The Intellectual Origins of the Constitution* (Lawrence, KS, 1980); and Thomas Pangle, *The Spirit of Modern Republicanism: The Moral Vision of the American Founders and the Philosophy of Locke* (Chicago, 1988); Garry Wills, *Inventing America: Jefferson's Declaration of Independence* (Garden City, NY, 1978); and Pauline Maier, *American Scripture: Making the Declaration of Independence* (New York, 1997).

coming out of the cauldron of revolutionary fervor. Republican governments might rescue liberty from corruption, but how should those governments promote and protect the “happiness” of the people in economic terms? Compared to English (let alone European) standards, American society was relatively flat and fluid. Far more persons in America owned property than in England or on the continent, and most proprietors owned it in fee simple. Not much stood in the way of mobility—whether side-to-side across the landscape or up and down the ladder of prosperity. This was good, because republics flourished when their citizens were equal enough not to organize into factions and mug each other. At the same time, aspects of hierarchy defined social and economic relations all over the republic. No matter how equal they stood before the law, Americans knew perfectly well they were not equal in material resources. Further, republican equality was plausible (a point most did NOT credit at the time) only because racial slavery placed beyond the pale of social consideration a great swath of the working class.

To what did Americans owe their considerable general prosperity at the close of the Revolution? Was it the result of imperial protection? Favorable terms of trade? The abundant free gifts of undeveloped land? The entrepreneurial genius of the people? Hard work? Slave labor? Frugal habits? Commercial ambitions? Rural virtues? Wise legislation? Benign neglect? Practical politics at the local, state, and federal levels stumbled on these questions time and again because it was not clear whether the “new order for the ages” should be governed by the traditional, modulated economic values of the eighteenth century or by the new rough-and-tumble game of competitive individualism sketched out by Adam Smith. Was the new republic designed for the capitalist system, or was it meant to foster an agrarian commonwealth? For years Joyce Appleby argued the first; Lance Banning the second. (And Robert Shalhope achieved sainthood by organizing the resulting skirmishes into historiographical essays.) For at least forty years early Americans argued bitterly on this point—and for about the same length of time historians have done the same. Eventually the Banning–Appleby debate softened, but the underlying question continues to threaten anyone who writes about economic life in the early republic. More significantly, advocates for the new science of political economy saw that their work had just begun. The plain truth about the wealth of nations had been glimpsed in Adam Smith, but no field of inquiry was more tortured by prejudice,

or more fraught with potential error, than political economy. Everywhere scribblers set to work campaigning on behalf of “natural laws” of supply and demand. Their common objective was to liberate the entrepreneur, to “release the energy” locked up in the private ambitions of a free people.¹²

ACT 3: A CAMPAIGN IN BEHALF OF NEW TRUTHS

Debates about political economy exploded in all directions both in Europe and America by the start of the nineteenth century. There seemed to be no doubt that the principles governing the wealth of nations *could be known*, and from that policies could be adjusted; but the technical details of any such system turned out to be elusive and contested. Hardly self-evident at all, such fundamental elements as property, rent, and value, as well as the primary motivation of economic actors and the ultimate purpose of national economies—all these issues floated on a sea of discourse that became as crowded in the early republic as the Atlantic shipping lanes themselves. Some writers centered their entire system on the single goal of securing private property. Citing Smith’s claims for the invisible hand, non-interventionists denounced as futile any efforts to promote or shape the course of economic life. Others, building on Smith’s belief that extensive trade and specialization promised almost limitless potential for wealth creation, sought the broadest

