The Rhetorical Structure of Adam Smith’s Wealth of Nations (and the importance of acknowledging it)

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The Rhetorical Structure of Adam Smith's *Wealth of Nations*  
(and the importance of acknowledging it)

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Abstract

Analyzing the rhetorical structure of *The Wealth of Nations* (Smith *WN*) and its context, we make the case for the central importance of its Book V, "Of the Revenue of the Sovereign or Commonwealth", which tends to be neglected in most accounts of Smith’s oeuvre (even, most recently, in the outstanding Phillipson 2010) but which in our reading is, rather than a general treatise on optimal taxation and spending, a book focused on the future of an empire being threatened by a Mercantilist system. The Empire in question was, of course, the British one. Book V follows Book IV, in which Smith -- after having documented the slow and unnatural progress of opulence in, among others, England and Scotland in Book III -- had undertaken a “very violent attack” (Smith *EPS* p. 208; Smith *Corr.* p. 251) on those responsible for the low growth rates (“opulence”) in Scotland and, even more, England: manufacturers and merchants and those politicians who propagated Mercantilist philosophies and practices of the commercial class. Aware that those he targeted would not take kindly to the attack, Smith made his case against the Mercantilist system as well as its colonial policy by marshaling his earlier insights into rhetorical theory and practice. We explain why and how he organized his attack.

Keywords: Adam Smith, The *Wealth of Nations*, rhetoric, rhetorical structure of *The Wealth of Nations*

Acknowledgment: This manuscript builds on previous work of the first author with S. J. Meardon. In fact, Meardon & Ortmann (1995) stress the importance of acknowledging the rhetorical structure of Adam Smith’s *Wealth of Nations* and around the same time wrote a related manuscript with the present title (save the parentheses). The present manuscript, although it took as point of departure that manuscript, is so new in many arguments and supporting facts that S. J. Meardon felt it was not appropriate to still be listed as co-author. We appreciate his insightful comments on a recent version of the present manuscript. We also thank Tony Aspromourgos, Christopher Berry, Geoffrey Harcourt, Nicholas Phillipson, and Vernon L. Smith, for their feedback. The usual caveat applies.
Introduction

The last couple of decades have seen an increasing appreciation from economists for Smith’s *The Theory of Moral Sentiments* [TMS] (Smith 1982 (1790); e.g., Ortmann & Meardon 1995, Meardon & Ortmann 1996 a,b; Smith 1998; Ashraf, Camerer, & Loewenstein 2005, Paganelli 2010) as well as for other parts of his oeuvre that he himself authorized for publication (*History of Astronomy* [HA] (Smith HA; see, famously, Schumpeter 1954) and *Considerations Concerning the First Formation of Languages* [CL] (Smith CL) and for those that he did not.

Among them, the sets of lecture notes, now part of the Glasgow edition of his work (namely, his *Lectures on Jurisprudence* [LJ] (Smith 1978) and his *Lectures on Rhetoric and Belles Lettres* [LRBL]), are widely acknowledged to be rudimentary versions of books that Smith had thought about both early in, and in the twilight of, his career (see Stewart 1982, p. 275, p. 320; see also pp. 6 – 7, pp. 132 - 3, and chapter 13 in Phillipson 2010 and there in particular p. 261), as part of a greater philosophical project.

The LRBL are of particular interest to us. Here we focus on the rhetorical structure of *The Wealth of Nations* [WN] (Smith WN). Others have focused on rhetorical aspects of the WN before (e.g., and in chronological order, Endres 1991, Bazerman 1993, Brown 1994, Collings & Ortmann 1997, Fleischacker 2004, Phillipson 2010, Kellow 2011, Herzog 2013).

The point that we make is that Book V ("Of the Revenue of the Sovereign or Commonwealth"), as much as it is a treatise on optimal taxation and spending, is a book focused on the threat the mercantilist system posed to the future of the British Empire. That Book V should be considered a key chapter of the WN is novel in the literature (but see Meardon & Ortmann 1995).

We use Smith’s rhetorical insights developed in LRBL to make inferences about the structure of the WN and ground our claim that Book V is a key Book of the WN. We buttress these arguments with an analysis of the political and social changes sweeping through England and Scotland while Smith was writing the WN. We pay particular attention to why it took Smith three years longer to finish the WN than he planned. We conclude that WN should be read as a very political book, deeply embedded in its time and place.

Smith was concerned, in theory and in practice, with how best to persuade. Examining the modes of communicating ideas was, according to Smith “[t]he best way of explaining and, illustrating the various powers of the human mind” (Stewart 1982, i.16, p. 274) and of making sense of the natural and social world. Smith understood that different circumstances required different discourses. Persuasion, Smith (1983, p. 96) argued, depended heavily upon the subject matter and the circumstances, but also on the character and manner of both speaker (writer) and

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1 His CL were appended to TMS starting its third edition. Lecture 3 of LRBL is a shorter version of this text. CL were one of the few texts Smith did not want to have burned before his death and we know that he accorded them a high value (Stewart, ii.44, p. 292; see also Phillipson 2010, p. 70 and pp. 165-6). Similarly, Smith left it to the discretion of his executors Joseph Black and James Hutton to publish HA (Phillipson 2010, p. 179; see also Kennedy 2013).

2 Elsewhere (Ortmann & Walraevens 2015) we argue that Smith’s insights into the strategic nature of the writer-reader and the speaker-listener relationships are indispensable for an understanding of the deep structure of Smith’s oeuvre.
listener (reader), as well as the rapport they had: “[w]hen the sentiment of the speaker is expressed in a neat, clear, plain and clever manner, and the passion of affection he is possessed of and intends, by sympathy, to communicate to his hearer, is plainly and cleverly hit off, then and then only the expression has all the force and beauty that language can give it.” (Smith 1983, 25; see also pages 26 and 96)

Smith stressed that hostile listeners or readers require a speaker or writer to argue in round-about ways ("rhetorical") rather than "didactical" ways. Didactical, to Smith, meant a sober presentation of the pros and cons of an argument. Rhetorical, in contrast, entailed the acknowledgement of interactive decision making that is strategic and potentially, or maybe likely, afflicted by information asymmetry.

Rhetoric, in other words, was essential to Smith. It is thus surprising that so little attention has been paid to how Smith’s rhetorical strategies show up in his work. For example, Rae, Cannan, and Schumpeter did not pay attention to this, leading Schumpeter (1954) to a negative and questionable assessment of the bulk of Smith’s work (Ortmann, Baranowski, & Walraevens 2015).

Below we explain why Smith thought it necessary to argue rhetorically rather than didactically and who the hostile listeners or readers were whose approval he could not take for granted. We examine the political and social changes sweeping through England and Scotland at the time Smith was writing the *WN* and how this may have factored into Smith’s three-year delay in finishing the book. In brief, Smith had come to understand that the differential growth rates in England and Scotland corresponded to the extent of mercantilist philosophies and practices. More important, Smith realized that the American colonies illustrated economic systems that came closer to natural liberty and that their higher growth rates were likely no coincidence.

Smith realized how mercantilist philosophies and practices were interacting with colonial policy both of which were the source of the worsening debt situation already Hume had starkly analyzed as a threat for the existence and sovereignty of the state and, in fact, the whole idea of an Empire. Smith defined in Book V of the *WN* a system of taxation and public expenditure that

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3 See also Bryce (1976, p. 7 and p. 13). Rae reported that Smith had divulged to a third party that sometimes he would select one of his students as an unsuspecting gauge of the extent to which he managed to captivate the class: “I had him constantly under my eye. If he leant forward to listen all was right, and I knew that I had the ear of my class; but if he leant back in an attitude of listlessness I felt at once that all was wrong, and that I must change either the subject or the style of my address.” (Rae 1895, p. 57) The attention that Smith paid to others’ perception of his performance – an attention very much reflected in the spectator construction of *TMS* (Meadron & Ortmann 1996a,b) – paid clearly off as by all accounts Smith was considered a good teacher (Stewart I.2, pp. 5 – 7; Ortmann 1997, 1999).


