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**THE THEOLOGICAL FOUNDATION  
OF ADAM SMITH'S WORK**

**James E Alvey**

Te Kunenga  
ki Pūrehuroa



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# THE THEOLOGICAL FOUNDATION OF ADAM SMITH'S WORK

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## ABSTRACT

The paper will discuss the theological foundation to Smith's writings. Teleology, final causes and divine design were initially seen as central to understanding Smith's writings. Over time, this view fell out of fashion. In the period after World War II, with the rise of positivism, commentators tended to overlook or downplay this interpretation. In the last decade, or so, teleology has started to be restored to its former position as an essential element in understanding Smith. After spelling out Smith's teleology and his view of final causes, divine design and the ends of nature, we try to explain the Panglossian nature of the 'new theistic view' of Smith. While our view differs somewhat, we agree with the essence of the 'new view' claim: a theological view exists in Smith which underpins his moral and economic theories.

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## 1. INTRODUCTION

Jacob Viner once wrote that ‘in the *Theory of Moral Sentiments*<sup>2</sup> [there] is an unqualified doctrine of a harmonious order of nature, under divine guidance, which promotes the welfare of man through the operation of his individual propensities’; further, he speculated that this doctrine may have been ‘the secret basis of Smith’s conclusions’ in the *Wealth of Nations* (Viner 1927, 206,210). The recent, explicit revival of Viner’s view makes timely this article, which will re-examine the importance of teleology and theology in Smith’s work.<sup>3</sup>

Adam Smith wrote from around 1755 to 1790, yet he remains an important figure in the history of economics. Today, the reader has a number of hermeneutic difficulties in an encounter with Smith. Even if one rejects postmodernism,<sup>4</sup> and accepts that one ought at least to try to understand the author’s intention, there is the difficulty of actually undertaking the task. As Viner pointed out, the secular underpinnings of contemporary social science, has led many readers to either miss entirely, or discount the relevance of, Smith’s teleological view of human nature and the associated theology (Viner 1972, 81). Modern readers, he adds, have two methods of dealing with ‘the religious ingredients of Smith’s thought’: either they ‘put on mental blinders which hide ... these aberrations of Smith’s thought, or they treat them as ... *ornaments* to ... rational analysis’ (Viner 1972, 81-2 emphasis added). Allegedly, the removal of these ‘ornaments’ will not harm Smith’s argument. By contrast, Viner stated that ‘Adam Smith’s system of thought, ... is not intelligible if one disregards the role that he assigns in it to the teleological elements, to the “invisible hand”’ (Viner 1972, 82).<sup>5</sup> Viner’s interpretation of Smith was not unique but it was unfashionable. The fashionable interpretation has varied over time.

Over the past two hundred years, the commentators on Smith have held widely differing views on the role of teleology in Smith’s work. A nice summary of the flow of these views is presented in Kleer (2000). Kleer argues that the initial commentators through to the latter half of the nineteenth century held that teleology played an important role in Smith’s writings; early in the twentieth century a more secular view arose;<sup>6</sup> and after World War II an even more secular view was

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<sup>2</sup> Textual references are to Smith unless otherwise noted. My citations from him follow the practice of the editors of *The Glasgow Edition of the Works and Correspondence of Adam Smith*, citing not the page number but the relevant Book, Chapter, Section and paragraph (i.e. *WN* l.x.b.3 = *The Wealth of Nations* Bk. I, Chap. X, Sect. b, para. 3). References to other philosophers usually follow this pattern. Abbreviations of Smith’s works: *Corr* = *The Correspondence of Adam Smith*; *ED* = ‘Early Draft of Part of *The Wealth of Nations*’ in *LJ* (see below); *EPS* = *Essays on Philosophical Subjects*; *ES* = ‘Of External Sense’ in *EPS*; *HA* = ‘History of Astronomy’ in *EPS*; *HLM* = ‘History of the Ancient Logics and Metaphysics’ in *EPS*; *LJ* = *Lectures on Jurisprudence*; *TMS* = *Theory of Moral Sentiments*; *WN* = *Wealth of Nations*.

<sup>3</sup> On the new view, see Kleer 1992; Kleer 1995; Kleer 2000; Hill 2001; Clarke 2000; Clarke 2002; Waterman 2002; Tanaka 2003.

<sup>4</sup> The postmodern approach asserts that the intention of an author can never be known and that we impose meanings on the written words. Reading and interpretation become ‘creative’ acts on the reader’s part. To search for the author’s true meaning is a doomed project. Two ‘postmodern’ books have been written on Smith (Shapiro 1993; Brown 1994; c.f. Alvey 1997).

<sup>5</sup> The ‘invisible hand’ is not treated in detail below, for discussion see Alvey 2003a, 125-9.

<sup>6</sup> The view tended to be either that a) Smith held a teleological view in the *TMS* but dropped it in the *WN*, or b)

developed. I would add that, in the last decade or so, a ‘new theistic view’ has arisen which returns, in large part, to the view of the early commentators and Viner. The interpretations of those who adhere to the ‘new theistic view,’ have started to undermine the secular orthodoxy.<sup>7</sup>

Let us now sketch what will be covered below. The second section discusses Smith’s intellectual context. The third section turns to Adam Smith’s teleology and the ends of nature that he claims exist. The fourth section discusses the meaning of these ends. The fifth section presents Smith’s basic teleological model. The sixth section considers whether Smith’s teleological ‘ornaments’ can be removed without harming his argument. The seventh section discusses some extensions of the teleological approach that have been undertaken. The eighth section discusses what appear to be flaws in the natural harmony. The ninth section discusses the relevance of this teleological interpretation for us. The final section provides a brief summary. Let us begin with some background information on teleology.

