The art of being in the eighteenth century: Adam Smith on fortune, luck, and trust

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Many of Nicholas Phillipson’s friends and colleagues have observed that in his presence one felt one caught a glimpse of an eighteenth-century life, indeed, more than that: one joined him into a world he knew so well. He drew others in by force of character and a style that did not seem to be refined only for the sake of refinement. He wore his learning lightly and sought to amuse as he shared it, and in so doing he somehow made those in his presence feel more agreeable. Whatever he might have not chosen about his character and circumstances, it seems that he chose and cultivated that effect, that is, to make others rise above themselves, by adding lustre to the occasion, all still wearing the same clothes, but seemingly just that much better cut, that much grander. He performed, not acted, his self. Within the limits of the possible, he gave the impression to have chosen whom he was, to have made himself as he was. To say this is not to say that he appeared to think that luck had nothing to do with it. If only as the author of Adam Smith: An Enlightened Life, he could not since his subject made much of it. Likewise, trust, the importance of which Nick also understood. What follows plays with the themes just evoked: character, choice, agreeableness, trust, and luck.

In the second half of the last century, moral philosophy made us think of luck, moral luck and fairness in what may have seemed an unprecedented way. Bernard Williams, Thomas Nagel, Tim Scanlon, Geoffrey Cohen, Ronald Dworkin, and others led a multifaceted debate on character, moral judgement, and the natural lottery. But the eighteenth century also had something to say about luck. Adam Smith certainly did. The political philosophy of the latter part of the twentieth century also highlighted trust, as John Dunn did in the work of John Locke, or Onora O’Neill.
did in making us appreciate how little we understood about it. And like luck, trust was not lost on the eighteenth century, least of all on Adam Smith.

1. The variables of wages

In his account ‘Of Wages and Profit in the different Employments of Labour and Stock’, Book I, Chapter X of *The Wealth of Nations* Adam Smith explained how ‘[t]he wages of labour vary with the ease or hardship, the cleanliness or dirtiness, the honourableness or dishonourableness of the employment’. The trade of a butcher, he wrote, being ‘a brutal and odious business’ was in most places the most profitable of common trades, whilst ‘[t]he most detestable of all employments, that of public executioner, [was] in proportion to the quantity of work done, better paid than any common trade whatever’. As with trades, Smith thought, some professions were to be despised, which explained why many individuals did not become actors, opera-singers, or dancers, despite being very talented in these arts, and that those who did join these professions, generally seen as a form of ‘public prostitution’, were the recipients of ‘exorbitant rewards’. So while honour no doubt played a great part in the rewards of ‘all honourable professions’, disgrace found its compensation in pecuniary remuneration. Every cutlet, every joint, every haggis, one presumes, bore the sur-charge of its producer’s shame. Likewise, every pint of ale or cider must have been branded in this way as innkeepers, whose livelihood was deemed neither agreeable nor creditable, according to Smith, obtained the greatest return in proportion to their relatively minor investment. Shame could translate itself into a comfortable living, if not riches. Secondly, wages also reflected the ease or cost of learning the business or profession, which explained, in Smith’s view, why painters and sculptors, lawyers and physicians were well compensated: the longer and more taxing the training, the higher the wages or fees. Next, wages reflected the ‘constancy or inconstancy of employment’. Indeed, Smith noted that ‘[w]hen the inconstancy of employment [was] combined with the hardship, disagreeableness and dirtiness of the work, it sometimes raise[d] the wages of the most common labour above those of the most skilful artificers’.

These three points were followed in Smith’s analysis by another two that are of particular interest. ‘Fourthly’, Smith noted, ‘[t]he wages of labour vary according to the small or great trust which must be reposed in the workmen’. This explained why goldsmiths and jewellers were everywhere paid far more than workers of ‘much superior ingenuity’, namely, ‘on account of the precious materials with which they are intrusted’. More vital still to individuals was the importance of trust needing to be placed in those at the professional level:

> We trust our health to the physician; our fortune and sometimes our life and reputation to the lawyer and attorney. Such confidence could not safely be reposed in people of a very mean or low condition. Their reward must be such, therefore, as may give them that rank in society which so important a trust requires. The long time and the great expense which must be laid out in their education, when combined with this circumstance, necessarily enhance still further the price of their labour.