12. Joyce Oldham Appleby, *Capitalism and a New Social Order: The Republican Vision of the 1790s* (New York, 1984); Lance Banning, *The Jeffersonian Persuasion: Evolution of a Party Ideology* (Ithaca, NY, 1978); Robert E. Shalhope, “Toward a Republican Synthesis: The Emergence of an Understanding of Republicanism in American Historiography,” *William and Mary Quarterly* 29 (Jan. 1972), 49–80; Shalhope, “Republicanism and Early American Historiography,” *William and Mary Quarterly* 39 (Apr. 1982), 334–56. The enduring nature of the ambivalence can be seen in a piece just sent me by Johann Neem that reviews once more the liberal–republican dichotomy, “Developing Freedom: Thomas Jefferson, the State, and Human Capability,” *Studies in American Political Development* 27 (Apr. 2013), 36–50. The questions at the head of this paragraph derive from the works of nearly every member of SHEAR, past and present. The term “release of energy” belongs famously to J. Willard Hurst, whose *Law and the Conditions of Freedom in the Nineteenth-Century United States* (Madison, WI, 1956) remains one of the most important works chronically in danger of being lost to the next generation. Read it; then read Karl Polanyi, *The Great Transformation* (New York, 1944); then you may be excused.

positive outcome by promoting the welfare of every citizen. In the words of a 1799 treatise, the purpose of economic policy was metaphysical, to better “the condition of our species, in a way which would seem correspondent with our Creator’s design for harmony.” Absent a clear nationwide consensus as to what the new American economy should look like (and given deep divisions on slavery, manufacturing, commerce, money, and the dangers of political corruption), parties to these arguments tended to deploy abstract claims to promote or defeat concrete results according to their preferences.¹³

Southern planters, not surprisingly, often found themselves clinging to the *laissez-faire* wing of the Smithian legacy. John Taylor of Virginia, for example, placed a jealous regard for property at the center of his system. The primary function of a proper state, he believed, was to secure and protect a man’s property (although Taylor hoped to exempt from such protection property acquired through financial tricks or political intrigue). Labor alone justified ownership; unfortunately, Taylor never could explain how the labor of slaves justified *his* enjoyment of property rights. Thomas Cooper of South Carolina centered his textbook (1834) on property rights as well. Cooper worried more than most American theorists about the mal-distribution of wealth, but he blamed poverty on natural inequalities of power and energy, “laws of nature” that could not be thwarted. The best that could be done was to avoid “artificial” privileges, and erect no barriers to those who might work their way out of poverty. Southern planters generally resisted policies that threatened to empower economic sectors or public institutions over which they might lose control.¹⁴

By contrast, voices in the middle and northern states more often embraced Smith’s developmental vision and attached it to the classical virtues of the greater republican experiment. “Poverty enslaves the

13. William Tatham, *The Political Economy of Inland Navigation, Irrigation, and Drainage* (Philadelphia, 1799), 56.

14. Thomas Cooper, *A Manual of Political Economy* (Washington, DC, 1834), 104–106. See Paul Conkin, *Prophets of Prosperity: America’s First Political Economists* (Bloomington, IN, 1980), especially chs. 3 and 6. John Taylor’s primary relevant publications are the collected essays of *Arator: Being a Series of Agricultural Essays, Practical and Political; in Sixty-One Numbers* (Georgetown, DC, 1814) and *An Inquiry into the Principles and Policy of the Government of the United States* (Fredericksburg, VA, 1814).

mind,” wrote Laommi Baldwin (of later locomotive fame), but “national prosperity enlivens the social character”:

It connects the remotest points of the empire, and protects the most distant and scattered populations. It constructs canals, bridges, roads . . . designed to multiply the advantages of the country. It erects asylums . . . and other benevolent institutions. It raises temples of worship. . . . It disseminates a taste for the polite, and invigorates the application of the useful arts. It expands the intellectual powers, by opening the extensive fields of science, and consolidates the principles of political power. It places the Tuscan base of public integrity, and raises the Corinthian capital of national taste. (1809)

Blending strains of Hamiltonian neo-mercantilism with Smith’s liberal theories of growth through the extension of markets (never mind the dissonance here), Baldwin called upon the states to encourage and facilitate the enterprise of their people with maps, surveys, and internal improvements. Baldwin’s promotional fervor was replicated widely among the advocates of energetic government and internal improvement, culminating in an economic platform in the late 1810s comprising tariffs, land policy, banking, and internal improvements for the purpose of developing the American home market.¹⁵