## 2. INTELLECTUAL CONTEXT: TELEOLOGY, FINAL CAUSE AND DIVINE DESIGN

This section discusses Smith’s intellectual context. After explaining the term ‘teleology,’ we discuss the nature, genesis, evolution and orthodoxy of the teleological doctrine.

‘Teleology’ denotes final causes in nature; ‘final cause,’ in turn, derived from the Scholastic treatment of Aristotle’s theory of causation. Only two of Aristotle’s ‘causes’ need concern us: the efficient cause (the agent immediately producing the change in the thing changed) and the final cause (the end or purpose of the thing changed or produced).<sup>8</sup> Aristotle’s typology of causes was widely used in Smith’s time and explicitly used by Smith himself (*TMS* II.ii.3.5).

Second, let us discuss the nature of the teleological doctrine. If the parts of a thing fulfil the goal of the whole, *purpose* in the construction and an *intelligent contriver* can be implied (Hurlbutt 1985, 8). The arrangement of nature lends itself to teleological explanations. Evidence of design drawn from nature would then be used as the foundation for theorizing about God. While the specific arguments and analogies used varied over time, some key features of the design argument (and teleology) were its link to monotheistic religion, unalterable laws of nature, a general optimistic outlook and the promotion of religious belief.

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Smith’s references to teleology could be removed without damage to his argument.

<sup>7</sup> Many commentators retain the secular interpretation of Smith (Haakonssen 1981; Haakonssen 1982; Minowitz 1993; Griswold 1999).

<sup>8</sup> See Aristotle *Physics* II.3; Ross 1949, 71-5,155; Sorabji 1980 throughout.

The genesis of the design argument goes back to the Socratics, and especially Aristotle; they opposed the pre-Socratics, the Atomists and their followers, who argued for a mechanical or chance foundation of nature (see Hurlbutt 1985, 97-8). Next, the Stoics arose, who developed a sort of philosophical religion of nature based on the teleological foundation. Stoicism became virtually the official ideology of the Roman Empire. This represented an early peak in the teleological doctrine; subsequently, the popularity and orthodoxy of the teleological argument followed a cyclical pattern (see Clarke 2000, 2002; Fitzgibbons 2003, 73).

Eventually Stoicism came into conflict with Christian doctrine; its rejection by Augustine (AD 354-430) led to its disappearance from mainstream religious thinking (Clarke 2002, 13-4). It was only after Galileo's heresy trial (1633) precipitated changes in religious views that the teleological argument re-emerged (Clarke 2002, 13-14). Atomist and Stoic views were revived and modified in the scientific revolution.<sup>9</sup>

Another high point for teleology occurred in the work of Isaac Newton (his *Principia* was first published in 1687). 'Newtonianism,' based on the design argument, secured the unity of science and religion, in Britain at least.<sup>10</sup> Scientists supported each new discovery with a revised design argument.<sup>11</sup> Theologians tried to show the compatibility of their theology with the new science.<sup>12</sup> By the eighteenth century, the teleological view was orthodox in Britain: it was the core of natural theology (Hurlbutt 1985, 188).

Although the design argument was attacked by some of Smith's contemporaries (Diderot, Voltaire and Hume), they had little impact in Britain; indeed, support for it even strengthened subsequently.<sup>13</sup> Perhaps the turning point came in 1859 when Darwin proposed evolution (survival of the fittest) as an alternative explanation to Divine design (Brooke 1991, 197). So successful has been the Darwinian argument that these days little is heard of teleology, or the design argument. These trends have, of course, corresponded with the 'secularization' of the natural and social sciences. The traditional design argument is now on life-support.

In Smith's day teleology was in vogue. It is no accident that the Stoic view played a large role in the Scottish Enlightenment. In eighteenth-century Scotland, natural theology (based on the design argument) came to be seen as a sort of preliminary to revealed theology. Smith himself taught natural theology at the University of Glasgow (see Stewart 1980, 274). With this background in mind, let us now turn to Smith and his view of teleology.

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<sup>9</sup> The scientific revolution is often held to have begun in 1543 with the publication of important works by Copernicus and Vesalius.

<sup>10</sup> Bacon, Boyle, Ray and many others united science and theology in the age of the scientific revolution (Brooke 1991, 18, 134).

<sup>11</sup> Amongst the many scientists who used the design argument were Maclaurin, Ray, Boyle and Clarke (Hurlbutt 1985, 27-42).

<sup>12</sup> See Hurlbutt 1985, 79,84; Mossner 1936, 35,81,109,129.

<sup>13</sup> See Waterman 1991, 69-70; Hurlbutt 1985, 170, 177; Brooke 1991, 173-5, 220.

### 3. SMITH'S TELEOLOGY AND THE ENDS OF NATURE

The starting point for investigating Smith's views on teleology is his understanding of nature, primarily presented in the *TMS*. This section addresses several questions. If there is design, at what does it aim? What are the ends of nature? Do the ends of *human* nature accord with the rest of nature? How are the ends of human nature to be achieved?