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4Ibid.

5Ibid., l.x.b.25, p. 124.

6Ibid., l.x.b.12, p. 120.

7Ibid., l.x.b.17, p. 122.

8Ibid., l.x.b.18, p. 122.

9Ibid., l.x.b.19, p. 122.
There was no cause to begrudge apothecaries their profit as ‘denoting something uncommonly extravagant’, Smith argued:

\[\text{[t]he skill of an apothecary is a much nicer and more delicate matter than that of any artificer whatever; and the trust which is reposed in him is of much greater importance. He is the physician of the poor in all cases, and of the rich when the distress or danger is not very great. His reward, therefore, ought to be suitable to his skill and his trust, and it arises generally from the price at which he sells his drugs.}\]

contained in the price of every potion and ointment, one can infer, were the levies of trust. There was no simple exchange of goods. Value was not just added by labour or activity of any sort stripped of their social significance; it was encrusted with emotions and meaning. Thus, on Smith’s account, trust, like disgrace and shame, diffused itself into the blood lines of the economy through wages, profits, and fees.

That trust mattered at multiple levels of society was made clear still earlier in the *WN* when he noted that manufacturers entrusted ‘the labour of inspection and direction’ to a principal clerk:

His wages properly express the value of this labour of inspection and direction. Though in settling them some regard is had commonly, not only to his labour and skill, but to the trust which is reposed in him, yet they never bear any regular proportion to the capital of which he oversees the management.

Differing rates of profits were not in and of themselves indicative of ‘differing degree of trust reposed in the traders’, though clearly the ability of anyone to secure ‘the credit which he may get from other people, depends, not upon the nature of his trade, but upon their opinion of his fortune, probity, and prudence’.

As the editors of the *WN* note, David Hume had made a more general point about this in his *History of England*: ‘It is a familiar rule in business, that every man should be payed, in proportion to the trust reposed to him, and to the power, which he enjoys’. Given that Hume thought it such a commonplace, it is not entirely uninteresting that Smith nonetheless felt the need to spell out the place of trust within the market place. He had done so in *The Theory of Moral Sentiments*, explaining how it was kindled by frankness and openness and he stressed its reciprocal nature:

We trust the man who seems willing to trust us. We see clearly, we think, the road by which he means to conduct us, and we abandon ourselves with pleasure to his guidance and direction.

He noted that it would take a lifetime to create the network of friendships necessary to every facet of daily life; we therefore needed to rely on that complex web woven, mostly unintentionally, by members of a society in the pursuit of self-love, the marketplace. But this did not marginalise trust. Trusting and being trusted were essential needs of human nature; all aspects of commerce and the legal and political institutions in which it was conducted rested on it.

The fifth and final variable affecting wages, which overlaps with the second, brings this point home implicitly. Of the five factors Smith outlined, the fifth received the lengthiest treatment.

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10Ibid., l.x.b. 35, p. 128–9.
12*WN*, l.vi., p. 66.
13Ibid., l.x.b.20, p. 122.
‘[t]he wages of labour in different employments,’ he contended, ‘vary according to the probability or improbability of success in them’.16 The likelihood of an apprentice to a shoemaker becoming a successful one himself in due course was a near certainty compared to that of a student of law or other liberal profession becoming a successful lawyer. Given what he called ‘a perfectly fair lottery’, the winner would take all, but ‘[t]he lottery of the law […] is very far from being a perfectly fair lottery; and that as well as many other liberal and honourable profession, are in point of pecuniary gain, evidently under-recompenced’.17