Taking their cues from Book V of *The Wealth of Nations*, where Smith acknowledged the important duties of the sovereign, the friends of this “American System” of policy embraced a grander view of government (especially national) as well as a mounting confidence in the virtue of private enterprise. Philadelphia printer and amateur economist Mathew Carey published tirelessly in favor of canals, tariffs, and domestic self-sufficiency to protect the young republic from the mercantilist empires that still dominated the Atlantic. In his 1820 text, *Thoughts on Political Economy*, Daniel Raymond presented national wealth as a resource for *all* the citizens as a matter of right. Drawing on Smith’s suggestion that enlarged trade fostered high wages and rising living standards, Raymond celebrated economic growth, general prosperity, and government promotion to ensure it. Political critics

15. Laommi Baldwin, *Thoughts on the Study of Political Economy, as Connected with the Population, Industry, and Paper Currency of the United States* (Cambridge, MA, 1809), 37, 5. See Nelson, *Liberty and Property*, especially ch. 2.

tended to fault such instrumentalist perspectives, in part because they identified potential beneficiaries or, in the language of strident Jacksonian critics, scattered “artificial privileges” among court favorites (shades of Old Corruption à la Walpole). Ideological dissenters focused more often on their methodological weakness: developmentalists did not focus on that holy grail of economic theory, the automatic self-regulating mechanism that puts an end to the need for policy. Economic nationalists such as Henry Clay relished the opportunity to mix politics and economics, while all sorts of skeptics migrated into the party of Andrew Jackson in order to help minimize the role of the state. The question then presents itself: Why did the heirs of the “new science of politics” grow so quickly tired of the game that they turned to markets as the new incorruptible arbiter of interests?¹⁶

By the second decade of the nineteenth century a campaign could be seen taking shape the purpose of which was to sell the new science of political economy, not as a useful guide to policy, but as an essential, true perspective, an artifact of nature that could not be ignored or contradicted. By this time Malthus and Say had joined Smith as worthy authorities, and Ricardo stood ready to claim center stage. Yet much of political economy still seemed startling to reasonable persons steeped in conventional wisdom. An English woman, Jane Marcet, offered an early primer designed to re-educate youths caught between the head and the heart, and “naturally imbued” with the prejudice “of uninformed benevolence.” In Marcet’s *Conversations on Political Economy*, a young girl

16. Smith, *Wealth of Nations*, Book V, 653–768. Mathew Carey has been shamefully neglected by historians. For a partial corrective see the special collection of essays titled “Ireland, America, and Mathew Carey,” ed. Cathy Matson and James N. Green, *Early American Studies* 11, no. 3 (2013), 395–589. For Daniel Raymond, see Conkin, *Prophets of Prosperity*, ch. 4. Developmentalists receive sympathetic treatment in Louis Hartz, *Economic Policy and Democratic Thought in Pennsylvania, 1776–1860* (Cambridge, MA, 1948); and Oscar Handlin and Mary Flug Handlin, *Commonwealth: A Study of the Role of Government in the American Economy: Massachusetts, 1774–1861* (Cambridge, MA, 1969). For an excellent display of the Jacksonian persuasion, see Harry L. Watson, *Jacksonian Politics and Community Conflict: The Emergence of the Second Party System in Cumberland County, North Carolina* (Baton Rouge, LA, 1981). For a long answer to the question about growing tired of politics, see Larson, *Internal Improvement: National Public Works and the Promise of Popular Government* (Chapel Hill, NC, 2001).

named Caroline asks for a detailed explanation “of this universal science.” Her teacher, Mrs. B., defines it as the study of “the wealth and prosperity of nations,” founded upon “the history of the arts and of trade, of discoveries, and of civilizations.”¹⁷