5 Admittedly, Schumpeter wrote not having access (because they were not known then) to the *LRBL* – student notes of lectures that Smith gave in 1763-64 and 1762-63. Smith’s own notes were upon his request destroyed a few days before his death (Stewart 1982, v.8 p.327). See Ortmann, Baranek, & Walraevens (2015).

6 Van de Haar (2013)’s chapter on empire and international relations in Smith is more focused on the latter than on the former and misses the link between the colonial wars, the mercantile system, the importance for Smith of the American question and his views for the future of the British Empire, which are all related.
would save Great Britain from bankruptcy by requiring Ireland and the American colonies to pay
taxes to the mother country commensurate with the costs of direct and indirect defense and
governance. In return, Ireland and the colonies would have representatives in the British
Parliament. 7

We first explain why and how Smith made his case against the mercantilist system by
marshalling Smith’s key insights about rhetorical theory and practice. We end by summarizing
our case for the central importance of Book V and by emphasizing the importance of
understanding the rhetorical structure of the *WN*.

1. **Why Smith attacked the mercantilist system**

The basic argument is this: Scotland, in the run-up to the publication of Smith’s major works,
was a low-wage country in what was, following the 1707 Act of Union with England, “the
biggest free-trade zone in Europe at the time” (Devine 2006, p. 54).

Driven in part by its wage advantage and in part by the innovation and leadership of its landed
elite, business classes, ecclesiastical and educational institutions (Devine 2006, pp. 61 – 62) that
became known as the Scottish Enlightenment, Scotland staged an industrial and agricultural
revolution that truly deserved the name (Devine 2006, p. 107; see also pp. 105 - 123). This
revolution triggered a period of extraordinary urbanization between 1760 - 1830 that surpassed
even England and Wales (and Ireland; see Devine 2006, pp. 152 – 169).

Smith leveraged his first-hand knowledge of these developments in Scotland (Kirkcaldy8,
Edinburgh, and Glasgow) and England (Oxford and London) to understand the drivers of this
Revolution by examining the different conditions undergirding the developments in England
and Scotland, with the former more stifled by constraints that conspired against a natural system
of liberty than the latter. Developments in the American colonies made it clear that even
Scotland, which by all accounts was less corrupted by vested interests, had a long way to go
towards a system of natural liberty. From the growth rates and emergent states of opulence, it
seemed that the American colonies presented a far better example from a policy point of view.

In addition, England had just emerged from what is known, among other names, somewhat
misleadingly as the Seven Years War (1754 - 1763), a veritable world war that was fought in
Europe and elsewhere and involved numerous countries in shifting alliances.9 While Great
Britain emerged—qua its superior naval power—as a major territorial winner, expanding its
sphere of influence Canada, Spanish Florida, the Caribbean, Senegal, and the Indian

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7 Only a couple of years later, in February 1778, in “Thoughts on the State of the Contest with America” (Smith
Corr., Appendix B, pp. 380-385), Smith – while still considering it the best of the available options -- seems to have
voiced serious concerns about the viability of some such solution which he considered “not very probable at
present” (Smith Corr., p. 381). That insight was partially triggered by the defeat of the British army in the Saratoga
battles in September and October 1777 (Ketchum 1997).and the importance of national pride for policy making.

8 “Kirkcaldy. It was there that he went to school, there he returned for the long vacations that he enjoyed as a student
and professor at Glasgow, and there that he wrote much of the Wealth of Nations between 1767 and 1773.”
Phillipson (2010, p. 10).

9 The intricate details of this world war, and its major drivers (religion!), can be ignored for our purposes.
subcontinent, her wins came at the cost of a crippling debt load. Smith recorded a 69% increase in public debt for the British government (from £72 to £122 million) during the War (WN, V.iii.45, p.922). Who was to pay for this war and the war with the American colonies, and how, were the questions of the day. Upon Smith’s return from continental Europe in 1766, the Chancellor of the Exchequer, Charles Townshend, asked Smith for his opinion on how to deal with the fiscal consequences of the Seven Years War: “(Smith’s) involvement with colonial affairs as an advisor was more personal and prolonged. We do not know if [Smith] recommended the Townshend duties that were later to play a major part in the Boston tea party in 1773, but we can be fairly certain from the treatment given to public debt and taxation in Book V of the Wealth of Nations, and his speculative plan for a ‘states-general of the British Empire’ in Book IV, that Smith supported Townshend’s resolve to make the American colonies contribute a larger share of their revenues to cover debts incurred in their governance and defence.” (Winch 2013, p. 4)

Questions of taxation and spending, and of an optimal economic system at home and abroad had thus gained urgency. These questions also informed notions of what the relation between Great Britain and its American colonies should be. Smith’s early thinking on this was strongly influenced by the 1707 Act of Union and the benefits it had for Scotland. Also, in the run-up to the publication of the WN, the consensus was that any solution to the conflict with the American colonies would be Great Britain’s to choose. While Smith was skeptical that the conduct of the war would lead to victory, Wedderburn, even shortly after the publication of the WN, had little doubt that Great Britain would prevail.

“The American question” (Phillipson, 2010) with which Smith seems to have been deeply concerned with, even after the publication of the WN, thus had many facets: the (in)dependence of the American colonies, the future of the British Empire, the question of how

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10 This was made also clear in the already mentioned “Thoughts on the State of the Contest with America, February 1778” (Smith Corr., Appendix B, pp. 380-385), that Smith wrote for Alexander Wedderburn, who was at that time a member of British Government and at the center of the discussion on the American question.

11 “By a union with Great Britain, Ireland would gain, besides the freedom of trade, other advantages much more important, and which would much more than compensate any increase of taxes that might accompany that union. By the union with England, the middling and inferior ranks of people in Scotland gained a compleat deliverance from the power of an aristocracy which had always before oppressed them. By a union with Great Britain the greater part of the people of all ranks in Ireland would gain an equally compleat deliverance from a much more oppressive aristocracy.” (WN, V.iii.89, p.944) See also (Smith Corr., Appendix B).

12 “The American Campaign has begun awkwardly. I hope, I cannot say that I expect, it will end better.. England, tho’ in the present times it breeds men of great professional abilities in all different ways, great Lawyers, great watch makers and Clockmakers, etc. etc., seems to breed neither Statesmen nor Generals.” (Smith Corr. 158, Smith to Strahan, June 3, 1776)

13 “I have a strong persuasion that in spite of all our wretched Conduct, the mere force of government clumsily and unsteadily applied will beat down the more unsteady and unmanageable Force of a democratical Rebellion.” (Smith Corr. 159, Wedderburn to Smith, June 6, 1776)

14 In a letter to Smith dated 8 February 1776, Hume writes: “The Duke of Bucleugh tells me, that you are very zealous in American Affairs. My notion is, that the matter is not so important as is commonly imagind.” (Smith Corr. 149, p.185)

15 See for example the already mentioned 1778 a memorandum for Alexander Wedderburn.
to move England closer to utopia\(^{16}\), and the design of an optimal economic organization (Pincus 2012).