2. Gambling on good fortune

The field of liberal professions was nonetheless crowded with contenders. Readers of TMS were likely to have anticipated the first reason for this, namely, ‘the desire of the reputation which attends upon superior excellence in any of them’. ‘To excel in any profession’, Smith continued,

in which but few arrive at mediocrity, is the most decisive mark of what is called genius or superior talents. The publick admiration which attends up such distinguished abilities, makes always a part of their reward; a greater or smaller in proportion as it is higher or lower in degree. It makes a considerable part of that reward in the profession of physic; a still greater perhaps in that of law; in poetry and philosophy it makes almost the whole.18

The second reason for this was possibly a little more surprising, namely, ‘the natural confidence which every man has more or less, not only in his own abilities, but of his own good fortune’.19 This, Smith believed, was a universal trait in mankind:

The over-weening conceit which the greater part of men have of their own abilities, is an antient evil remarked by the philosophers and moralists of all ages. Their absurd presumption in their own good fortune, has been less taken notice of. It is, however, if possible, still more universal. There is no man living who, when in tolerable health and spirits, has not some share of it. The chance of gain is by every man more or less over-valued, and the chance of loss is by most men under-valued, and by scarce any man, who is in tolerable health and spirits, valued more than it is worth.20

Whilst again the editors of the Glasgow edition of the WN note that Hutcheson had commented on the ‘vain hopes of multitudes, and a sort of self-flattery in their good fortune’, and Montesquieu had also written that ‘Mankind are generally fond of gaming; and even the most prudent have no aversion to it’,21 and authors throughout the century, including Wollstonecraft, bemoaned the damages caused by gambling, Smith thought his point in need of elaboration as an over-looked insight into human nature. It was not just that lotteries unhinged even the most sensible people, though Smith did go through the sums and laid out the certainty of loss proportionate to the investment made by individuals in lotteries.22 Mankind’s distorted perception of its luck permeated all forms of understanding. Indeed, so much so that we can take Smith’s account of human propensity to exaggerate their luck and underestimate adverse risks as an early rejection of John Rawls’s original position, one that grounded not a theory of justice, according to Dorothy Emmett, but laid the foundation for one of prudence.23 Smith’s original position would not have been occupied by the prudent, but by the reckless who would have staked all on winning the natural lottery.

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16WN, l.x.b.22, p. 122.  
17Ibid., l.x.b.22, p. 123.  
18Ibid., l.x.b.24, p. 123.  
19Ibid., l.x.b.23, p. 123. My emphasis.  
20Ibid., l.x.b.26, p. 124–5.  
21Ibid., p. 124 n.22.  
'That the chance of loss is frequently under-valued', he wrote, ‘and scarce ever valued more than it is worth, we may learn from the very moderate profit of insurers’. Taking the whole kingdom at an average, nineteen houses in twenty, or rather perhaps ninety-nine in a hundred, are not insured from fire', he continued. Many ships sailed without insurance. This was not the result of careful risk assessment, but ‘of mere thoughtless rashness and presumptuous contempt of the risk.’ Contempt of risk was at its highest amongst the young when they chose professions. It explained why they enlisted especially at the beginning of wars, despite the risk being so very high. ‘The dangers and hair-breadth escapes of a life of adventures, instead of disheartening young people,’ Smith remarked, ‘seem frequently to recommend a trade to them’. Smuggling was ‘the infallible road to bankruptcy’, but that did not hold back adventurers.

Reading Smith’s WN one cannot but be struck by the madness of the world he depicted in its opening sections. To be sure, he sought to expose the inanity, as he saw it, of the then prevailing school of political economy, Mercantilism. In so doing, however, he did not desist, even when he deemed it indecent of him, from pointing to the arbitrariness of various institutions and practices; thus he spoke of the ‘lottery of the church’ in England and in all Roman Catholic countries as well as the fact that whilst in France, Scotland and many other parts of Europe tradesmen lived in flats, in London such a person ‘is obliged to hire a whole house in that part of the town where his customers live’. It was a world in which the remuneration of eminent teachers, pitiful though it was, would have been worse still were it not for the invention of the printing press which syphoned off some would be teachers into Grub Street.

