

Adam Smith's idea of historical progress and its limits

Summary

Keywords: invisible hand, growth, degrowth, positions of power

Narrative step: Organizing society

To understand Smith's thinking about historical progress as a mechanism channeling private interests in favour of public benefit is misled by a shortened reading of his texts. To grasp a more accurate picture of Smith's conception of progress one should ask why Smith put overall economic growth into the center of his economic thinking. The answer cannot be found by interpreting this proposition as a concession to the „invisible hand“, to an assumed necessary beneficial effect of individual wealth striving on the public good, which Smith describes as the flourishing of „liberty, reason, and happiness of mankind“ and puts under the protection of a „civil government“. To Smith economic growth appears as a condition for the possible set-up of such a „civil government“. But today further economic growth can only be partial and at the expense of others. It cannot be a prerequisite for the flourishing of „liberty, reason, and happiness of mankind“ anymore if not complemented by degrowth.

Long Abstract

Asking for an idea of historical progress within Adam Smith's philosophy and taking into account conventional interpretation of his economic thinking does not easily lead to the suggestion that he might have seen progressive development in history as a result of undisturbed individual striving for private benefits. After all, so the familiar picture, the individual striving for private interests would bring in its wake a more beneficial life to and for everybody. The metaphor of the „invisible hand“ has become the epitome of this supposed Smithian conception of progress. In front of this interpretational background Smith's idea of historical progress structurally could be seen in a row with those of Kant, Turgot and Hegel; at least if one puts as much emphasis on the historical efficiency of the „invisible hand“ as on what Kant called the „Naturabsicht“, Turgot the „vaste génie“, and Hegel the „List der Vernunft“. This understanding of Smith's thinking about historical progress as a belief in some natural mechanism channeling private interests in favour of public benefit, so the result of this contribution, is misled by a shortened reading of his texts.

To grasp a more accurate picture of Smith's conception of historical progress it is helpful not to concentrate too much on the metaphor of the „invisible hand“ giving expression to the undoubted comprehensible insight that the individual pursuit of private interests does not necessarily stand in an antagonistic relation to the interests of other individuals. Rather one should ask for the reason why Smith put overall economic growth into the center of his economic thinking: „It proposes to enrich both the people and the sovereign.“ The answer to this question is not to be found by interpreting this proposition as a concession to an assumed necessary beneficial effect of individual wealth striving on the public good, which Smith in the later and usually little noticed chapters of his *Inquiry* describes as the flourishing of „liberty, reason, and happiness of mankind.“ In the contrary, he explicitly puts this flourishing under

the auspices and protection of a „civil government“. To Smith economic growth appears as a condition for the possible set-up of such a „civil government“. Economic growth which can be seen as a residual measure of „the gradual improvements of arts, manufactures, and commerce“ is interpreted by him as a historical process undermining the monopolized and centralized positions of power which served the private interests of those who held these positions at the expense of the greater rest. But for that process not to lead anew into asymmetric distributions of power that stand against the flourishing of „liberty, reason, and happiness of mankind“ it has *not to be followed* but *to be accompanied* by the development of „civil government“. This becomes clear when Smith talks about legislation to be performed with „great precaution“ and „most scrupulous“ and „most suspicious“ attention in order to avoid private interests to prevent or wreck the public good. It would be totally misguided and would mean an ideological understanding of the „invisible hand“ trying to interpret the set-up as well as the functioning of such a „civil government“ as an automatic outcome of individual striving for private interests and for growth of economic wealth.

So Smith's call for economic growth as a fertilizer for the flourishing of „liberty, reason, and happiness of mankind“ is bounded to two conditions. First, natural and social resources must be capable to provide for economic growth. Second, „civil governments“ have to be set up. The latter condition is everything but a matter of course, so not of historical course. The former condition has come to a global limit, which cannot be exceeded. Further economic growth can only be partial and at the expense of others. Hence economic growth cannot be a prerequisite for the flourishing of „liberty, reason, and happiness of mankind“ anymore if not complemented by degrowth.