Addressing “the American question” had the added bonus of allowing Smith to distance himself from the criticism of those landed elites and business classes to whom he owed his professorship: “the professoriate was appointed on the basis of patronage and personal connections” (Devine 2006, p. 78). Both Kennedy (2005) and Phillipson (2010) make clear that Smith - notwithstanding his behavioral idiosyncrasies and absent-mindedness – was well aware that biting the hand that fed him could be dangerous. He had not to look too far: That “ingenious and agreeable author” (TMS, IV.2.3, p.188) and close friend, David Hume, was never given a professorship because he was too outspoken. Although the industrial and agricultural revolution, and hence economic liberties, started to take off around the time of the publication of TMS (Smith 1759), other liberties were slow to follow suit. “Religion remained very much at the heart of the Enlightenment and its influence remained all-pervasive… the Church was still the dominant force in both the schools and the universities, the twin cradles of Enlightenment.” (Devine 2006, pp. 76 – 77; see also Kennedy 2013 who claims that Smith engaged in a deliberate game of make-believe on religious matters throughout his life since he was aware of the consequences of doing otherwise. We find Kennedy’s argument persuasive.)

The \(WN\) can be seen as a defense of the colonies and an attack on the English colonial system\(^{17}\) as much as an attack on the economic system prevalent in Great Britain. Fleischacker (2002) has argued that “Smith's importance to later American political economy is well known” (p. 897, fn 1) and has urged further investigation of Smith’s influence on the Founders’ thinking.\(^{18}\) Robinson (2007) has offered persuasive evidence of the massive influence the Scottish Enlightenment had on higher education and political discourse in the American colonies. He notes that even before the publication of the \(WN\), it was common for American faculties to appoint Scottish tutors or those educated in Scotland, and recounts that Princeton’s “legendary Scottish president, John Witherspoon (1723-1794), would become a signer of the Declaration of Independence…he was an active and energetic teacher who personally instructed entire graduating classes. His students included the future President of the United States, James Madison, as well as nine cabinet officers, twenty-one senators, thirty-nine members of the House of Representatives, a dozen State governors, five of the fifty-five delegates to the 1787 Constitutional Convention, and three Justices of the U.S. Supreme Court.” (Robinson 2007, p. 171)

The indications are that the influence was not fully bi-directional though; clearly Smith felt out of the loop of relevant information flows (Smith \(\textit{Corr.}\): 158, p.197).

\(^{16}\) “To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, it is absurd as to expect that an Oceania or Utopia should ever be established in it. Not only the prejudices of the publick, but what is much more unconquerable, the private interests of many individuals, irresistible oppose it … [examples]” (\(WN\,\ IV.i.43,\ p.471\)

\(^{17}\) See Eliot 1924, p.67.

\(^{18}\) To wit, “Smith's importance to American political thought in the 1780s should be taken much more seriously than it has been. It is remarkable that America has a Constitution that, in the functions it gives to government, the structure it provides for the military, and the strict separation it proclaims between religious and secular powers, fits Smith's conception of politics better than any government of his day. When this remarkable fact is combined with evidence of significant interest in Wealth of Nations among America's political elite-several years before it received much attention elsewhere-it must be concluded that the relative inattention of historians to the influence of Wealth of Nations on the American founding is an oversight badly in need of correction.” (Fleischacker 2002, pp. 923 – 4).
1.2. When did the *WN* turn into “a very ‘American’ book” (Fleischacker 2002, p. 903)

To understand this, we need to know what Smith knew about the developments in the American colonies, and when exactly he knew about them.

Regarding when, the evidence suggests that Smith came to London in 1773 in anticipation of having the *WN* published soon19,20. Yet it took almost three years for the book to be printed, and another three months for it to be published21. All the indications are that the delay was because Smith wanted to better grasp what was happening in the American colonies (e.g., Smith *Corr.* 158, p. 195).

Although Fleischacker’s reflections on Smith’s reception among the founders contains some tantalizing evidence about what Smith knew, more persuasive evidence is provided by Atiyah (2006) and Eliot (1924), who scrutinize the interactions between Smith and Benjamin Franklin.22

Though Fleischacker points out that the evidence for the connection between Smith and Franklin is suggestive only, he concludes that Smith’s book was a template for the Founders’ mechanism design problems and solutions.

Eliot (1924) sees it as his task to test the claim made by others, including Franklin’s biographer, that Smith was strongly influenced by Franklin; that they were close friends and in frequent communication. Surely that was possible, as “Franklin was sent to England twice on missions to Parliament, as representative or agent of Pennsylvania, and by appointment, of other colonies; from 1757 to 1762, and again from December, 1764, to 1775, inclusive.” (p. 67) Eliot does not find much evidence of Franklin and Smith interacting directly (but acknowledges the possibility during the years they overlapped in London, for example) or indirectly through overlapping circles of close friends.23 Of course, the absence of evidence is not evidence of absence. There

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19 “In the spring of 1773 Smith decided to end his Kirkcaldy retreat and to finish *The Wealth of Nations* in the capital. He needed company and American news” (Phillipson 2010, p. 209). “In 1773 - 6 Smith was in London revising *The Wealth of Nations*-somewhat unexpectedly, too, since he came down from Kirkcaldy with the intention of publishing at once.” (Eliot 1924, p. 70)

20 Letter dated 3 Sept 1772 from Smith to William Pulteney: “My Dearest Pulteney I received your most friendly letter in due course, and I have delayed a great deal too long to answer it. Tho I have had no concern myself in the Public calamities, some of the friends for whom I interest myself the most have been deeply concerned in them; and my attention has been a good deal occupied about the most proper method of extricating them. In the Books which I am now preparing for the Press.” (Smith *Corr.* 132, p. 163)

Letter from Hume to Smith, dated 23 Nov 1772: “Come hither for some weeks about Christmas; dissipate yourself a little; return to Kirkcaldy; finish your work before Autumn; go to London; print it; return and settle in this town, which suits your studious, independent turn even better than London...(Smith *Corr.* 134, p. 166)

21 See Smith *Corr.* 149, p. 185.

22 Chaplin (2006), Flavell (2010) and Morrison (2012, p.416) are other references of relevance here. Flavell musters considerable evidence that London was before, and even after the Declaration of Independence, qua its cultural amenities and thousands of Americans those brought to Europe, Franklin being one of them, “an American City in Europe” (so the title of the prelude). Drawing apparently on Chaplin’s book, she argues that Franklin “in his travels through both Scotland and England [...] met other well-known philosophers, intellectuals and entrepreneurs – David Hume, Adam Smith, James Watt, Matthew Boulton – all eager to meet ‘the best philosopher of America’” (p. 207) but there are no specifics about what Smith might have learned when from Franklin.

23 Eliot points out that key facets of Smith’s thinking, especially his claim that it was ultimately labor that created
are other ways Smith could have received information about “the American question”. In the end, it is only so interesting whether Smith interacted with one specific person even if that person was eminent.

Aliyah (2006), maybe somewhat self-servingly, plays up the considerable interaction between the Edinburgh intelligentsia and Franklin, an interaction that was likely not to just have been restricted to that locale. But here, too, our previous caveat applies.

In sum, there is little doubt that Smith had been thinking about “the American question” at least since returning from his 1764-1766 trip to continental Europe (Winch 2013, p. 4) and that he worked to understand Great Britain’s options given that mercantilist interests dominated the public debate about the best policy towards the colonies (see also Ferguson’s letter to Smith of April 18, 177624). As a matter of fact, Morrison (2012) suggests that Smith’s interest in these matters went back even further. According to him (Morrison, 2012, p.406), from the beginning of the 1760s, Smith was a privileged interlocutor and recurrent advisor of one of the leading figures of British politics during the Imperial crisis in the 1770s and 1780s and Prime Minister of Great Britain from 1782 to 1783, Lord Shelburne, who acknowledged explicitly his conversion to some of Smith’s principles as well as the fact that it took him considerable time to get converted 25. For Morrison (2012), “Smith was lobbying leading policymakers to abandon the mercantilist project in America since the 1760s” (2012, p.401).