Structural or sociological idiocy aside (if this is possible), it was the character of humanity that was worrisome. It was a world in which people of the same trade ‘seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the publick’, one in which fraudulence and negligence had to be kept in constant check, but, most troubling of all, one in which individuals seemed to have very little sense whatsoever, as their over-estimation of their own ability and luck and inability to gauge risk indicated. The art of being in the world in the eighteenth century, if the WN is to be believed, required, in the first instance, mastering the art of navigating through a maze of delusions, quite apart from the grandest illusion highlighted in the TMS about the enviable happiness of the rich as well as our insatiable neediness for recognition. To acquire the skills to steer through such a society would have been challenging enough had Smith given his reader much reason to think themselves exempt from his verdict on humanity. Alas, Smith was no Nietzsche. He did not tease his reader into believing she was an Übermensch. His was a universal claim. All were deluded.

Voltaire, who both proves and somewhat disproves Smith’s point, ‘made his fortune from a clever manipulation of the Paris lottery, bold speculation in Lorraine bonds, [and] various business ventures’. He thus illustrated Smith’s point in that he took risks and gambled, but whilst he bet, he won and, one could say, did therefore not over-estimate his own good fortune. Madame du Châtelet exemplifies Smith’s point much better, as she lost substantial sums playing cards despite her exceptional mathematical skills. So did Benjamin Constant, an insatiable gambler. Madame de Pompadour and the Queen Marie-Antoinette also played and lost. As Thomas M. Kavanagh put it:

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24WN., I.x.b.28, p. 125.
25Ibid., I.x.b.28, p. 126.
26Ibid.
27Ibid., I.x.b.33, p. 128.
28Ibid., I.x.c.34, p. 146.
29Ibid., I.x.c.35, p. 148.
30Ibid., I.x.b.52, p. 135.
31Ibid., I.x.c.28, p. 145.
32Ibid., I.x.c.31, p. 146.
If any one period stands as the heyday of gambling in France, it is the three quarters of a century separating the death of Louis XIV from the storming of the Bastille and the coming of the Revolution. The years between 1715 and 1789, beginning with the Regency of Philippe d’Orléans and continuing through the reigns of Louis XV and Louis XVI, represent an interlude, a proliferation of brave new ideas that involved a systematic rethinking of the notions of worldly happiness and individual freedom, coupled with what was nothing less than a national obsession with chance and gambling in all its forms.34 One need only think of the Honourable Charles James Fox to remember that one did not have to be French or Francophone to prove Smith right. Fox’s father settled his son’s gambling debts to the amount of £140,000, and this had to be done again by friends some years later. Foremost in the eighteenth-century mind, of course, was the greatest gambler of all, John Law, who risked and won and lost not only his own money and that of his family, but that of a sizeable slice of France’s.

3. Fortune rules the world

If the eighteenth century was the gambling century, reflection on chance or Fortuna, gambling’s great tease, long preceded it, not least by Montaigne who used the term hundreds of times in his work, as Biancamaria Fontana has noted:

the imperfection of human nature was not the only source of uncertainty in practical life […] In the language of the Essais all these sources of risk, human and nonhuman alike, were globally described as ‘chance’ or ‘fortune’ […]

[Montaigne’s] insistence on the impact of chance upon human affairs is one of the themes that brought Montaigne’s analysis very close to some of Machiavelli’s insights […]. However, unlike Machiavelli, Montaigne avoided any classical personification of ‘Fortuna’ as a force men could superstitiously hope to influence through their own qualities and attitudes. In Montaigne’s more prosaic, unheroic reading, the only way in which humans could hope to master their own ‘fortunes’ was by developing their ability to exercise some influence upon other people: in this perspective qualities such as honesty, trustworthiness, and the willingness to reconcile one’s needs with those of others were more important than the kind of audacity and reckless daring that Machiavelli had regarded as indispensable to the success of his prince. But in the last instance, being aware of the weight of chance meant recognizing the distance that separated human projects from the inscrutable designs of the Divinity.35

The last point very much holds true also for Adam Smith. The WN sought to make its readers reflect on that distance, not only because not every aspect of human life could be controlled by human beings, but because of the limited capacities of the latter to understand and control what they could.