Let us begin by turning to Smith's statement that: 'In every part of the universe we observe means adjusted with the nicest artifice to the ends which they are intended to produce'; here he refers specifically to 'the *two great purposes of nature, the support of the individual* [self-preservation] and the *propagation of the species*' (*TMS* II.ii.3.5 emphasis added; see also *ED* ii.23). Two points can be noted here. First, this exemplifies the teleological argument *to* design.<sup>14</sup> Second, due to such quotations, some have claimed that, *if* nature has any ends, it is only preservation.<sup>15</sup> Next, the advancement of enlightened ends, the *final cause*, we imagine is due to human wisdom but Smith says it is actually due to 'the *wisdom of God*' (*TMS* II.ii.3.5 emphasis added). If the last two quotations are put together, we can infer that God's 'wisdom' is demonstrated throughout the universe, the means being nicely adjusted to produce the ends of preservation and procreation. Smith confirms that the *human* constitution also follows this design pattern (*TMS* II.i.5.10). The uniformity of the design suggests that there was a single designer who drew up a grand blueprint of the universe before creating it in accordance with the plan.

Not only has Nature determined the human ends but it has endowed humans "with an *appetite for the means*" by which these ends can be realized (*TMS* II.i.5.10 emphasis added). The means are drinking, eating, having sex, and so on.<sup>16</sup> 'Hunger, thirst, the passion which unites the sexes, the love of pleasure, and the dread of pain,' drive us to adopt the appropriate means 'without any consideration of their tendency to those beneficent ends, which the Director of nature [God] intended to produce by them' (*TMS* II.i.5.10). Three points should be noted from what we have learned so far. First, Smith stresses the providential role of nature in the provision of instincts for man; the *efficient cause* of human action is instinct (see also *ES* 49, 60; Cropsey 2001, 124). Second, as a counterpart to this, reason is downplayed.<sup>17</sup> Third, Smith links his teleological views to the 'Director of nature': teleology is one foundation for his theology.

Whilst reason does not drive human action, the ends of preservation and procreation are eminently rational. According to Smith, sub-rational desires lead us to the means that deliver these ends. As the instinctual means are nicely adjusted in us to produce rational ends and humans had no control in constructing these instincts, it seems that nature was wisely created by the 'Director of nature,' God, to achieve these ends: there is teleology immanent in the human constitution. Unlike Hume, Smith supports final causal explanations (see Hill 2001, 7-11).

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<sup>14</sup> The purposive relations amongst the parts of the universe imply a contriver-designer (see Hurlbutt 1985, 8-13).

<sup>15</sup> See Cropsey 2001, 38; Coase 1976; c.f. Minowitz 1993, 115; Kleer 1992.

<sup>16</sup> The discovery of the appropriate means, however, could be either by reason or instinct. Smith argues that Nature solves our problem by providing us with several instincts.

<sup>17</sup> See *WN* V.i.g.24; see also *TMS* VI.ii.1.20; VII.ii.1.47.



This does not complete Smith's account of the human ends. He explicitly refers to three other ends: Nature promotes 'the *order of the world*, and the *perfection and happiness of human nature*' (*TMS* III.5.9 emphasis added; see also *TMS* II.iii.3.2; III.5.7). In addition to the five explicit ends, freedom is an implicit goal that has almost the rank of an end of nature; recall the title of his ideal, 'the system of natural liberty' (*WN* IV.ix.51).

Taken together, the ends provide what I call 'human flourishing' (Alvey 2003a, 2). The ends are rational, as are the means; but frequently, instincts, not human rationality, are responsible for humans adopting the appropriate means. Further, Smith suggests that there is a coherence to the instincts: the 'ultimate objects' of our desires are 'ease and tranquillity' (*TMS* VII.ii.2.11; see also *HA* II.12.). The coherence and uniformity of nature indicates 'the wisdom of God' (*TMS* II.ii.3.5). Smith's account of nature is clearly teleological.

#### 4. THE MEANING, OR NATURE, OF THE ENDS

In this section we develop further our initial discussion of Smith's teleology. Let us briefly elaborate upon the meaning of each of the ends of nature.

For Smith, preservation seems to mean comfortable preservation.<sup>18</sup> Similarly, procreation seems to mean more than just maintaining the global species population (see *WN* I.viii.23). These two ends are not only ends in themselves, they are the low but sure foundation of other ends.

The third end is order. It also serves as an end in itself and a means to other ends. There are essentially three components of order: external security, internal security and a class system. The first component needs no comment. The second component--internal order, or a system of justice--derives from Smith's system of morality; these days it is often expressed as 'law and order.' The third component of order is the establishment and maintenance of a class system, protecting the distinction of ranks within society (*WN* V.i.b.3; *HA* III.5).<sup>19</sup>

Freedom seems familiar to us, although Smith's concept is complex and contains several components. In one sense, liberty is a psychological sense of security that results from the good administration of internal justice, of the rule of law (*WN* V.i.b.25; see Montesquieu *Spirit of the Laws* XI.6.3). Like other ends, freedom is an end in itself and a means to higher ends. Further, Smith's notion of freedom goes beyond the notion of 'negative liberty' so beloved by many economists; his 'system of natural liberty' included political, religious and economic components of freedom.<sup>20</sup>

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<sup>18</sup> See *WN* II.iii.31,36; III.iii.12; *HP* 9; c.f. Locke *Two Treatises* II.5.

