



Often misread as little more than a prophet of laissez-faire, the father of modern economics would have radical remedies for 21st-century capitalism. By Jesse Norman



The market system from which global prosperity has emerged over two centuries is now under attack from all sides, its basic legitimacy assailed from the right by critics of unfair competition and crony capitalism, from the left by campaigners against inequality and "market fundamentalism".

More than any other, the Scottish political economist and philosopher Adam Smith stands at the centre of this ideological battlefield, while around him clash competing views of economics markets and societies.

For many on the right of politics, author of The Wealth of Nation is a founding figure of the modern era the greatest of all economists, an elo quent advocate of laisses-faire, free markets, the "invisible hand" and the liberty of the individual; and the staunch enemy of state intervention in a world released from the utopian delu

sores or communism. For many on the left, Smith is som thing very different: the true source a roging of "market fundamentalism homo economicus and the efficie market hypothesis, the prime mover a materialisi tideology that is sweepit the world and corrupting real sources human value; an apologist for weal and inequality and human selfithness and a misocrapit to book.

Which, then, is the real Adam Smith? In fact, both these views are hopeless caricatures. Smith was not an advocate of laissez-faire; the phrase "invisible

Smith is so intellectually fertile and quotable that he offers constant temptations to over-interpretation

hand" occurs just once in The Wealth of Nations; and he did not oppose all statinterventions in markets. Indeed, hi positively advocates a range of them from specific forms of taxation to regulation of the hanks.

He did not think selfishness was a virtue, and he was not a misogynist; far from originating the idea of 'market fundamentalism', he would have opposed it; and homo economicsa and the efficient market hypothesis are later ideas that body distort Smith's tarel, as the combination of freely trading markets and autonomous corporations, is a 19th-century phenomenon, and only emerged two generations after his death.

The real Adam Smith is a waitly wiser and more subtle thinker. He forces us to discard the usual simplistic signature and tried clicks. But more than this he still has a wat amount to teach us, not merely about economics and markets and trade, but about the deep-buman society Leng us today. Par from attacking Smith, we must turn to him again. For we cannot understand, or address, the problems of the modern world without him.

One thing is clear: Smith is by far the most influential economist who has ever lived. Virtually every great econo-







Who is the real Adam Smith?

mist of the past two centuries has invoked his name. Every major modern branch of economics, from the so-called neoclassical mainstream to the Austrian and Marxist schools and the more recent offshoots of institutional, developmental and behavioural economics, traces its roots back to Smith.

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Meanwhile politicians, cacdemics and
pub bores around the world have found
the authority of The Wealth of Nations
and the simplicity of its core ideas an
irresistible combination, and routinely
draw on them to dignify and adorn their
own beliefs or arguments, however

dustions they may be.

The result has been to obscure Smith's ideas, and to breed myths withsmith's ideas, and to breed myths withcut number. For Smith is so intellectually fertile, so multi-faceted and so
quotable that he offers constant temptations to over-interpretation or outright
theft. Indeed, he can be read as anticipating an astonishing range of contempourary events.

One such is the rise of celebrity poil ities, from the interaction of modern technology with the human disposition to admire the rich and the powerful, and the human capacity for mutual sympathy, both ideas Smith discusses in his less well-known but no less brilliant look. The Theory of Moral Sentiments.

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Another is the logic or otherwise of Britain's departure from the European Union. After all, during the war of independence, Smith argued in relation to the American colonies that Britain faced a clear choice: either to separate entirely from them, or to form an imperial union, in which case sovereignty, and in due course the seat of government itself, would end up slowly being transferred

It is no small irony that Smith himself detested controversy. A man of gentle and retiring disposition, he led a life of academic uneventfulness. Born in Kirkcaldy, Fife, in 1723, he went to study first at the university of Glasgow, and then in

1740 at Balliol College, Oxford — which he much disliked. One can understand why, since Balliol at that time was High Church, Tory, factional, costly and Scotophobic, and Smith was Presbyterian, Whiggish, sociable, impecunious and a

Scot. It was not a happy combination.

Smith lelf Coxford in 1746, and after a
period at home returned to Glasgow as a
period at home returned to Glasgow as on
extended tour of France as tutor to the
young Duke of Buccleuch, before finally
taking a position as a Commissioner of
Customs for Socialand. Over 40 years he
published The Theory of Mend Sentiments
(1759) and Am Ingely into the Nature and
Causes of the Wealth of Nations (1776).

As to his girbate views, we know wer little. In politic he was broudly Willing gish in his belief in the virtures of coast tutional monarchy, religious teleration and personal freedom. But he remainer remarkably close, religious toleration and personal freedom. But he remained remarkably close flipped about his own throughout his life. He belief with the remainer has been also been also belief to the property of the property o

tureies sanara. But if Smith's life was uneventful, the times he lived in were not; indeed, they were tumultuous. The Union between England and Scotland forged in 1707 was, then as now, a blitterly contested affair. But it proved to be a foundation of modern Scotland sationhood, and it set in motion a transformation that made Scotland one of the tiger economies of the 19th century.

nies of the 19th century.