Falsely calculated or not, luck or fortune, as Smith would have had it, mattered.36 Indeed, though like the famed Florentine, he also conceived her as a woman, Smith appears to grant her more power than even Machiavelli had: ‘as the consequences of actions are altogether under the empire of Fortune, hence arises [he wrote] her influence upon the sentiments of mankind with regard to merit and demerit’.37 However much good intentions weighed in moral estimations, successful outcomes trumped them: ‘Fortune, which governs the world, has some influence where we should be least willing to allow her any, and directs in some measure the sentiments of mankind, with regard to the character and conduct both of themselves and others.’38 It did not just influence feelings, but made for the unspeakable fate of an entire body of African people:

37 TMS, II.i.7, p. 97.
38 Ibid., II.i.3.1, p. 104.
Fortune never exerted more cruelly her empire over mankind, than when she subjected those nations of heroes to the refuse of the jails of Europe, to wretches who possess the virtues neither of the countries which they come from, nor of those which they go to, and whose levity, brutality, and baseness, so justly expose them to the contempt of the vanquished.39

Why Smith should bring fortune at all into this passage when the cause of the barbarism of the vilest Europeans of which he speaks is given in his description of them in that very sentence is perhaps puzzling. Smith was under no illusion about human nature and the evil it could commit, but there were, in his view, chance circumstances as well as social institutions that could either facilitate or restrain it.

4. Fortune and trustworthiness in TMS

Fortune mattered. It made its appearance even earlier in TMS than it would in WN. Its opening pages placed our perception of the good and bad fortune at the heart of the exercise of sympathy. Having spoken of reactions to the sight of someone enraged, Smith, we recall, went on to say:

If the very appearances of grief and joy inspire us with some degree of the like emotions, it is because they suggest to us the general idea of some good or bad fortune that has befallen the person in whom we observe them; and in these passions this is sufficient to have some little influence on us. […] So the general idea of good or bad fortune creates some concern for the person who has met with it, but the general idea of provocation arouses no sympathy with the anger of the man who has been provoked. It seems that nature teaches us to be more averse to entering into this passion and to be inclined to take sides against it until we are informed of its cause.40

Nature guarded us from some immediate reactions, but not, it would seem, from responding to witnessing fortune in action. Even the judgment of the impartial spectator was not, indeed could not be, indifferent to its vicissitudes. The outcome of actions did not escape the contingencies of fortune and therefore our estimation of their merit or demerit. Indeed, one might note here that Smith had much to say about the philosophical issues undermining the justification of punishment.41

The TMS is replete with references to fortune and misfortune, encompassing wealth and its loss, to be sure, but much also covering what Smith called ‘good or bad fortune’, that is the luck of the draw with respect to health, love, and more. How one responded to one’s own good or bad fortune was as important a subject of reflection in that work as were our responses to the good or bad fortune of others. Reading the TMS from this particular angle, human beings appear the hapless playthings of fortune. Agency seems only to reside in acquiring the self-command to react to the vagaries of life’s roulette. Yet, that discipline was itself a matter of luck. One had to hope, for instance, not to be tested with too great fluctuations in good or bad fortune: ‘sudden changes of fortune seldom contribute much to happiness’ Smith thought,

he is happiest who advances more gradually to greatness, whom the public destines to every step of his preferment long before he arrives at it, in whom, upon that account, when it comes, it can excite no extravagant joy, and with regard to whom it cannot reasonably create either jealousy in those he overtakes, or any envy in those he leaves behind.42

Peppered throughout the work are Smith’s recommendations for as happy a life as one might have in the changing winds of fortune. As well as taking care of our health and wealth, we are urged, for instance, to make most of the small pleasures of life: ‘Nothing is more graceful than habitual cheerfulness, which is always founded upon a peculiar relish for all the little pleasures which common

40TMS, I.i.6.8, p. 11.
42TMS, I.i.i.5.1, p. 41.
occurrences afford. And to keep good company. And seek out friends who might tease us about the insignificant matters and sympathise with the genuine objects of our griefs and joys.

