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I want to place Smith in politics, or as he said, “police.”

Some of us claim Smith for the left, some for the right, and each can find passages to support her claim. I want to claim him for liberalism, which is neither left nor right so far as the exercise of state power is concerned.

True liberals are not conservatives. Left and right quarrel about how to use state power expansively, for redistribution or for empire. The liberals from Locke to Hayek want to restrain it, and, in terms of Niall Ferguson’s latest book, let the market square undermine the top-down tower.

I think we can agree that Smith was steadily suspicious of state power and its corruptions by importuning interests. No sentient Briton in 1776 would have viewed the state as an amiable referee among countervailing powers, or would have supposed that philosopher kings ruled in Whitehall. Many now do so. After 1848 economics ceased being mainly a criticism of illiberalism, and increasingly adopted the illiberal premise of social engineering, an engine run by philosopher kings and, lately, queens, especially after 1948. But, as James Buchanan and his school have argued, they remain mistaken in their premises and their ambitions and their expected outcomes.

The Nobelist Daniel McFadden recently praised the Nobelist Peter Diamond writing on the future of social security: "Perhaps the most important distinction between a member of the general public and a professional economist is that an economist is trained, like a chess player, to think about the consequences of policy actions. So, if economists are players of policy chess, then Peter is a Grand Master, anticipating and evaluating consequences that most of us never even think about." Smith would have replied that we do not need chess grandmasters. We need to let the economic pawns go about their business.

Above all Smith believed, that is, in letting ordinary people have a go. Smith, as many of us here have argued, was an egalitarian, not in the French sense of redistribution after production but in the Scottish sense of letting people try their hands freely at production in the first place. His fierce denunciation of the laws of settlement is an instance among many. The ordinary working man was to be allowed to use his capital of hand and back.

He approved as he declared in 1776 of "the liberal plan of equality, liberty, and justice." I believe he meant social equality, liberty of enterprise, and the equal administration of justice. We can debate the details. But in any case he was declaring for liberalism as against governmental direction and interference.

He famously said in 1755 that "Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice." His idea of opulence was the Dutch Republic. He could not have anticipated how much beyond it the application of liberal policies, letting ordinary people have a go, would lead. The American democratic poet Walt Whitman in 1855 declared of the commoner, "I contain multitudes." The experiment was tried

in the 19th century, and proved true. The fantastic ingenuity of the Great Enrichment came not from the institutions of capital accumulation or the state, but from letting people have a go. I of course admit that the program remains to be completed. The African-American poet Langston Hughes sang in 1935, “O, let America be America again – / The land that never has been yet / – And yet must be – the land where *every* man is free.” It took a long, long time for the promissory note of “All men [and women, dear] are created equal” to be cashed. In 1775 the Tory critic and essayist Samuel Johnson asked sardonically of the rebellious Americans, “How is it that we hear the loudest yelps for liberty among the drivers of negroes?”

Smith was not a radical in the sense of tearing up society by the roots and starting over again. The implementation of such experiments was again French, and a repeated theme in French political thinking down to the present – although in English Thomas Paine declared that “we have it in our power to begin the world over again,” and William Godwin believed it, too.

That is, Smith advocated gradual, organic evolution, which Hayek observes is the sign of the true liberal, as against the unhinged experiments of the radical and the dark fears of the conservative. Above all he disdained the Man of System, who “seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board.”

There was a turn in economic thought after Smith, and especially after Mill’s first edition of 1848, working in quite another and more radical direction, elevating the Man of System to the point that we hardly realize we have done so. Anthony Waterman has put his finger on it, in 2012: “Malthus’ first [1798] *Essay* made land scarcity central, and so began a century-long

mutation of 'political economy,' the optimistic science of wealth, to 'economics,' the pessimistic science of scarcity."

The pessimistic science of scarcity is what we teach in microeconomic theory. No free lunches, TANSTAAFL. But in fact the modern world has been chiefly an enormous free lunch, an increase of income per head on the order of 3,000 percent since 1800, with no sign of slowing.

The mischief in the science of scarcity, so useful and sensible for the short to medium run, came out of the rhetoric of "*perfect competition*." This vale of tears has no perfect thing, and so economists commenced rejecting Smith's and, partially, Mill's optimism about letting people have a go. I recently listed incompletely the alleged "imperfections" in the system of markets put forward by economists and their critics since Mill – in succession items such as monopoly, increasing returns, mass unemployment, externalities, information asymmetry, behavioral irrationality, and so forth. They numbered, startlingly, well over one hundred. It is what we teach, that the commercially tested betterment under liberalism is, of course, no perfect system in this and that and a hundred other respects.

Yet it resulted in a 3,000 percent increase in the material welfare of the poorest among us. In Yiddish syntax, we should have such "imperfections."

Shockingly, no economist – not one in a century and a half of accumulating claims of imperfection – has shown that even one of the imperfections is significantly large relative to the spectacular success of the economy since. Monopoly, for example, was shown by Arnold Harberger to reduce income by on the order of 2 or 3 percent, as against the 3,000 percent achieved by letting people try for it. And monopoly has been steadily reduced in its

anyway small significance by massive reductions in the costs of transport and transactions, as in the railway or the internet.

The closest approach to a scientific demonstration of an important imperfection is the Keynesian claim that the system has an intrinsic tendency to mass unemployment. A Victorian atheist used to propose that all churches have a sign on their front doors saying, "Important if true." The Keynesian claim proved after World War II to be spectacularly untrue. Liberal economies achieve quite full employment if not pressed into illiberal systems of interference in the employment deal.

In short, in the long run the nature and causes of the wealth of nations has little to do in the long run with the science of scarcity. It has to do with discovery, and the sort of society that encourages it. Above all, liberal societies do so, letting the pawns have a go.