Almost immediately Caroline balks at a fundamental tenet of Smith’s system, the celebration of avarice: “religion and morality teach us . . . that inordinate love of wealth is the source of all crimes. . . . [But] now political economy appears to me to induce the love of riches, and to consider it as the only end to be attained by government.” (Smart girl.) Such an “alarming attack upon political economy” is “unfounded,” Mrs. B. replies, but “you must take my word for it” until I finish laying out the principles in 400 pages! However counterintuitive it appeared to the sentimental young Caroline, political economy actually promoted correctly “the happiness of nations, and the purest of morality.” Caroline’s doubts persist a while. She questions the rise of exclusive private property rights and wonders why it was a virtue to bar most individuals from access to the means of subsistence. Rank inequality distresses her, and she asks about utopian schemes of common ownership, about slavery, and about the causes of poverty.¹⁸

Scrambling through the Smithian cannon, Mrs. B. assures her skeptical pupil that the savage state of nature (communal ownership) could not sustain a civilization. Modern landowners acquired their rights through industry and improvement, and since men are “by nature predisposed to idleness,” they require prodding by aristocratic landlords (themselves as idle as vagrants) to make them farm. Persistent inequality reflects not mal-distribution of wealth but the stubborn refusal of the indolent to exert themselves; there could be no other cause. According to theory, abundant wealth *must* result in greater employment, yielding gains all around. “Nature has wisely attached happiness to the gradual acquisition, rather than the actual possession, of wealth, thus rendering it an incitement to industry; and . . . conducive also to the happiness of nations.” True, large populations relative to capital stock (as in

17. Jane Haldimand Marcet, *Conversations on Political Economy: In Which the Elements of that Science Are Familiarly Explained* (orig. 1816; repr. Philadelphia, 1817) 15, 17, 18.

18. *Ibid.*, 31, 34–35.

England—here comes Malthus) tend to press wages down to subsistence levels (until hunger curbs the fertility of the poor); but in America cheap land, high wages, and a relatively sparse population favored both a lusty sex life *and* a “state of universal prosperity.”¹⁹

Like the merciless drip of water torture, Marcet’s mind-numbing explanations of value, prices, capital, wages, money, commerce, and expenditure slowly break down our heroine’s resistance. By the end she sees the errors of her sentimental upbringing, recognizes the inevitable grip of natural laws over the workings of the markets, and understands that the poor are the authors of their own inconveniences. Dismissed by the great Austrian economist, Joseph Schumpeter, as a peddler of theory for schoolgirls, Marcet nevertheless saw her pedantic volume through at least five London editions. It was reprinted in Philadelphia (1817), New York (1820), and Boston (1828), and stood alongside a growing literature aimed at cultivating modern values among the youth.²⁰

Perhaps the greatest disappointment among political economists by the 1830s derived from Smith’s obvious error in predicting the steady rise of working people’s wages. Thomas Malthus blamed it on population pressure, and gradually most political economists re-imagined human reproduction, once a natural product of adult behaviors, as a willful assault on the wealth of others. We already have heard Marcet hint at this for England; American commentators quickly joined the chorus. Writing in 1833 Thomas Cooper put it just this starkly:

Those who, without probable means of maintaining a family, marry and beget children, who must be supported by the labor of other men more prudent and more industrious than themselves, commit a crime: it is, however thoughtless, a plundering of their neighbor’s earnings.

With such a theoretical pillar in place it was no step at all to condemn all poor relief as a dangerous encouragement to wanton procreation and

19. *Ibid.*, 70, 83, 90–91, 116–17.

20. Schumpeter’s assessment is quoted in http://en.wikipedia.org/wiki/Jane_Marcet, accessed July 3, 2014. Publication data from *National Union Catalog of Pre-1956 Imprints*, vol. 360. Thanks to James N. Green of the Library Company of Philadelphia for advice on tracking publication information.