Nick Phillipson wrote that ‘[u]nlike Hume, Smith had a strictly limited taste for city life, salon culture and even, one suspects, the company of his friends’. Be this as it may, Smith by his own account as well as Nick’s had to rely, as all did, on the judgements of others, not only about the propriety or impropriety of our moral conduct, but in every aspect of life. These may not have been the closest of friends, but they had to share enough in common to be able to make moral judgments on one another. Under the powerful empire of fortune in which all had not only a false sense of their ability, but of their good or ill fortune, human beings depended on each other not just to meet their physical needs through an effective division of labour, but for knowing their own good. Fortune’s effect on the sentiments of mankind even towards their own character and conduct could only pile on vicissitude unto an already distorted sense of our own chances of success and risk of failures. Misconceived though it already is Das echte Adam Smith Problem is not that we were deemed self-loving creatures in one text, the WN, and sympathetic in the other, TMS, but that both texts made it clear that we could not be trusted to judge our own self-interest. If we follow Raymond Geuss’ conception of the nature of ideology then it would seem that Smith thought humanity laboured under a powerful one: ‘ideology is what prevents agents in the society from correctly perceiving their true situation and real interests’.

5. Networks of trust

This brings us back to trust. We needed to trust in God: ‘No conductor of an army can deserve more unlimited trust, more ardent and zealous affection, than the great Conductor of the universe’. We saw earlier that we had a special need to trust our doctors and lawyers. We also needed to trust our government, Smith told his students and readers. With regards to the former, this could certainly not be a blind trust. Some governments, such as the aristocracies of Venice and Amsterdam, could be trusted when taking the management of their banks into their own hands, but not England’s, Smith reckoned, whose ‘slothful[ness] and negligent profusion’ was perhaps as typical of monarchies as of democracies. The profligacy of its kings and ministers was such that it was the highest impertinence and presumption of them ‘to pretend to watch over the economy of private people’ and restrain their expenses through sumptuary laws or prohibiting foreign luxury: ‘Let them look well after their own expense, and they may safely trust private people with theirs’. Trust at a personal level was not a straight forward matter either, hence TMS acting as a guide as to whom to trust and how to make oneself trustworthy, not a world apart from making oneself lovable, ‘the chief part of human happiness aris[ing] from the consciousness of being loved’.

Smith mostly spoke of friends in the plural, friendship and trust being conceived by him in terms of networks rather than binary relations. Pace Nick’s comments about Smith’s character, he also showed how his illustrious subject was very much part of a network of connections, acquaintances, friendships and trust. These social and affective webs arose in part from Smith’s authorship of the TMS, its fame to be sure, but above all on account of the persona emerging out of the work. It led Charles Townshend, stepfather and guardian of the young Duke of Buccleuch, to entrust the young man to Smith’s care and the beginning of a lifelong friendship. Given Smith’s French and his alleged

43Ibid., i.ii.5.2, pp. 41–2.
44Nicholas Phillipson, Adam Smith: An Enlightened Life (London, 2010), 5.
46TMS, VI.ii.3.4, p. 236.
47WN, V.ii.a.4, p. 818.
48WN, III.iii. 36, p. 346.
49TMS, i.ii.5.2, p. 41.
social awkwardness, Nick tells us how this choice was the subject of some surprise and discussion in Edinburgh’s social circles. Like all that was involved in the rest of the Grand Tour Smith and the Duke undertook on the Continent, this judgement was tested and relied on a multiplicity of relations of trust. Thanks to the father of one of Smith’s former pupils, Theodore Tronchin, a royal physician to the French Court, during the two-month stay in Geneva a multitude of doors were opened to the two visitors, including to leading members of Geneva’s government and to professors like George Le Sage, who was interested in Joseph Black’s theory of latent heat, and Charles Bonnet, both of whom were intrigued by Smith’s friendship with a notorious sceptic like Hume.