Smith recognized that the territorial wins came at a cost unsustainable to the public purse26, and that he was too far away from the action to feel confident in his judgment. It was the latter insight that likely led him to postpone the publication of the \textit{WN}27.

Smith’s longstanding interest in “the American question” came against a decades-long refinement of his ideas on linguistic, rhetorical, moral, and economic matters (see also Ortmann & Walraevens 2015).

Phillipson (2010; see also Phillipson 2013 and Ortmann & Walraevens 2012) has done a remarkable job of tracing Smith’s intellectual development as it evolved in reaction to the places and times in which he lived. He follows the changes that the nascent Industrial Revolution inflicted on Kirkcaldy and Glasgow, the latter larger by about 25,000 than Kirkcaldy but growing quickly and widely considered the best example of the urbanization documented in Devine (2006).

\textit{value}) was to be found years before the publication of \textit{WN} in Franklin’s publications. But it is possible that Franklin had just plagiarized Petty on that topic. We thank Tony Aspromourgos for pointing this out to us.

24 “You have provoked, it is true, the church, the universities, and the merchants, … “ (Letter 154)

25 “I owe to a journey I made with Mr Smith from Edinburgh to London the difference between light and darkness… The novelty of his principles made me unable to comprehend them at the time, but he urged them with so much eloquence, that they took a certain hold which, though it did not arrive at full conviction for some few years after, I can truly say has constituted ever since the happiness of my life” (Morrison 2012, p.395, our italics)

26 For another point of view on this issue, see Morrison (2012).

27 In Morrison’s view, “Smith delayed publishing his treatise to make explicit connections between the predictions of his theory and the colonists’ violent rejection of mercantilist imperialism” (2012, p.407).
We know from Devine (2006) that intellectually the climate was still rough and that critique of the authorities brought about severe consequences. When Smith was invited by Lord Kames in 1748 to lecture on belles lettres and jurisprudence in Edinburgh, he must have been aware of these consequences, and his discussion of the context dependence of rhetorical strategies suggests as much. In particular, Smith understood very well (as also illustrated persuasively by Kennedy 2013 for the case of religious sensibilities) that some targets could not be attacked frontally.

It is important to note that Smith, apparently all the way up to his two-year sojourn in France in 1764–1766 as tutor of the son of one of the landed elite, continued to teach his lectures on rhetoric and belles lettres in private classes and in parallel to his new moral philosophy assignment (e.g., Phillipson 2010, p. 127, p. 132), with considerable success. He taught those lectures while also diving into principles of language, morals, jurisprudence, government, the fine arts and astronomy; subjects which, as his earliest biographer Dugald Stewart noted, he invariably tackled by tracing their origins in human nature.

John Millar provided Dugald Stewart with the fullest and most perceptive account we have of his old professor’s course:

“His course of lectures on this subject [Moral Philosophy] was divided into four parts: The first contained Natural Theology; in which he considered the proofs of the being and attributes of God, and those principles of the human mind upon which religion is founded. The second comprehended Ethics, strictly so called, and consisted chiefly of the doctrines which he afterwards published in this Theory of Moral Sentiments. In the third part, he treated at more length of that branch of morality which relates to justice,… This important part of his labours he also intended to give to the public; … In the last part of his lectures, he examined those political regulations which are founded, not upon the principle of justice, but that of expediency, and which are calculated to increase the riches, the power, and the prosperity of a State. Under this view, he considered the political institutions relating to commerce, to finances, to ecclesiastical and military establishments. What he delivered on these subjects contained the substance of the work he afterwards published under the title of An Inquiry into the Nature and Causes of the Wealth of Nations.”

Importantly, "(b)y 1763 Smith had refined this [progress-via-division-of-labor] argument by observing that the rate of progress was of the division of labor was regulated by the extent of the market" (Phillipson 2013, p. 33). By 1766 Smith had started to think about how the division of labor and opulence could be moderated by the way vested interests could influence progress (Phillipson 2013, p. 34), and do so quite differentially.

On the authority of Millar and Stewart, it seems clear that Smith had started thinking about many of the key themes of the WN such as the detrimental consequences of political and economic regulations founded on expediency, and working in favor of the landed class, merchants and manufacturers that constituted the emergent business classes, well before he published his TMS.
These themes likely stayed with Smith while he traveled Europe, where he met proponents of the other system of political economy, the “agricultural system”, and got more engaged in the political business of the day upon his return and in the run-up to the publication of the *WN*. So, what was missing? And how to explain Smith’s multiple delays in the publication of the book?

Phillipson (chapters 10, 11) writes persuasively of the importance of Smith’s stays in London during eight months in 1766-67 and between 1773–76, during the run-up to the printing of *WN*. He makes it clear that Smith “was able to move in political circles at a time when the future of Anglo-American relations, the role of the East India Company in the government of India and public finance and taxation were under discussion, all matters of importance to the *WN*. (2010, p. 201)

In Smith’s *LJ* (1762 and 1766) we find no mention of the “mercantile system”, nor of the “agricultural system” or the “system of natural liberty”, while hindrances to the freedom of internal and foreign commerce and the false belief in the monetary foundation of wealth are repeatedly denounced. Smith’s enemy in *WN*, the pernicious system of merchants and manufacturers persuading legislators to make laws favoring them at the expense of the interest of society, was not clearly “conceptualized” yet.

That Smith spent three years in London before publishing *WN* is the key; there he could be a spectator of the dangerous collusion between the political elite and the economic powers, and exchange ideas with both groups in intellectual clubs and salons of which he was a well-known member. In a letter to Smith dated 04/01/1776, Hume writes that “it [WN] is probably much improved by your last Abode in London” (Smith *Corr*. 150, pp. 186 - 7). In other words, while Smith undoubtedly had the premises of the system of natural liberty early in mind, it was only after his trip to France and his meeting with key members of the Physiocratic School and Turgot that he started on its theoretical conceptualization and that of its antagonistic counterpart, the mercantile system. In this context, it is noteworthy that the first to use the expression “mercantile system” was one of the leading figures of the physiocrats, namely Mirabeau. But it is Smith who first developed that concept in the *WN*. Completing his system of political economy required a conceptualization of the different discourses prevailing at that time and of their influence on economic and political reality, a task still to be accomplished and for which the

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28 In a letter to Smith dated 6 February 1776, Hume refers to Smith’s willingness to publish a book (Smith *Corr*. 123, pp.156-7). Smith himself writes in 1772 in a letter to a member of the Parliament about the book he is “now preparing for the press” (Smith *Corr*. 132, p.163).

29 As Phillipson writes, “it seems fairly certain that Smith’s principal task was to reflect on the principles of political economy he had developed at Glasgow in the light of those of Quesnay and his disciples, and to develop and refine the vast stock of historical illustrations on which the effectiveness of his advocacy would depend. He had already established the principle that the opulence of a nation was to be measured in terms of the flow of consumable goods and not its reserves of gold and silver. … Moreover, he had outlined a theory of natural liberty, which argued that a system of free markets and free exchange would optimize a nation’s wealth, and he had raised the provocative and question-begging issue of why the progress of opulence had been so slow in Europe. But while he had offered an account of many of the economic, political and moral factors on which the progress of opulence depended, he had not yet worked these factors into a system which explained precisely how they interacted” (2010, p. 205)

30 See Phillipson, 2010, p. 209 on the sociable time he had in London.

31 Another key concept that Smith developed only after his trip to France, under the influence of Quesnay and Turgot, is that of capital.
colonies of North America, his later example of the natural progress of opulence, seemed a useful reference point that had the advantage of being policy relevant as well as far removed from the very violent attack Smith set out to launch. 