<sup>19</sup> Today, this seems thoroughly anachronistic but it was seen as essential by Smith (*HA* III.5).

<sup>20</sup> *WN* IV.ix.51; Alvey 2003a, 118-9; see Berlin quoted in Justman 1993, 24. Economists quickly assume that they understand Smith's idea when he stresses freedom of mobility, occupational freedom, and so on (*WN* I.vii.6; I.x.a.1; I.x.c.12; IV.v.b.16). This part of Smith's notion of freedom we can call economic freedom.

Next, Smith has a complex view of happiness which transcends the utilitarian and materialistic version which underpins economics textbooks.<sup>21</sup> For Smith, happiness consists in tranquillity and enjoyment (*TMS* III.3.31). More will be said about the former soon. So let us focus here on the latter. It requires ‘personal liberty’ (*TMS* III.3.31) and some material goods. To adequately supply the latter, happiness (understood in utilitarian terms) probably requires redistribution. Smith’s compassion for the great bulk of population led him somewhat towards that position but his support for a stable class system meant that this utilitarianism had to be moderated.<sup>22</sup> Further complicating matters is his view that deferred happiness, the object of acquisitiveness, is often illusory (*TMS* IV.i.8).

Perfection in Smith’s account is complex; including both moral and intellectual virtues. He presents a wide range of attributes which demonstrate perfection; these can be ranked hierarchically from the moral peak of benevolence down to the bourgeois virtues.<sup>23</sup> Smith provides a number of examples of human excellence including unexpected figures such as the great general, the statesman and the legislator but *not* the business tycoon (*TMS* VI.i.15).

Ease and tranquillity, we saw earlier, comprise a sort of summary of the ends. They are a pair, meaning ease of body and ease of mind. Bodily ease is unlikely to occur either where the provision of necessities is arduous or the individual works frantically for non-necessaries, seeking some illusory future happiness. Tranquillity is a complex psychological notion: it is the ‘foundation of all real and satisfactory enjoyment’ (*TMS* III.3.31). Many things can disturb tranquillity, including ‘wonder,’ induced by ‘jarring and discordant appearances,’ or phenomena, in nature (*HA* II.12). Philosophy is the means to supply explanations by creating systems of thought that connect up the appearances of nature in a psychologically persuasive manner (*HA* II.11-2). Hence, as a means to ‘sooth the imagination’ of the disturbed mind, various systems of natural philosophy arise, such as astronomy (*HA* II.12). Smith’s own systems, of morality and political economy, may have arisen from a similar cause.

## 5. THE BASIC MODEL: IMMANENT TELEOLOGY (HUMAN INSTINCT)

Viner’s claim, that Smith has a harmonious view of human nature, is often made by others. We cannot provide a full account of Smith’s harmonious views here. This section focuses on the foundation of the harmonious view: the construction of the instincts which show design toward the achievement of several natural ends.<sup>24</sup>

Let us begin with an obvious example. Smith says that humans must live in society to survive (*TMS* II.ii.3.1). Contrary to social contract theorists, Smith holds that this means to survival was

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<sup>21</sup> This view surfaces in economics textbooks in welfare economics.

<sup>22</sup> Smith does recommend some redistributive policies (see Alvey 2003a, 130).

<sup>23</sup> Prudence, industry and frugality are called virtues by Smith (see *TMS* VI.i.5; VI.iii.13).

<sup>24</sup> See Kleer 1992; Kleer 1995; Kleer 2000; Alvey 2003a, 31-77.

not discovered by human reasoning (*LJ* (B)3). We are always in society, rather than entering it out of rational calculation after living dispersed. This historical fact is due to the construction of nature. Smith says that as the means to the end of preservation, Nature programmed (or hard-wired) human nature to have various *social* desires: ‘The desire of being believed, the desire of persuading, of leading and directing other people,’ is perhaps ‘the strongest of all our natural desires’ and it may be ‘the *instinct* upon which is founded the faculty of speech, the characteristic faculty of human nature’ (*TMS* VII.iv.25 emphasis added; cf. Aristotle *Politics* 1253a9-18). Humans need to live in society and nature hard-wires gregariousness into them; the *final cause* is preservation and the *efficient cause* is instinct.

According to Smith, human society (the proximate means to preservation) ‘seems ... to have been the peculiar and darling care of Nature’ (*TMS* II.ii.3.4). With almost ‘parental tenderness,’ Nature strives to preserve human society (*TMS* III.3.13). Nature wants society to endure; hence, it wants society properly ordered. To assist in achieving the end of order, nature provides two instincts as means. First, internal order rests on a system of justice (by justice Smith usually means commutative justice) which is as perfect as possible; the natural sense of justice arises from resentment and Smith’s moral theory provides an explanation of how this natural sense is perfected and instituted into a system of jurisprudence (Alvey 2003a, 40-53). Second, contrary to a contractarian or utilitarian foundation of a class-structured society, the ‘doctrine of nature’ instils a strong *natural deference* to authority.<sup>25</sup> Hence, the *final causes* of preservation, procreation and order are all supported by instinctive *efficient causes*.