The trusted docteur Tronchin introduced them to his patient, a close friend of Turgot, the Duchess d’Enville, who stayed in touch with Smith for the rest of his life. Nick explains how ‘she was to be valuable in preparing the ground for Smith’s hugely successful introduction to French salon society and to the économistes’. Her good words together with Hume’s ensured Smith’s ‘momentous’ Parisian reception. He met all the leading women and men within the city’s literary and philosophical circles, not least another famous and much trusted medical doctor, Quesnay.

The importance of these encounters cannot be overstated, but what is both noteworthy and blatantly self-evident at once in the correspondences of the period is the reliance on a mesh of intellectual, social and moral judgements. One example might give some sense of what I mean. In a letter from Paris on 15th October 1766 to Lady Frances Scott, the younger sister of Buccleuch, during the illness of their brother, Campbell Scott, who was to die 4 days later, Smith wrote:

Tho’ I have entire confidence in the skill of the Physicians that have hitherto attended him, notwithstanding they have been mistaken in their predictions, I have thought proper to call in Tronchin, who will attend him for the future along with them. He is my particular and intimate friend Quênai is one of the worthiest men in France and one of the best Physicians that is to be met within any country. He was not only the Physician but the friend and confident of Madame de Pompadour a woman who was no contemptible Judge of merit.

The judgment of Madame de Pompadour mattered, even to Smith. Letters of introductions, the medium of social trust, opened doors. They conveyed assessments of character as well as ability and intellect, one vetting superimposed unto the last, one reputation for strength of judgement added to the next. From these proceeded requests for favours and further testimonials of trust and friendship. Smith spoke of friendship much as he had of trust in civil society more generally. Reciprocity and mutual kindness generated trust.

To perfect the art of living in the eighteenth century called on trustworthiness. Frankness and openness, we already noted, ‘conciliate confidence’, according to Smith. One had to read the TMS in its entirety to appreciate fully what that frankness and openness needed to reveal (and what not) to make oneself a candidate for trust. One had at the very least to combine the qualities of a woman and those of a man, namely, ‘[h]umanity, justice, generosity, and public spirit’, humanity being ‘the virtue of a woman, generosity of a man’. These were ‘the qualities most useful to others’. Being trusted and being useful very much overlapped in Smith’s. In a note of thanks to John Spottiswoode from Kirkcaldy on the 21 January 1778, Smith wrote

I do not know how to express my thankfulness to you for voluntarily undertaking to transact my business at the treasury. A man of honour who undertakes to execute a trust for another very often thinks that he cannot save his money too much. This may be for the honour of the trustee but its not always for that of the truster.

50Phillipson, Adam Smith, p. 184.
51Ibid., 189.
52Ibid., 190.
53Ibid., 192.
54Adam Smith to Lady Francis Scott, Paris, 15 October 1766, in The Correspondence of Adam Smith, E.C. Mossner and I.S. Ross eds., Letter 97, p. 120.
55TMS, VI, ii.18-19, pp. 224–5.
56Ibid., IV.2.10, p. 190.
You rate the fees at 90–100 pounds. Everybody else tells me they amount to 150 or 160 pounds. May I beg that I may have not dispute with the Clerks of the treasury and that everything may be paid as liberally as it usually is by other people. I am with highest sense of your kindness, Dear Sir, …

With regards to commerce, familiarity enhanced trust:

Thus upon equal or nearly equal profits, every wholesale merchant naturally prefers the home-trade to the foreign trade of consumption, and the foreign trade of consumption to the carrying trade. In the home-trade his capital is never so long out of his sight as it frequently is in the foreign trade of consumption. He can know better the character and situation of the persons whom he trusts, and if he should happen to be deceived, he knows better the laws of the country from which he must seek redress.58

Mention of the invisible hand followed a few paragraphs thereafter, when Smith explained that by favouring domestic over foreign industry, merchants in pursuing their own interest unwittingly promoted that of their country.59 It may seem therefore that by Book IV of the WN Smith had forgotten his own underscoring in Book I of humanity’s prowess in misjudging risk. However, we must not lose sight of the fact that Smith argued for the wisdom of individuals in dealing with their own businesses in opposition to government involvement in the market. That they knew their self-interest better than government did, that their pursuit of it led to a better system of distributive justice than a governmental one did not mean that individual actors in the market place were inherently rational and wise in their estimation of the probability of the success of their ventures or their choice of professions. They were just better at it in the main (and given the right set and networks of friends and acquaintances) than governments.