It is noteworthy that Smith had initially not been deeply concerned with the increase of public debt in Great Britain, despite the publication in 1752 of Hume’s essay *On Public Credit*. Therefore, Book IV is entirely new and, presumably, written after Books I - III.

Right in the center of both the commercial system of Great Britain and the British Empire, London was for Smith the proper place for observing the mercantile system, which threatened the survival of the Empire, and for being informed about the tumultuous relations between the mother country and the American colonies.

1.3 The political consequences of the mercantilist system

Smith’s discussion of taxation and the public debt in Book V brought *WN* to a close and returned to the two philosophers whose influence pervades the whole book – Quesnay and, above all, Hume.

Smith left Utopian theorizing to the final pages of his book. His immediate purpose was to discuss public credit and the consequences of war on public finance, the most topical of all the subjects discussed in the last book of *WN*.

In his essay *On Public Credit* Hume insisted on the increasing and unsustainable public debt of Great Britain. In his words, “either the nation must destroy public debt, or public debt will destroy the nation” (*Essays*, pp.360 - 1). Using a similarly dramatic tone, Smith claims that “the progress of the enormous debts which at present oppress…all the great nations of Europe…will in the long run probably ruin” them (*WN*, V.iii.10, p.911). The contribution of Smith’s analysis was to identify the connections between public debt and the mercantile system on the one hand, and its relationship to the American colonies on the other. Generally speaking, increasing public debt in Europe was the result of repeated conflicts between nations being wrongly “jealous” of

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32 In Phillipson’s words: “what his theory and his attack on the commercial system had lacked was any strong example of a nation whose economic progress had actually followed the route laid out in an essentially conjectural analysis. He had naturally called attention to Scotland’s remarkable economic and political progress since the creation of its free-trade union with England to illustrate his Glasgow lectures, and he made copious use of Scottish examples to illustrate various themes of the Wealth of Nations. But Scotland, still encumbered by the constraints of feudal system, was not the perfect example of the sort of natural progress Smith had envisaged. His masterstroke was to introduce the experience of colonial America as the classic, and indeed the only possible, example of a society whose progress had been rapid and natural by comparison with that of Europe” (2010, p. 228).

33 “In England, the seat of government being in the greatest mercantile city in the world, the merchants are generally the people who advance money to government.” (*WN*, V.iii.35, p. 918)

34 “The remarkable progress of the Scottish economy could be contributed to the system of free markets created by the Union, a spirit of improvement, and an enterprising and generally prudently managed banking system, which had developed quite naturally in response to the demands of the market. In Smith’s eyes these were also characteristics of the economic development of the American colonies, which were to furnish him with the most important of all his many illustrations in the *Wealth of Nations*. The fact that the text was to take another three years to complete was partly due to constant tinkering. But it was also due to Smith’s response to the rapidly developing crisis in Anglo-American relations, a situation which could only properly be observed from London.” (Phillipson, 2010, p. 208)
each other’s opulence. War was the consequence of applying the mercantile system’s deceitful principles. While commerce “ought naturally to be, among men as among nations, a bond of union and friendship, [it] has become the most fertile source of discord and animosity” (WN, IV.iii.c.9, p. 493). Moreover, the “sophistry of the mercantile system” makes a dangerous and erroneous “apology” for public debt, claiming that “in the payment of the interest of the publick debt…it is the right hand which pays the left” (WN, V.iii.52, pp. 926-7). In contrast with this partisan view of public debt, Smith explains in the last chapter of WN the detrimental effects it has on national opulence and, most importantly, on political sovereignty.

Regarding Great Britain, Smith attributes the alarming rise in public debt to the wars for defending its North American colonies (WN, IV.vii.c.64, p. 615: V.iii.92, p. 946).

The increase in public debt is likely to have dramatic, political consequences for Great Britain, Smith argues. If nothing is done to secure new revenues from Ireland and the American Colonies, in particular, and to reduce public expenditure (WN, V.iii.92, p.946), the British Empire is likely to collapse. Smith therefore pleaded for a union of the Empire in the spirit of the 1707 Act of Union with Scotland. The WN is a book deeply embedded in the political realities of its time and place. So much so that Blair, otherwise full of praise for the WN, saw it “too much like a publication for the present time” (Corr. 151, p. 188).

In particular, knowing that the security of the colonies has had huge consequences on Great Britain’s public finance, Smith thinks “it is not contrary to justice that…America should contribute towards the discharge of the publick debt of Great Britain” (WN, V.iii.88, p. 944). In his view, the British Empire to this point has been a dream, existing nowhere but in the minds of men (WN,V.iii.92, p. 947). Were American colonies considered true “provinces” of the Empire, Smith claims, they should stop being “free-riders” of the Empire, reaping the benefits of the protection of the mother country without bearing the costs for that protection. Political union with Great Britain, which in Smith’s opinion would be mutually beneficial and natural, would grant the colonies new rights and duties. In return for the payment of taxes for Great Britain to reduce the burden of its public debt, the colonies would get representatives in the British Parliament (WN, IV.vii.c.77, p. 624; V.iii.68, p. 933) and be relieved of regulations concerning colony trade (WN, IV.vii.c.44, p. 606) of which “the merchants who carry it on, it must be observed, have been the principal advisers” and by which “the interest of the colonies was

35 The issue of the “jealousy of trade” was also investigated by Hume in his eponymous essay and in Of the Balance of Trade. On jealousy of trade in Hume and Smith; see Hont (2005).
36 This metaphor was already used and denounced by Hume, as per Melon’s Political Essay on Commerce. See Hume (Essays, p. 356).
37 “That publick debt has been contracted in defence, not of Great Britain alone, but of all the different provinces of the Empire; the immense debt contracted in the late war in particular, and a great part of that contracted in the war before, were both properly contracted in defence of America.” (WN, V.iii.88, p. 944)
38 “No oppressive aristocracy has ever prevailed in the colonies. Even they, however, would, in point of happiness and tranquility, gain considerably by a union with Great Britain.” (WN, V.iii.90, pp. 944-945)
39 “There is not the least probability that the British constitution would be hurt by the union of Great Britain with her colonies. That constitution, on the contrary, would be completed by it, and seems to be imperfect without it. The assembly which deliberates and decides concerning the affairs of every part of the empire, in order to be properly informed, ought certainly to have representatives from every part of it.” (WN, IV.vii.c.77, p. 624)
sacrificed to the interest of those merchants” (WN, IV.vii.b.49, p. 584)\textsuperscript{40}. In Smith’s words, this plan for the British Empire should be regarded as “a new Utopia” (WN, V.iii.68, p. 934), in the same way as the demand for a complete restoration of the perfect liberty of commerce in Great Britain is (WN, IV.ii.43, p. 471). In both cases “the private interest of many powerful individuals, the confirmed prejudices of great bodies of people seem, indeed, at present, to oppose to so great a change such obstacles as it may be very difficult, perhaps altogether impossible, to surmount” (WN, V.iii.68, p. 934)\textsuperscript{41}.