At this point various commentators on Smith may object, claiming that these views may be relevant to the *Theory of Moral Sentiments* (*TMS*) but not to the *Wealth of Nations* (*WN*.) Perhaps Smith changed his mind between the writing of the *TMS* and the *WN*. This is the foundation for what became known as *Das Adam Smith Problem*.<sup>26</sup> In this newer version of *Das Adam Smith Problem*, teleology may be relevant to the *TMS* but not to the *WN* (Minowitz 1993, 2,8-9; see the references quoted in Kleer 2000, 16).

So let us turn to the *WN*. The best presentation of this book from the teleological perspective is Kleer (2000).<sup>27</sup> Let me merely sketch some of Kleer’s presentation here, focussing on economic growth. The latter helps to satisfy several of the ends of nature, including self-preservation, procreation and happiness (*WN* I.i.10; I.vii.1; I.viii.22-3,42-4). Why is there a ‘natural progress of opulence,’ which obviates the need for mercantilist-style government manipulation of the growth process (*WN* III.i.title; see also III.i.3-4)?

The starting point for Smith’s approach to economic growth is his view that the forces of nature tend to produce economic growth spontaneously; the underlying ‘system of natural liberty’ needs certain prerequisites to produce the maximum sustainable rate of growth but attempts to improve

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<sup>25</sup> *TMS* I.iii.2.3; *LJ*(B)344; c.f. Locke *Second Treatise* §§212,225,232,235,239.

<sup>26</sup> For a recent variation, see Brown 1994, 46, 53-4; for discussion, see Alvey 1997.

<sup>27</sup> See also Alvey 2003a; Brown 1994, 166-91; Waterman 2002.

on this rate (such as mercantilism) can only do harm (*WN* IV.ix.50). In Smith's presentation, there are at least four factors responsible for growth: the division of labour (*WN* I.i-iii); capital accumulation (*WN* II.iii); order and good government (*WN* III.ii-iv); and discretion for capital owners to invest wherever they choose (*WN* II.v-III.1). Kleer treats these in turn, tracing them back to human instincts. Here we discuss the first three.

The division of labour seems to be a product of human calculation of social utility. A skim through the *WN* may suggest this (*WN* I.ii.3). Nevertheless, Smith indicates that the many advantages of specialization, including 'that general opulence to which it gives occasion,' is not 'originally the effect of any human wisdom'; the *origins* of the division of labour are to be found in the unique human 'propensity to truck, barter, and exchange' (*WN* I.ii.1; see also *LJ* (B) 218). In the *Lectures on Jurisprudence* (*LJ*)<sup>28</sup> he expanded on his thinking. This propensity arose from the previously-mentioned, more fundamental desire to persuade (*LJ* (A)vi.56; *LJ* (B) 221; *TMS* VII.iv.25). This inclination would manifest itself in the earliest human societies when occasional surpluses arose for the independent *self-sufficient* families; in such a situation, gift-giving arises as a means of persuading other, neighbouring households that good-will exists towards them. After gift-giving is well-established, barter between *friendly* households can begin; gradually the division of labour emerged and was promoted by human calculation. Without the initial spontaneous period, the subsequent more contrived division of labour<sup>29</sup> may have remained an optimistic possibility which could not be actualized.

Capital accumulation depends on savings in Smith's account. It is normally held that we save due to rational calculation. Smith holds that it arises out of a 'desire to better our condition,' a passion which normally manifests itself in material acquisitiveness.<sup>30</sup> So, is the passion just a code for rational calculation? No. The negative explanation from the *TMS* is that, beyond some level, material possessions actually add little to our real happiness; despite this, people usually continue passionately acquiring.<sup>31</sup> The positive explanation for acquisitiveness rests on various instinctive aspects spelt out in the *TMS*, including vanity and the fascination with well-crafted devices (*TMS* I.iii.2.1; IV.1.3,8; Kleer 2000, 18-19).

Order and good government serve as immediate prerequisites for 'the liberty and security of individuals' and ultimately as prerequisites for capital accumulation (*WN* III.iii.12). These conditions existed in the Roman Empire but were lost after the Fall of Rome. In Book III of the *WN*, Smith tells how liberty and security were gradually restored in Europe, *not* by human calculation but as the unintended consequence of human actions driven by certain passions.<sup>32</sup>

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<sup>28</sup> These are student notes based on his lectures (see Meek, Raphael and Stein 1978).

<sup>29</sup> This was based on prudence (calculation with regard to long-term gain). See *TMS* IV.2.6.

<sup>30</sup> *WN* II.iii.28,31; IV.ix.28; see Alvey 2003a, 56-63. The desire can also manifest itself in glory-seeking (or other alternatives) (see Alvey 2003a, 195-203).

<sup>31</sup> *TMS* IV.i.6-8; Kleer 2000, 18-9. There is considerable ground for debating whether the quantity of goods required is a moderate or a minimal level (compare *WN* I.viii.36; *TMS* I.iii.2.1; V.2.8; Hill 2001, 12 with *TMS* IV.i throughout).

<sup>32</sup> Once again, a central role is given to the instinctive fascination with well-crafted devices (*WN* III.iv.15). An instinctive account of this fascination is given elsewhere (*TMS* IV.i.3-8).