6. Luck and the colonies

If nothing else the discovery of the Americas provided Smith with numerous examples of the irrationality of mankind. Discovered by chance, misnamed as a result, what had taken place in the West Indies gave him the opportunity in Book IV to repeat his earlier pronouncement:

Of all those expensive and uncertain projects, however, which bring bankruptcy upon the greater part of the people who engage in them, there is none perhaps more perfectly ruinous than the search after new silver and gold mines. It is perhaps the most disadvantageous lottery in the world, or the one in which the gain of those who draw the prizes bears the least proportion to the loss of those who draw the blanks: for though the prizes are few and the blanks many, the common price of a ticket is the whole fortune of a very rich man. […] Such in reality is the absurd confidence which almost all men have in their own good fortune, that wherever there is the least probability of success, too great a share of [capital]is apt to go to [such projects] of its own accord.60

And lest we thought he only had wild adventurers in mind, Smith added: “The dream of Sir Walter Raleigh concerning the golden city and country of Eldorado, may satisfy us, that even wise men are not always exempt from such strange delusions.”61 And if that were not enough, Smith brought into his argument the lady Fortune herself:

Fortune too did upon this what she had done upon very few other occasions. She realized in some measure the extravagant hopes of her votaries, and in the discovery and conquest of Mexico and Peru […], she presented them with something not very unlike that profusion of the precious metals which they sought for.62

Such ‘chimerical views’, as Smith called them were not the monopoly of Spaniards. They were to be found amongst the settlers in North America. They proved far less successful than the former who

58WN, IV.i.6, p. 454.
59Ibid., IV.i.9, p. 456.
61WN, IV.vii.a.19, p. 563.
through ‘a course of accidents, which no human wisdom could foresee, rendered [their] project much more successful than the undertakers had any reasonable grounds for expecting.’

Smith had further occasion to use the lottery metaphor and laugh at mankind’s presumption when discussing the American Colonies’ refusal to be taxed without representation. ‘Instead of piddling for the little prizes’, he wrote,

which are to be found in what may be called the paltry raffle of colony faction; they might then hope, from the presumption which men naturally have in their own ability and good fortune, to draw some of the great prizes which sometimes come from the wheel or the great state of lottery of British politicks.

He would repeat himself again towards the end of Book V:

An annuity, with a right of survivorship, is really worth more than an equal annuity for a separate life, and from the confidence which every man natural has in his own good fortune, the principle upon which is founded the success of all lotteries, such an annuity generally sells for something more than it is worth.

7. Conclusion

Fortune thus played a major role in Smith’s understanding of the way of the world. Though this will not come as news to readers of the TMS, its importance needs highlighting in the WN. It made profits and investments difficult to gauge, let alone predict. But it is the combination of its empire over mankind and mankind’s own stupidity in relation to it that made for a very unpredictable world. This rendered networks of trust and friendships indispensable to steer through its rough seas and thus to the art of living in the eighteenth century, as much as in the present. Thus, discussing the hallmark of the digital economy in an article in the Financial Times on the 22nd January 2019, Izabella Kaminska explained that ‘we can infer that an economy is delivered when the factors of production (including labour) are organised in such a way that resource-sparing efficiencies are generated.’ ‘Such organisation’, she continued, ‘draws on division of labour, which itself draws on increasing levels of trust between the various specialist layers that increasingly depend upon each other.’

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63 Ibid., IV.vii.b21, p. 564.
64 Ibid., IV.vii.c.75, p. 623. See Winch, ”Politique Coloniale”, p. 48.
65 WN., V.iii.33, p. 918.
66 https://ftalphaville.ft.com/2019/02/22/1550838206000/Why-wordcrime-has-destroyed-the-economy/#


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