Union opened the way for Scotland to cave feudalism behind and become that Smith calls a "commercial soci-ty", based not on personal subordination but on markets and trade. But that rocess was by no means preordained.

— the entire political and religious settement of firstain might have changed the tement of firstain might have changed to transformation was not merely economic; it was cultural and intellectual as well, and it took the country from the edge to the centre of thospoen throught. Eallightenment included a duzzling array of thinkers in pilloscopy; the entire of the country of the country is exist popular. The country of the country is exist popular, and are the country is exist popular. The country of the country is exist popular, parallel to Dr Johnson, Edimund furthe, Johnson Reynolds, Joned Carricle, Oliver Goldmind and Edward Gubbon south of the backer.

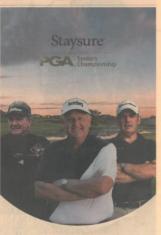
Smith once described the great philosopher stateman larke as the only man, who, without communication, thought on economic subjects exactly as he dis², not Smith's closes if frend and deepest influence was Lavels and deepest influence was Lavels measure one of the greatest philosophers of all time — were at the heart of this remarkable Scottish intellectual transformation. They were a unusual pair. Hume, the older man by 12 years, was worldly, open, with, full of until a was worldly, open, with, full of until Smith by contrast was reserved, private, considered and often rather auteries his public manner, although be

Humes ironic wit and hamour make him a blographer's dream. After his History of England proved to be a tremendous critical and popular success, his publisher entreated him for another volume, only to receive the memorable rebuffi. "I have four reasons for not writing I am too old, too fat, too lazy and too rich."

When at a last dinney before Hume's death in 1776, Smith complained of the cruelty of the world in taking him from them, Hume said: "No, no. Here am I, seho have written on all sorts of subjects calculated to excite hostillity, moral, political, and religious, and yet I have no enemiese except, indeed, all the Writes, and all the Cristians."

Hume's thoroughgoing philosophical scepticism had earned him a notorious reputation as an atheist, so much so that he was turned down for academic positions at both Glasgow and Edinburgh universities, to their everlasting later

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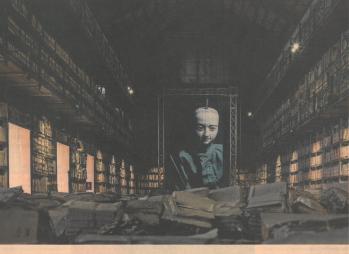
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Sailing towards a better future

Ship of Tolerance |
The Russian-born Emilia
Kabakov's art project aims
to heal geopolitical
divisions. By Andrew Jack

The Russian artist Emilia
Kabakov watched in horror
she had brought together
about 100 in an isolated and
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from the Caucasus, learnt during the
tubering logical and the USSR. "If a woman
stands between two men who are fighting, they cannot continue," recalls the
diminutive but ferries a staft. "So I vent
divided communities that host it.

"The standed fives a turning point in
project a mine at la linke que beca of the
divided community to an international at I-oving
elite. It has evolved into "T

It together with Ilya: we talked on the phone every day."

She worked with the local school teacher to get the the local school teacher to get the phone every day. The local school teacher to make the local school teacher to make the local school teacher to the local school teacher the sails. To construct the "Ship of Siwa" itself, she turned to David Harold, a joinery and carpentry lecturer at Manyle school teacher College of Arts and Technology with whom she had worked previously. He in turn selected half a dozen teacher local school teacher to consist to build the ship from local bamboo and reeds. "Some of them had never been out of the country," he



recalls. "I didn't choose the best carpenters. I chose the ones I thought needed to go, to see different cultures. It's something they will never forget."

The teenage Mancunian struggled to communicate, and it was the modest to local children that spatced the fighting. But with time, and through games, they forged links.

Two years later, Kabakov took the Ship of Tolerance to the Venice Bienale, where she worked with troubled schools with large immigrant intakes to produce the sails, with the theme office and the contract of the tolerance. "It's interesting to talk to small

'The fly wants to eat the fruit, and the spider the fly, but they don't. That's tolerance'

have also taken plac hev Vatican, switzer Kabakov is current or ease the tense relations between Cubans and exiles in the US. But the Floridabased émigres fiercely criticised the project, putting pressure on the original backers to withdraw support. "It was a disaster. I had so many hateful calls. I used logic, they screamed," she shrugs. With a new backer, the Miami ship was built, but soon dismanted after just a few showings. She had more success on the second leg in Cuba, where the Castro regime authorised the project. Kabakov recruited her daughter Viola and they organised an event bringing shipoflolerance.com