\section*{2. \textit{How Smith attacked the mercantilist system}}

2.1. Rhetoric was always on Smith’s mind, in theory and in practice

Smith taught private lectures on rhetoric and belles lettres in Edinburgh from 1748 to 1751 at a very early stage of his career, i.e. before his first professorial appointment (Phillipson 2010, chapter 5). Prior to the lectures, he had studied six years at Oxford’s Balliol College, where he developed a deep interest in ancient and modern languages (Stewart, \textit{EPS}, p. 272; see also Phillipson 2010, chapter 3, and chapter 1 about the extraordinary avant-garde classical education that Smith received from David Miller at the local Burgh school). When, in January 1751, he was appointed professor of Logic and Metaphysics at the University of Glasgow, his teaching continued to include large portions of his lectures on rhetoric (Stewart, \textit{EPS}, p. 274; see also Phillipson 2010, chapter 6). Even though he was appointed to the more prestigious chair of Moral Philosophy within a year, Smith went on teaching rhetoric in private classes as a complement to his courses in moral philosophy (Ross 2010, p.128; see also Phillipson 2010, p. 127). In a letter to La Rochefoucauld, Smith even expressed his intention to publish a book in which rhetoric would have a major place (\textit{Corr.} 248, p. 287).

Smith’s interest in rhetoric and languages was part of his larger investigation into the powers of the human mind and human nature. Both themes are prominent in the work of Hutcheson and Hume\textsuperscript{42}, arguably Smith’s most important influences throughout his life, but especially while he attended the University of Glasgow between 1737 – 1740 and in the decade of his intellectual formation that followed (Phillipson 2010, 2013)\textsuperscript{43}.

Smith paid extraordinary attention to how best to communicate and understood that different circumstances required different discourses. Communicative effectiveness, he argued (1983, p. 96), was contextual and depended on the subject matter, circumstances, character and manner of both speaker (writer) and listener (reader), and the rapport they had. Smith praised a clear, plain

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\item[\textsuperscript{40}] The American colonies could also reap political benefits from the union with Great Britain, Smith argues. In particular, due to the distance with the mother country, the spirit of faction (a great source of corruption of moral sentiments and political instability) would be undermined (WN, V.iii.90, p. 945).
\item[\textsuperscript{41}] See also (WN, IV.ii.43, p.471; IV.vii.c.77-79, pp.624-625).
\item[\textsuperscript{42}] Notes Phillipson (2010, p. 65) “Whatever the precise timing, it is clear that by the time Smith and Hume met in 1749-50, Smith was a committed Humean who was using Hume’s theory of human nature in a highly distinctive way to lay the foundations of his own philosophy.”
\item[\textsuperscript{43}] Smith, according to Millar (as reported in Stewart) believed : “The best method of explaining and illustrating the various powers of the human mind, the most useful part of metaphysics, arises from an examination of the several ways of communicating our thoughts by speech, and from an attention to the principles of those literary compositions which contribute to persuasion or entertainment.” (Stewart, p. 274)
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style, devoid of ornaments, tropes or figures of speech that might ruin communicative efficiency (Smith LBRL, pp. 25 – 6, p. 29, and pp. 55 – 6). His critique of impediments to the free exchange of ideas parallels his aversion to mercantilist policies (see Phillipson chapters 10 and 11; see also Ortmann & Walraevens 2015). Smith stressed that, when faced with a particularly hostile listener or reader whose assent could not be presumed, it is necessary to argue a “rhetorical” manner rather than a “didactical” one.

Smith not only had theoretical insights about successful rhetorical strategies, but practical concerns as well. As Rosen explains, "In Smith's day, University of Glasgow professors were paid a fixed annual retainer financed out of university endowment, and seniority eventually gave entitlement to a university house, part of which could be rented to students to supplement income. The greater part of income arose out of fees paid directly to teachers by students." (Rosen p. 562; see also Ortmann 1997, 1999) Smith was an avid supporter of such incentive compatible mechanisms; his lectures were well attended.

2.2. The targets of his “very violent attack” (Smith Corr. 208, p. 251)

In Book III of the WN Smith provides his readers, against the backdrop of more positive developments in Scotland and the American colonies, with an historical sketch of the slow and unnatural progress of opulence in Europe.

He opens Book IV with defining political economy “as a branch of the science of a statesmen or legislator” which proposes “to enrich both the people and the sovereign” (WN,IV. introduction.1, p. 428), and he claims that two systems of political economy have been devised to enrich the people: the system of commerce and that of agriculture (WN,IV. introduction.2, p. 428). Book IV then presents a tight, critical scrutiny of both systems (of which 8 chapters, or almost 90%, are devoted to a critique of mercantilism and only one, accounting for less than 10%, to a critique of the agricultural system) followed by a brief summary (less than 1% of Book IV) of Smith’s own system of political economy: the system of natural liberty. That brief summary can be seen as a light version of Books I – II and chapter 1 of Book III, which account for about 30 % of the WN. The two-page summary of the system of natural liberty in Book IV is, after the lengthy detour of Books III and IV, a reminder of the point of departure of Book IV and an attempt to set the scene for his subsequent analysis.

For Smith this detour was not just academic. In Book III he documented the differential growth rates across nations. In Book IV he attacked quite forcefully44 the mercantilist system.

We argue that Smith’s decision to launch a “very violent attack” against the mercantilist system (Smith Corr. 208, p. 251) 45 and the rhetorical sequencing of Books I – II, III, and IV cannot be fully appreciated without considering the distinction between didactic discourse and rhetorical discourse.

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44 For example, Ferguson (Corr. 154, Smith 1987) attested: “You have provoked, it is true, the church, the universities, and the merchants …“

45 According to Stewart, Smith’s “remarks with respect to the jealousy of commerce are expressed in a tone of indignation, which he seldom assumes in his political writings” (EPS, Stewart, iv.17, p.216).
To everyone who reads his Lectures on Rhetoric and Belles Letters, Smith is known as someone who developed his arguments plainly and carefully (LRBL), 35 - 36, 40, 89, 146-47; see also Collings & Ortmann (1997) but see Kellow (2011). Smith applied his criteria for the perfection of style to his own work. He recognized that the relationship between listener (reader) and speaker (author) was often a principal-agent relationship that required the speaker (author) to “keep as far from the main point to be proved as possible, bringing on the audience by slow and imperceptible degree to the thing to be proved” (LRBL, p. 146). We claim that the WN was such a rhetorical, and therefore game-theoretic, enterprise; its original purpose was to attack a dysfunctional system of commerce now labeled mercantilism.

2.3. The theory underlying the “very violent attack” (Smith Corr. 208, p. 251): Didactic Discourse and Rhetorical Discourse

A method for dealing successfully with a hostile audience is given in Smith’s Lectures on Rhetoric and Belles Lettres from 1762-1763. There, Smith partitioned discourse into several categories and sub-categories. The first division is based on purpose: if one's purpose is to relate facts, the Narrative or Historical style ought to be chosen. If one wishes to prove a proposition, then one should choose Didactic or Rhetorical discourse. With the Didactic proof, the speaker (author) treats his subject scientifically and impartially, carefully weighing the pros and cons of his argument. The Rhetorical proof, on the other hand, is designed to be a persuasive device. Going further, Smith broke down the Rhetorical proof into two sub-categories, the Aristotelian and the Socratic, which “are adapted to the two conterary cases in which an orator may be circumstances with regard to his audience, they may either have a favourable or unfavourable opinion of that which he is to prove” (LRBL, p. 147). In the Aristotelian Rhetorical proof, the speaker (author) states his main point up front and goes on to justify it. In the Socratic proof, the speaker (author) initially hides his point, leading the reader along his path of reasoning towards a conclusion. The latter method, Smith explains, "is the smoothest and most engaging manner," (LRBL, p. 147) and is best suited to persuading an antagonistic crowd.