In the *TMS* there is an obvious teleological view; in the *WN* it is implicit (Waterman 2002, 918; Alvey 2003a, 21). Nevertheless, we have suggested above that Smith's main economic theme, economic growth, supports the satisfaction of the natural ends. Yet Smith's theory of economic growth cannot stand on rational calculation alone. Economic growth, like human society itself, is a proximate means to several *final causes*; as the *efficient causes* of growth are a series of natural propensities or instincts, the instincts can be said to be the *efficient causes* of several ends of human nature. Underlying Smith's economics is a set of instincts. As the *WN* is more about the application of the principles of human nature than the investigation into them, a fuller explanation of Smith's thinking about these propensities has to be traced back to his other works. Nevertheless, there is enough in the *WN* to suggest that there is a 'secret' basis to his political economy. Why is the most beneficial result achieved without human manipulation? Divine design is the answer.

## 6. CAN TELEOLOGY BE REMOVED WITHOUT AFFECTING THE ANALYSIS?

From the presentation above, it appears that teleology is central to Smith's argument; others disagree, as seen earlier in Viner's comments. If they concede that there are teleological passages in Smith, whilst still adopting a secular interpretation, most commentators suggest that such passages can be removed without affecting the analysis (Schumpeter quoted in Kleer 2000, 16).<sup>33</sup> This leads us to ask: '*how*, and *why*, do good results come about?'

Let us start with the *how* question. The most obvious means of producing a good result is human reason. Smith actually goes to some lengths to deny that this is responsible in many of the cases mentioned above (social order in particular). Some role for reason remains in Smith's account; nevertheless, to make this the primary explanation for the beneficial results that Smith remarks upon, involves an enormous distortion of his guiding principles.

Once human reasoning is rejected, the 'how' question is answered: human instinct or passion is the cause. So where does that leave the secular commentators? For them, there are efficient causes (passions, instincts and so on) but no final causes (Haakonssen 1981, 77-9; Haakonssen 1982, 211). This is not sufficient, however. In removing teleology they have to suggest *why* the good results that Smith mentions come about. If human reasoning is rejected, the task for the secular commentator becomes more difficult, especially when Smith has repeatedly offered the explanation that the human constitution was benevolently designed by God in order to achieve beneficial results. Secular commentators who persist in attributing their own view to Smith, tend to promote a dual response. First, there is a negative task of suggesting why these references to God, the Author of nature, and so on, should be dismissed as irrelevant. In this vein is the claim that these views were deceptive (see Fitzgibbons 1995, 90) or added for rhetorical effect. Second, there is the positive task of providing a viable alternative explanation. The usual alternative offered is some variation on the Darwinian thesis of natural selection.<sup>34</sup>

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<sup>33</sup> The following reject the view that Smith's teleological passages can be removed without impairing Smith's argument: Viner 1972; Kleer 1995; Kleer 2000; Tanaka 2003.

<sup>34</sup> The alternative of 'spontaneous order' offered by Hayek and his followers is also worth consideration (see Hill 2001, 1,3,8-11,15,17,21-2).

Teleology as a rhetorical device is worth pursuing. There are various components of this explanation: conformity to the conventions of the time; the origin of the *TMS* in lectures to young students (many of whom were training for the Ministry) in a setting closely supervised for orthodoxy; some limited biographical information; and the evidence available in the revisions to the *TMS* after Smith left the university.<sup>35</sup> An obvious difficulty here is the depth of the teleological argument underlying his references to God, and so on.<sup>36</sup> More is required than to claim that, for his time, in Presbyterian Scotland, Smith was unorthodox. What is needed is to prove that he disbelieved even in a trimmed-down version of natural theology (where a benevolent god exists). Consider in this regard Smith's fascination with Stoicism, which is consistent with teleology and natural religion.<sup>37</sup> It seems to me to be extremely difficult to *prove* that he was an agnostic or an atheist (c.f. Minowitz 1993); on the other hand, there is vast textual evidence supporting the view that he believed in natural theology. Why propose a conspiracy when one need not?

Now let us turn to the second point: the alternative explanations to divine design. These are also worth exploration; nevertheless, they are problematic. First, Smith seems to reject the evolution of human nature.<sup>38</sup> Second, he saw human passions producing *more* than just survival. In what way can happiness and perfection be incorporated into some spontaneous adaptation process?<sup>39</sup> Perhaps some sublime adaptation process can be *imagined* but why should evolution follow this path when a simple path can be followed: survival.<sup>40</sup> The more complex the adaptation process, the more likely it is that Smith imagined that God designed the whole thing.

This does not settle the matter but it suggests that the teleological explanation is the most probable and that the removal of the theological/teleological passages is not a simple matter.

## 7. SOME EXTENSIONS OF THE TELEOLOGICAL APPROACH

In the basic model, Smith's focus is on teleology immanent in the human passions, or instincts. Several extensions of the teleological model can be made. First, we can extend his teleological theory into a theory of history. Second, we can use the ends of nature to flesh out what he has in mind as his best regime or utopia, where all of the ends are satisfied simultaneously. Third, we can use the ends as a means of ranking societies that fall short of this ideal.

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<sup>35</sup> On conformity to convention, see Viner 1972, 81. On his lectures to students destined for the Church, see Raphael and Macfie 1976, 5. On the biographical information, see *Corr* 211; Minowitz 1993, 8. On the evidence of changes in his texts over time, see *TMS* II.ii.3.12n. In some of these explanations there is an underlying assumption that Smith feared persecution for boldly stating his true views.

<sup>36</sup> c.f. Minowitz 1993 with Kleer 1995 and Waterman 2002.