thus to shift the terms of debate about wages from economics to moral failure.²¹

Not that such liberalism went unchallenged. Radical attacks on private property, reckless Jacobin fantasies of *Égalité* and *Fraternité*, remnants of old artisanal claims to a living wage or property in a trade all found articulation in print, if not approbation from the general public. Tom Paine wandered down that road during the French Revolution. Langton Byllesby, a Philadelphia printer, published an angry treatise in 1826, charging that the promise of the Revolution had been hijacked and that property more than liberty had flourished since the founding. Thomas Skidmore, Seth Luther, and other labor radicals of the 1820s added their voices to a chorus condemning a fetish-like attachment to property rights. Especially between the panics of 1819 and 1837, when the tangible perils of a liberal economy provided new first-hand evidence, apologists preferred to stress the axiomatic TRUTH of political economy and not the merits of its workings in practice. For a science grounded in social history, as Marcet claimed, political economy accounted rather poorly for recent experiences. But the “experts” never wavered. Cooper prefaced his *Manual* with the bitter complaint that some Americans still doubted “the plainest axioms of modern knowledge.” About the same time Marcet published a set of pompous little fairy tales in which poor “John Hopkins” was granted a variety of wishes, each rooted in envy of the rich, and each ending—no surprise—in the wholesale destruction of Hopkins and everything around him. The moral of each story was clear: Whatever hardship prevails, the laws of political economy will not be denied!²²

21. Cooper, *A Manual of Political Economy*, 12, 3; see Thomas Malthus, *Essay on the Principle of Population* (London, 1798–1826 [6 editions]). There is a 1629 charity endowment posted in the church at Lacock, Wiltshire, calling for the distribution of alms every Sunday to families “poor in being overcharged with children.” No censure here, just a recognition that reproductive and distributive markets might not always be in sync. See George Hulbert’s Charity 1629, Wiltshire Archives, Wiltshire and Swindon History Center, Chippenham, England, website <http://www.wshc.eu/>. Author has a photograph of the endowment plaque. Starting with the New Poor Law in Britain (1834), liberal orthodoxy portrayed workers as consumed by a mindless urge to procreate that apparently could not be stifled except by starvation. The Monty Python troupe summed it up nicely in *The Meaning of Life: Birth, Part II, The Third World* (Yorkshire).

22. Cooper, *A Manual of Political Economy*, preface [3]; Jane Marcet, *John Hopkins’s Notions on Political Economy* (London, 1833). See Conkin, *Prophets of*

ACT 4: A BLESSING AND A CURSE

All that remained to secure the primacy of liberal political economy was the final endorsement by religious authorities, lifting the centuries-old ban on avarice and repealing the Sermon on the Mount. For this service Francis Wayland rose to the task. A Baptist clergyman, professor of moral philosophy, and president of Brown University, Wayland published in 1835 an enormously popular text called *Elements of Moral Science*. Two years later he enlarged the section on political economy into a stand-alone primer for high school and academy students. His intention was didactic, not speculative: His intended readers were headed for “the active duties of life,” and Wayland wanted to set them straight on “the laws which regulate the acquisition of wealth.” Start with this proposition: “*Every man must be allowed to gain all that he can.*” To accomplish it each man must be secured in his possession and absolutely free in the use of his property—whether land, capital, or “faculties of body and mind.” Under such conditions a man might impose upon his neighbors, but never mind; better to let him alone than “for the sake of regulating *him* to oppress *all the other men* in the community.”²³

Wayland’s libertarian fervor seems more ardent than some of his predecessors, but what stands out even more is his overt moralizing. Normative pronouncements and peremptory explanations decorate the whole discourse. Business innovations, for example, always benefitted workers, never their employers. What need had the wealthy capitalists for cheaper household textiles? The inventor of new machinery he praised as a “benefactor to society.” Luddite complaints about lost jobs were simply ridiculous. Wayland instructed his readers “to rejoice” when any innovation rendered their fellow citizens “more comfortable.” Idleness he saw as an extension of Adam’s “original sin” and labor the God-given

Prosperity, 234–35. Fine portraits of these critics appeared years ago in Sean Wilentz, *Chants Democratic: New York City and the Rise of the American Working Class* (New York, 1984). For the changing culture of charity, see Conrad Edick Wright, *The Transformation of Charity in Postrevolutionary New England* (Boston, 1992).