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46 “The Result of all which as well as the rules we have laid down is, that the perfection of stile consists in expressing in the most concise, proper and precise manner the thought of the author, and that in the manner which best conveys the sentiment, passion or affection with which it affects or he pretends it does affect him and which he designs to communicate to his reader” (LRBL, p.55).

47 For a different point of view, see Brown (1994, pp.15-18). For a discussion of her work, see Collings & Ortmann (1997).

48 “We have shewn how fare they have acted agreeably to that Rule, which is equally applicable to conversation and behaviour as writing. For what is that makes a man agreeable company, is it not, when his sentiments appear to be naturally expressed, when the passion or affection is properly conveyed and when their thoughts are so agreeable and natural that we find ourselves inclined to give our assent to them. A wise man too in conversation and behaviour will not affect a character that is unnaturall to him; if he is grave he will not affect to be gay, nor if he be gay will he affect to be grave. He will only regulate his naturall temper, restrain within just bounds and lop all exhuberances and bring it to that pitch which will be agreeable to those about him. But he will not affect such conduct as is unnaturall to his temper tho perhaps in the abstract they may be more to be wished.” (LRBL, p. 133)

49 “As there are two methods of proceeding in didacticall discourses, so there are two in Deliberative eloquence which are no less different, and are adapted to very conterary circumstances. The 1st may be called the Socrack method, as it was that which, if we may trust the dialogues of Xenophon and Plato, that Philosopher generally made use. In this method we keep as far from the main point to be proved as possible, bringing on the audience by slow and imperceptible degrees to the thing to be proved, and by gaining their consent to some things whose tendency they can’t discover, we force them at last either to deny what they had before agreed to, or to grant the Validity of
The Wealth of Nations has elements of both Didactic and Rhetorical proofs\textsuperscript{50}. In some parts Smith lays out principles of nature such as the propensity to truck, barter and exchange which leads to the division of labor and increased productivity; the desire to better our condition which sustains the accumulation of capital; or the natural right every man has to choose how to use his capital or faculties as he sees proper, a principle that allows an efficient allocation of resources. These are supposed to be universal, uncontroversial principles and as such nothing more than a Didactic proof is needed. On the other hand, the WN is a fight against old prejudices about commerce, a reaction to mercantilism and an attempt to steer policy in a different direction. In this sense the WN is in some parts, and in its sequencing of Books and chapters, an exercise in persuasion that utilizes Rhetorical argumentation of the Socratic kind.

As Smith makes clear in LRBL, the objective of Didactic argumentation is instruction and conviction. A secondary end is persuasion. Undoubtedly, Smith wanted to be both persuasive and instructive.

2.4. How to address the audience: Smith’s application of his theoretical insights in his critique of the mercantilist system

Anticipating the chilly reception his work might receive from vested interests in government and commerce (an anticipation that was well founded; e.g., prominently Fleischacker 2004, p. 261-2),, and aware of his rhetorical purpose, Smith used the method of exposition most appropriate and persuasive for hostile audiences, the Socratic Rhetorical method\textsuperscript{51}, to sequence the five books of the WN. He first outlined the optimality of a rigorously developed system assuming the Conclusion. This is the smoothest and most engaging manner. The other is a harsh and unmanierly one where we affirm the thing we are to prove, boldly at the Beginning, and when any point is controverted beginn by proving that very thing and so on, this we may call the Aristotelian method as we know it was that which he used” (LRBL, pp. 146-7)

\textsuperscript{50} We agree here with Muller (1993), Brown (1994), and Fleischacker (2004)). Previous research on the rhetorical parts of the WN can be found in Endres (1991) who turns his attention to chapter 5 of book IV of the WN and there in particular bounties, in Dellemotte & Walraevens (2013) who show that Smith’s description of the disputes between laborers and capital owners in chapter 8 of Book I is meant to elicit the sympathy of his readers towards the former, in Peaucelle (2012) who identifies the rhetorical tricks used to win the readers’ goodwill in the first chapter of the WN on the division of labour, and in Herzog (2013) who analyzes the rhetoric of opening sections of the WN. Fleischacker (2004; see in particular pp. 10-11) is remarkable in that he stresses that the “same roundabout, qualified way of making points” runs from sentences over passages all the way to “the structure of the WN as a whole”; his respective argument is similar but more elaborate than Ortmann & Meardon (1995) See also Hanley (2009) on the rhetoric of part 6 of TMS.

\textsuperscript{51} “These 2 methods are adapted to the two conterary cases in which an orator may be circumstanced with regard to his audience, they may either have a favourable or unfavourable opinion of that which he is to prove. That is they may be prejudiced for or they may be prejudiced against. In the 2\textsuperscript{d} Case we are to use the Socratic method, in the 1\textsuperscript{st} the Aristotelian. I do not mean by this that we are to suppose that in any case the Orator and his audience are to hold a dialogue with each other, or that they are to go on by granting small demand<s> or by boldly denying what the other affirms; but only that when the audience is favourable we are to begin with the proposition and set it out Roundly before them as it must be most for our advantage in this case to shew at the first we are of their opinion, the arguments we advance gain strength by this precaution. On the other hand if they are prejudiced against the Opinion to be advanced; we are not to shock them by rudely affirming what we are satisfied is disagreable, but are to conceal our design and beginning at a distance bring them slowly on to the main point and having gained the more remote ones we get the nearer ones of consequence” (LRBL, p.147)
away problems of public good provision or externalities—a system whose descendants still reign in today's principles textbooks. In the first two Books of the WN, Smith highlights the economic benefit of letting people freely express and satisfy their natural desires to exchange (the first three chapters of Book I on the division of labour) and better their condition (Book II on the accumulation of capital). Once they are free to use their faculties and employ their capital as they see fit, the economy will follow the natural, optimal order of progress towards opulence (Book III, chapter 1). As chapters 2 to 4 of Book III make clear, Europe was drifting away from this natural path to growth by policies thwarting the liberty of commerce and encouraging industry and foreign commerce at the expense of agriculture, leading to the unnatural development of towns before that of the country.

In chapters 2 to 4 of Book III of the WN (i.e. 90% of that Book), Smith describes the history of Europe’s slow and unnatural progress towards opulence, against the backdrop of more positive developments in Scotland and the American colonies. Book IV is then devoted to a critique of mercantilism which concludes, after a brief digression on the agricultural system, with a brief summary of Smith’s own system of political economy: the system of natural liberty. One can think of that brief summary as a light version of Books I – II and chapter 1 of Book III which, as mentioned, account for about 30% of the WN.

As a result, in Books I through III Smith alludes to the damage done by an economic system catering to vested interests, but he refrains from saying outright that the mercantilist system is responsible for the damage. That restraint is abandoned in Book IV of the WN, where Smith launches a “very violent attack” on the mercantile system. The attack resumes in Book V of the WN, albeit not quite as explicit.

In chapter 8 of Book I, for example, Smith highlights how capital owners can collude to defending their class interests and obtain privileges from legislators. At the end of Book I, to take another example, he attacks merchants and manufacturers and their collusion with politicians, but does not refer to the “mercantile system” yet:

“The proposal of any new law or regulation of commerce which comes from this order, ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men, whose interest is never exactly the same with that of the publick, who have generally

52 Dellemotte (2002) has shown how the natural propensity to truck, barter and exchange and the desire to better our condition are derived from the universal desire of mutual sympathy.