<sup>37</sup> *TMS* VII.ii.1.15-47; see Raphael and Macfie 1976, 9-19; Fitzgibbons, 1995, v,19,29-33,90, 197; Vivenza 2001, 191-212; Dennis 1999, 73. Smith's own, less-participatory, view of citizenship seems to fit with the later rather than the early Stoicism.

<sup>38</sup> On the fixed human nature, see *WN* I.ii.4; *LJ(B)* 114; *HLM* 2; Hill 2001, 15; Alvey 2003a, 70 n.13; on the complicating role of culture, see *TMS* Part V; Alvey 2003a, 233.

<sup>39</sup> On this point see Kleer 1995, 300; Hill 2001, 19.

<sup>40</sup> c.f. the simplicity of Newton's theory of gravitation (*HA* throughout).

First, let us consider the teleological approach to history. A teleological interpretation of history is explicit in Evensky (1989 and 2003) and implicit in Kleer (2000, 19-20). As a starting point, consider the general, linear structure of Smith's four-stage theory of history.<sup>41</sup> Next, consider two of his historical case studies: the restoration of order and good government after the Fall of Rome (mentioned previously) which came about by the unintentional self-destruction of the secular lords (Bk III of the *WN*); and the parallel self-destruction of the obstructive Feudal clergy (Bk V of the *WN*).<sup>42</sup> The positive outcomes in these teleological stories arose not from human rationality but from the workings of human instincts over a long period.

The second extension is Smith's utopian society. A lot of commentators have expounded on this topic in recent years.<sup>43</sup> An elevated and complex vision of the ideal society emerges. Similar conclusions can be reached by viewing the topic through the lens of the ends of nature (see Alvey 2001). In sketching the outlines of this society, we have to go beyond the three duties of government discussed in the *WN* to take into account the duties of government discussed in the *TMS* (*WN* IV.ix.51; *TMS* II.ii.1.8; Alvey 1998a, 441-2). Consideration must also be given to the various constitutional and other measures that he recommends.

The third extension of the basic model arises out of the second: the classification of societies. The rankings of societies can also be established through a consideration of their satisfaction of the ends of nature (see Alvey 2001). This scheme would synthesize traditional political classification schemes, the stages of economic development and some extra elements.

These are just three applications of Smith's teleology that have occurred to me. There may be others. I believe that there is more work that can be done in these applications.

## 8. FLAWS IN THE NATURAL ORDER

In this section we address several questions. Was Smith an *a priorist* or an empiricist? Is the harmony view that we have found in his writings an *a priori* assertion? What is the role of empirical evidence? Is Smith a sort of Panglossian? What is the role of human reason when confronted by what appear to be imperfections in natural harmony?

Smith says that his moral theory is an empirical account (*TMS* II.i.5.10; VII.iii.2.6). The same seems to be the case in his system of political economy. Hence, he seems to be an empirical theorist and most commentators view him that way (see Raphael and Macfie 1976, 22).

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<sup>41</sup> The four stages are hunting, shepherding, farming and commerce (*WN* V.i.a.1-8; see Alvey 2003a, 81-93). On the linear structure of these stages, see Shapiro (1993, 32-3,48,55,58,82).

<sup>42</sup> See Alvey 2003a, 96-107; Alvey 2003b. Things turn out to be rather more complicated as shown in Alvey 2003a, 216-27; Alvey 2003c.

<sup>43</sup> Werhane 1991; Muller 1995; Young 1997; Evensky 2003.

Yet we have also seen Smith's reliance on metaphysics; this leads Dennis (1999) to conclude that harmony in Smith is an *a priori* assertion. Hence, there is a natural harmony, even if we humans struggle to see it: in this view, Smith is a sort of Panglossian (Dennis 1999, 73).

Normally one would say that Smith is either an empiricist *or* an *a priori* theorist (see Winch's comment reported in Tanaka 2003, 137). I agree with Tanaka's view that Smith seems to have adopted a dual system (Tanaka 2003, 137; Alvey 2003a, 263). Consider in this light, Smith's discussion of the end of happiness; he says:

No other end seems worthy of that supreme wisdom and divine benignity which we necessarily ascribe to him [God]; and this opinion, which we are led to by the abstract consideration of his infinite perfections, *is still more confirmed by the examination of the works of nature.* (*TMS* III.5.7 emphasis added)

So happiness, as an end of nature, is justified on two grounds. First, at the beginning of the sentence quoted above, there is the abstract contemplation of the perfections of God, which suggests an *a priori* explanation. Second, at the end of the sentence, Smith adds the empirical explanation. His wording here, 'confirmed by the examination of the works of nature,' imitates the usage by the natural scientists of the age in their natural theological discussions.

So there is a natural order that is harmonious; some of that harmony is obvious (empirical evidence is used in support); the remainder is also harmonious, even if we struggle to find it (the *a priori* view) (c.f. Griswold 1999, 329). Some of those apparent flaws, upon closer inspection, turn out to be consistent with a grander harmony; what appear to be imperfections, serve to fulfil the various ends of nature (*TMS* II.iii throughout; Alvey 2003a, 181-5). Presumably, the remaining, apparent disharmonies can also be explained as our knowledge of philosophy, of 'the invisible chains' that connect up the 'appearances' of nature, advances (*HA* II.12). This Panglossian interpretation seems to be the final view of Dennis (1999), Clarke (2000), and Hill (2001): even the apparent defects in human nature show wise design.