23. Francis Wayland, *The Elements of Political Economy* (Boston, 1837), 71–76, 77, 81–82. Wayland’s *Principles of Moral Science* (1834) saw 4+ editions and 81 printings, many after Wayland’s death. His *Political Economy* also saw 4 editions, 59 total printings, and sold above 40,000 from its original Boston house alone. Data from *National Union Catalog of Pre-1956 Imprints*, vol. 651.

medium through which all subsequent blessings flowed. The man who would not labor soon became destitute and perished. Good for him! Such were the “conditions of being” laid down “by our Creator.” The morality of the system depended on rewards and punishments with which people must never interfere. It was “important that every man should have all that he has earned,” and just as critical that he get “nothing unless he have earned it.” In *rare* cases, where poverty resulted from God’s hand upon the pauper, Christian charity allowed some relief, “but just enough to supply that deficiency” produced by “the visitation of God.” Most misery, of course, sprang from indolence and vice. Here at last we see clearly the modern sense of the word “fortune” with which I began.²⁴

Wayland’s book did not invite discussion or argument, and it served as a leading text for fifty years. To his readers he delivered clear, authoritative “information” about the ways of the world (facts, facts, facts, said Gradgrind). Except for the heavy hand of God meeting out punishments, his system of political economy reflected pretty much Smith plus Ricardo with a dash of Malthusian scorn for the sex lives of the poor. It is interesting to note, however, that while real-world evidence mounted showing of how markets actually worked, arguments like Wayland’s, supporting Smithian analyses, remained abstract and schematic. By 1830 there was plenty of evidence that neither reason nor self-interest governed all human behavior. The rising tides of productivity did *not* lift all boats equally, or even proportionally, and sometimes market adjustments through supply and demand came at great cost to lots of people whose personal wickedness (the warrant for their suffering) could not be established. That the greatest good for all naturally resulted from the selfish pursuit of private wealth *might have seemed plausible* in 1776, when faulty mercantilist interventions had corrupted nearly every aspect of the British Atlantic economy; but by the 1830s Smith’s confident assertion appeared less self-evidently true. Still, believers kept the faith (for such it had become by then). Challenged to explain rising *inequality*, growing dependency, and the extravagant gains of some fairly seedy characters, apologists like Jane Marcet and Francis Wayland charged instead that without the capitalist system there would be no cloth, no shoes, no

24. *Ibid.*, 65, 83–85, 189–90.

steamboats, no jobs, no money. The alternative, they insisted, was universal misery and a return to the savage state of nature.²⁵

Confronted with the obvious fact that the new economic relations threatened social and political equality, most political economists after 1830 blamed the vicious habits of the poor for their deteriorating situations. Worthy commoners, who not long before had carried the flame of liberty in their bare hands, lost their virtue somewhere in the 1820s; now they stood condemned by liberal social critics as undeserving, self-indulgent pigs. They might have been *created* equal, but only those who scrimped and saved, invested in the future, eschewed consumption in the present, resisted carnal temptations, and seized the brass ring when they saw it—only these truly deserved the prize of liberty. (By these lights the Declaration’s author, Thomas Jefferson, utterly failed to qualify!) The “right” to enjoy one’s ease, “beneath one’s own vine and fig tree,” as Jefferson liked to say, picked up in the nineteenth century a new obligation to enlarge one’s vineyard, and not just to harvest figs but also to manufacture Fig Newtons.[®] The workers Smith had hoped would claim a rising share of the “necessities and conveniences” of life found themselves begrudged the barest subsistence. “Happiness,” universally treated as a positive objective in eighteenth-century writings (including Smith’s), became now a thing to be *pursued* instead of enjoyed. Children stood now as proof of the lust and shame of slatternly parents who placed conjugal pleasures ahead of frugality, honor, and self-control. And “fortune,” stripped of all its charm, romance, and mystery, referred now to just “a pile.”²⁶