53 See also Kennedy (2008) and Phillipson (2010); see also, and earlier, Endres (1991).

54 “We rarely hear, it has been said, of the combinations of masters; though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and everywhere in a sort of tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate. To violate this combination is everywhere a most unpopular action, and a sort of reproach to a master among his neighbours and equals. We seldom, indeed, hear of this combination, because it is the usual, and one may say, the natural state of things which nobody ever hears of... The masters upon these occasions are just as clamorous upon the other side, and never cease to call aloud for the assistance of the civil magistrate, and the rigorous execution of those laws which have been enacted with so much severity against the combinations of servants, labourers, and journeymen.” (WN, I.viii.13, p. 84)
an interest to deceive and even to oppress the publick, and who accordingly have, upon many occasions, both deceived and oppressed it” (WN, I.xi.p.10, p. 267).

In chapters 2 to 4 of Book III, Smith details how Europe did not follow the natural path towards growth and progress because of the harmful prescriptions of the mercantile system for economic policy detailed in Book IV. It is only in Book IV, "Of Systems of Political Economy"55, in fact, that Smith explicitly critiques the mercantile system. Taking up the theme he introduced at the very end of Book I, Smith presents this system as a partial, deceitful, and rhetorical discourse on political economy sponsored by capital owners for defending their personal interests and persuading legislators to favor them56 (even though they are aware that it goes against the general interest of society)57. The architecture of Book IV is part of Smith’s rhetorical strategy: 8 chapters (of 9 in total) are spent describing and criticizing the mercantilist system. The last chapter is devoted to the agricultural system because it is theoretically closer to Smith’s system of natural liberty58 and thus prepares the ground for its explicit introduction. Book IV ends with a rehash of Smith’s system of political economy, the system of natural liberty laid out in Books I and II, while Book V follows with a focus on the duties of government in that system.

Smith’s increasing frustration with the mercantilist system, as evidenced by the new passages in the third edition, confirms our view (e.g., Ortmann & Meardon 1995; Ortmann & Walraevens 2015) that Smith grew increasingly doubtful that society was converging towards a system of natural liberty. The reader is not given the opportunity to judge Smith’s view of mercantilism from the outset; instead, he is taken along step by step to that opinion in Book IV, at which point he must either share it or renounce the reasoning that led him there.

The Physiocrats observed the ruinous effects of a law prohibiting the export of corn, by a lawmaker who "was not only disposed, like other European ministers, to encourage more the industry of the towns than that of the country; but, in order to support the industry of the towns, he was willing even to depress and keep down that of the country." (WN, IV.ix.3, p. 663) In response, they devised a system in which all the wealth of a nation is derived ultimately from its agriculture. Smith viewed their reaction as an attempt to "bend the rod back" (WN, IV.ix.4, p.

55Smith's criticism of mercantilism in Book IV grew sharper with time. In the third edition of WN appear a number of new passages relating the legislative influence of mercantile interests to "extortion," (WN, IV.viii.3-4, pp. 643-4) and explaining how such influence functions at the expense of the poor. For example: "It is the industry which is carried on for the benefit of the rich and powerful, that is principally encouraged by our mercantile system. That which is carried on for the benefit of the poor and the indigent, is too often, either neglected, or oppressed." (WN, IV.viii.4, p. 644)

56 In a letter to Smith dated from April the 3rd of 1776, Hugh Blair implicitly confirms our claim that Smith wrote a didactic piece of political economy against the mere rhetorical discourse of the mercantile system: "I do think the Age is highly indebted to you, and I wish they may be duly Sensible of the Obligation. You have done great Service to the World by overturning all that interested Sophistry of Merchants, with which they had Confounded the whole Subject of Commerce. Your work ought to be, and I am perswaded will in some degree become, the Commercial Code of Nations. I did not read one Chapter of it without Acquiring much Light and instruction” (Smith Corr. 151, p.188, our italics).

57 See Walraevens (2010).

58 “in representing the wealth of nations as consisting, not in the unconsumable riches of money, but in the consumable goods annually reproduced by the labour of the society; and in representing perfect liberty as the only effectual expedient for rendering this annual reproduction the greatest possible, its doctrine seems to be in every respect as just as it is generous and liberal” (WN,IV.ix.38, p. 678)
and thereby achieve an equilibrium where the produce of the countryside was appropriately valued by the state.

Likewise, Smith saw the ruinous effects on national wealth of extensive regulation in favor of mercantilist interests. He sees both the mercantile and the agricultural systems as being persuasive yet partial, wrong and deceitful “rhetorical discourses” on political economy (see above 1.2). With the system of natural liberty, by contrast, Smith envisions a system of political economy in which the wealth of the nation is maximized by giving no encouragement to a specific sector and letting capital follow its natural course. The system is impartial with regard to agriculture, industry and foreign commerce, giving “equal treatment” to each of them. The system of natural liberty is to be seen as the didactic discourse of a philosopher or impartial spectator of political economy (see above 1.3).

**Conclusion: Why Book V is of central importance to Smith:**
the *WN* as a very American and political book

Our reading of the *WN*, and the sequencing of its Books, suggests a contextually sensitive and strategically-written book, with a special emphasis on the overlooked Book V. It is here where Smith addresses the incentive-compatible organization of joint-stock, educational, and ecclesiastical organizations (Ortmann 1999) as well as the ways of addressing externalities and dealing with the provision of various public goods.

Smith was alarmed by the “enormous debt of Great Britain” (*WN*, V.iii.61, p.932) resulting from recent wars for acquiring new and defending its (old) colonies and, above all, for preserving the mercantile interests associated with them, especially in North America. Smith saw the crisis of the British Empire as a crisis of the mercantilist system. While most readers of the *WN* focused on Book III and IV’s presentation of the dire economic consequences of the mercantilist system, Book V is crucial to understanding the political consequences of that system: the ruin of the State and the downfall of the Empire.

Proposing an optimal system of taxation based on “fiscal justice” by identifying “unjust”, “oppressive” and “inconvenient” taxes, defining “proper” subjects of taxation (*WN*, V.iii.58, p.928) and public expenditure, “more equal” taxes, and “distributing the weight of it more equally upon the whole” therefore became a fundamental issue for preserving the integrity, opulence and sovereignty of the British Empire (*WN*, V.iii.67, p.933). Hence Smith’s project for a new British Empire based on a union with American colonies. In return for the payment of taxes and in proportion to the amount paid, the colonies would be granted a number of seats in the British Parliament. The monopoly of the colonial trade would also be abolished.

Smith realized that the constitutional reforms he called for were unlikely to go through. The merchants, who benefitted from the monopoly of the colonial trade, owned the greatest share of public debt, and were the principal advisors to legislators on these issues, would immediately oppose them.

These elements make the *WN* a very American and political book. The sequencing of the *WN* is a rhetorical answer to the hostile audience Smith knew he would face in writing a book criticizing
the powerful merchant class. Smith used the Socratic method of presentation, which is best suited to a hostile and prejudiced readership, to make his case against this class. In doing so, his own theoretical insights on rhetoric proved essential. The reader discovers slowly the unsavory truth of the mercantilist system, whose principles had been applied across Europe and whose most serious threat is revealed in the final paragraph on the *WN*: it will “probably ruin all the great nations of Europe”. The future is in America, Smith understands. With or without Great Britain.
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59 We follow in our reference to Smith’s work what has emerged as standard convention (abbreviations such as CL, Corr., EPS, HA, and so on. We refer to the Liberty version of the Glasgow edition of Smith’s oeuvre. Typically the Liberty version were available a few years later, so we also indicated the original publication date of the corresponding Glasgow edition.