I remain to be convinced about this view. Indeed, many commentators are dissatisfied with it. In his early work, Viner indicated that numerous disharmonies existed in Smith's *WN* (Viner 1927; see also Griswold 1999, 329). The natural order was not fully harmonious. What is more important, Smith seems dissatisfied with the Panglossian view also.



Smith seems to say that some disharmonies are *real*; what he sometimes calls ‘feeble’ human reasoning has to be deployed to overcome them.<sup>44</sup> As Griswold says, ‘nature needs help’ (Griswold 1999, 328-9). A role for human reason is smuggled in (see *TMS* I.iii.3.1,6). Some commentators have gone so far as to suggest that Smith became less convinced during his lifetime about the Providence of nature and more pessimistic about the path of the future (Tanaka 2003, 144-7; Evensky 1989). In support of such a view, reference is made to Smith’s praise of the legislator and his alleged shift towards an active role for political leadership (Tanaka 2003, 146).

Regardless of this alleged ‘change of mind,’ Smith’s dissatisfaction with the natural order raises important questions about the tension between nature and human reason. At more mundane levels, other problems arise. Of particular interest for us is the role of human reasoning in political economy and political interventionism within a ‘harmonious’ framework.

## 9. RELEVANCE OF ALL THIS FOR US

This section addresses several questions. Why should there be any need for a discipline of political economy (economics), economists, a national department devoted to economic policy, and so on? If there is to be such a discipline, how should it use Smith’s teleological understanding? What is the relevance for teaching of economics generally? What is the relevance for the history of economic thought?

Given the theme of spontaneous harmony in nature addressed above, it is not clear what role there is for human intellect, including a system of economic thought. The starting point is that human intellect can mess things up.<sup>45</sup> Mercantilism, and other human ‘systems,’ had undermined the ‘system of natural liberty’ and thwarted or retarded the ‘natural progress of opulence’ (*WN* IV.ix.51; III.i.title). The fact that feudalism was undermined suggests that the forces of nature do tend to win out eventually against bad human reasoning. The role of human rationality seems to be something like the following. First, we have to understand the workings and the goals of nature; Smith’s two books assist in this regard. Second, political economy serves a modest goal, catering to the lower ends; in securing these ends, it can play a small part in achieving the higher ends. Nevertheless, the goal of a continual increase of the species in a comfortable condition, and hence continual economic growth (as his ends of procreation and preservation seem to require), is a significant task.<sup>46</sup> Third, despite the large role of instinct, Smith smuggles in human reason. Hence the choice of the correct (that is the ‘Smithian,’ free trade) system of political economy is important. Fourth, as he showed in various places, human reason has to be able to discern the

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<sup>44</sup> *WN* V.i.g.24; see *TMS* II.i.5.10; VI.ii.1.20; VII.ii.1.47; Griswold 1999, 326-9,367.

<sup>45</sup> Despite Smith’s apparent teleological view of history, there does not appear to be any necessity for mercantilism to be overthrown (see Alvey 2003c, 13).

<sup>46</sup> Recall that, in Keynes’s vision of the future, economists may become like humble dentists: they do important but dirty work (Keynes 1971-89, Vol. IX, 332). Smith’s view of the termination of the growth process in a stationary state is an unresolved puzzle.

dangers of systems: dogmatic ideologists.<sup>47</sup> Smith may well have thought that his ‘system’ overcame the danger of systems (McNamara 1998), as it was based on minimal government intervention in the economy. On the other hand, he indicates cases where good political economy has to give way to other considerations (see *WN* IV.v.b.39-40,53). In short, the goal of human reasoning, as manifest in political economy, is to co-operate with, not to overcome, nature.

Let us now turn to the relevance of Smith’s teleological approach for the teaching of economics. First, a study of Smith from this perspective reminds us that the easy-going acceptance of positivism is relatively new; when we teach first-year students about the fact/value distinction we need to be careful. Second, at the most general level, these Smithian views remind us that doctrines arise at particular times and their fortunes may fluctuate thereafter. What was once taken for granted may be regarded, later, as absurd. An awareness of this may lead to a certain caution in claiming eternal truth for our own current views on economic theory or policy.

Finally, let us turn to the relevance for the history of economic thought. After studying Smith’s teleological doctrines, the role of the ‘invisible hand’ takes on a new meaning. We must shed our own secular prejudices to understand the thought of those writing in Smith’s day.

## 10. CONCLUSION

Adam Smith seems to accept that there was a divine design to the universe. Consistent with this, teleological and final causal explanations are used by him in his presentation of nature. This understanding leads to his view that there are ends of nature and, in the case of human beings, an elevated and complex set of natural ends is posited. Smith’s theological framework impacts on his moral philosophy and his political economy. The ‘new view’ of Smith is correct to point this out. I differ from adherents of the ‘new view’ somewhat. Their Panglossian view of Smith seems to understate Smith’s perception of ‘flaws’ in nature and consequently the role that he sees for human reasoning. Nevertheless, the essence of their view is correct and must form the basis of the attempt to recover Smith’s true view.

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<sup>47</sup> Probably he had in mind the leaders of the French Revolution but the same warning could have applied to dogmatic mercantilists or any number of others (see *TMS* VI.ii.2.15-8).

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