25. Wayland liked to contrast modern conditions with the wretched lives of “the Western Indian, or the Eastern Hindoo” (59, 87). Each of Marcet’s tales in *John Hopkins’s Notions* demonstrated the futility of wishing things could be other than they were. For introductions to economic performance, see Larson, *The Market Revolution in America: Liberty, Ambition, and the Eclipse of the Common Good* (Cambridge, UK, 2010); Daniel Walker Howe, *What Hath God Wrought: The Transformation of America, 1815–1848* (New York, 2007), especially ch. 14; Edward Balleisen, *Navigating Failure: Bankruptcy and Commercial Society in Antebellum America* (Chapel Hill, NC, 2001); Brian P. Luskey, *On the Make: Clerks and the Quest for Capital in Nineteenth-Century America* (New York, 2010); and Jessica M. Lepler, *The Many Panics of 1837: People, Politics, and the Creation of a Transatlantic Financial Crisis* (New York, 2013).

26. See Jack P. Green, *Pursuits of Happiness: The Social Development of Early Modern British Colonies and the Formation of American Culture* (Chapel Hill, NC,

By mid-century, this emerging liberal orthodoxy had found both its historical traction and a rising chorus of critical voices pouring out competing arguments. Although it never was a part of anyone's intention, the success of Jackson's anti-corruption campaign against activist government—against the “money power” and other threats to freedom of the people—stayed the hand of popular government precisely at the moment it might have been used to steer economic development toward generally benevolent objectives. “Good government” might have been a pipe dream (then as now), but the cult of opposition inadvertently helped empower the rising business community by embracing the truth of *laissez-faire*. Henry C. Carey developed a powerful alternative model based on the “harmony of interests” rather than the primacy of private advantage, but Carey's vision relied on politics and public policy. Karl Marx, of course, ransacked the history Adam Smith had only skimmed and came to profoundly different conclusions about the “nature” of things and the course of history. European syndicalists, radical single-taxers, communitarians of all stripes, romantics dreaming of yeoman farms and craftsmen's cottages, eventually even progressive scholars with PhDs in law and economics at Columbia, Wisconsin, and Berkeley, all challenged the fundamental claims of the classical—then neo-classical—system set forth by Adam Smith.²⁷

In the end, none of these critical approaches was able to claim (much less make the claim stick) that its central insights enjoyed the status of natural law. In the stories we like to tell about American freedom, natural

1988). I was first introduced to the ready use of the term “happiness” among eighteenth-century thinkers by a graduate school classmate, Janet Riesman, who explained it in ch. 1 of her dissertation, “The Origins of American Political Economy, 1690–1781,” PhD diss., Brown University, 1983.

27. Reform voices in the Gilded Age-Progressive Era have received surprisingly little attention from historians recently. For an introduction, see *The Gilded Age: Essays on the Origins of Modern America*, ed. Charles W. Calhoun (New York, 2007). The structural context can be found in Richard Franklin Bensel, *The Political Economy of American Industrialization, 1877–1900* (Cambridge, UK, 2000). See also John L. Thomas, *Alternative America: Henry George, Edward Bellamy, and Henry Demarest Lloyd and the Adversary Tradition* (Cambridge, MA, 1983). Despite its age, I would direct any interested reader to meet the essential cast of critical characters in Sidney Fine, *Laissez Faire and the General Welfare State: A Study of Conflict in American Thought, 1865–1901* (Ann Arbor, MI, 1956).

law and cosmic design continue to play an attractive part. And in the popular mind, the simplicity, the clarity, the elegance of claims for self-regulating markets and the “natural laws of trade” bestowed upon them in the nineteenth century—and bestow upon them still today—a tremendous argumentative advantage. Despite the strident claims of the friends of neo-classical economics, neither its assumptions nor its elegant rhetorical advantage are truly rooted in nature. They are rooted in historical analyses and cultural constructions that found purchase in a time and place where they enjoyed an enormous appeal—a happy convergence of ideas, ambitions, and desires that, in an earlier day, might well have been ascribed to “good fortune.” And that’s the word.



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