

University of Warwick institutional repository: <http://go.warwick.ac.uk/wrap>

This paper is made available online in accordance with publisher policies. Please scroll down to view the document itself. Please refer to the repository record for this item and our policy information available from the repository home page for further information.

To see the final version of this paper please visit the publisher's website. Access to the published version may require a subscription.

Author(s): Matthew Watson

Article Title: Friedrich List's Adam Smith Historiography and the Contested Origins of Development Theory

Year of publication: 2012

Link to published article:

<http://www.tandf.co.uk/journals/CTWQ>

Publisher statement: This is an electronic version of an article published in Watson, M. (2012). Friedrich List's Adam Smith Historiography and the Contested Origins of Development Theory. Third World Quarterly. Third World Quarterly is available online at: <http://www.tandf.co.uk/journals/CTWQ>

# **Friedrich List's Adam Smith Historiography and the Contested Origins of Development Theory**

Matthew Watson  
University of Warwick

Accepted for publication and forthcoming, April 2012, *Third World Quarterly*.

Contact Details: Professor Matthew Watson  
Department of Politics and International Studies  
University of Warwick  
Coventry, CV4 7AL, UK

matthew.g.watson@warwick.ac.uk

0247-652-8465

Notes on Contributor: Matthew Watson is Professor of Political Economy in the Department of Politics and International Studies at the University of Warwick. He has research interests in the historiography of economics, especially in relation to the classical political economy tradition. He has published widely on this topic and, in particular, on the relationship between contemporary International Political Economy theory and the history of economic ideas. He is the author of more than thirty articles in peer-reviewed journals on these themes, as well as two single-authored books: *Foundations of International Political Economy* and *The Political Economy of International Capital Mobility*.

# Friedrich List's Adam Smith Historiography and the Contested Origins of Development Theory

## Abstract

Friedrich List's *National System of Political Economy* continues to be positively received in IPE, where it is treated as a seminal text in development theory. Only a handful of IPE scholars have questioned the specific history of economic ideas through which List asserted the distinctiveness of his own position. They do so by showing that he deliberately put words into the mouths of his classical political economy predecessors to provide himself with something to argue against. His alleged authority on development issues rests in particular on purposefully caricaturing the arguments of Adam Smith. I use this article to suggest a plausible reconstruction of the route to List's Smith, one which recognises the possible intermediary influence of the early Dugald Stewart, John Ramsay McCulloch, the Earl of Lauderdale and Georg Sartorius. By following this complex trail to List's rather eccentric Smith historiography, it becomes possible to break down one of the most important oppositions in IPE pedagogy: that between List's *National System* and Smith's *Wealth of Nations*. Moreover, it also becomes necessary to engage more circumspectly with List's history of economic ideas when searching for the origins of contemporary critically-minded development theory.

**Key Words:** Friedrich List; Adam Smith; development; historiography; free trade; protection

## Introduction

After a period of fairly substantial general neglect, the subject field of International Political Economy (IPE) has recently rediscovered the development theory of the nineteenth-century German economist, Friedrich List. This upturn of interest has coincided with an era of world economic management in which the virtue of international interdependence in both production and exchange relations has been repeatedly extolled, thus contrasting sharply with List's strongly articulated normative preference for allowing national political units to decide their own development fate. From this perspective Listian political economy offers itself as a rather obvious basis for critiquing the global governance institutions' recent actions in squeezing the autonomy of national development space.<sup>1</sup> Just as he was the arch-critic of British aspirations for a global economy built on free trade in the middle of the nineteenth century,<sup>2</sup> so too has he proved easy to appropriate for challenging similar structures of globalisation today.<sup>3</sup>

However, one question above all others remains fundamentally unanswered in the midst of this relatively new-found desire to claim the *National Economy* as a generative text of critically-minded development theory in IPE. It has been asked frequently, but so far without any sign of imminent resolution from the IPE side. It bears repeating now: why is it that List enjoys nowhere near the same reputation amongst historians of economic thought as he does in the minds of most people who have sought to apply his insights in IPE?

As Mehdi Shafaeddin notes, it is as if he has been completely written out of that history, receiving no mention whatsoever in almost all of the books which shape intellectual historians' current thinking on the evolution of economics.<sup>4</sup> This fact tends to be commented on with an air of puzzlement when IPE scholars write on development issues for an IPE audience, the intellectual historians being accused of a genuine oversight. In such a vein, for instance, David Levi-Faur trumpets List's 'significance as a political economist', while Christopher Winch attributes 'major importance' to his analytical achievements.<sup>5</sup> List is typically presented by all but a handful of historiographically-aware IPE scholars as the "missing link" who completes the history of economic thought from an IPE perspective.

By contrast, no such elevated status tends to be ascribed to him in work from outside IPE which has been written for a non-IPE audience. The renowned international economist Peter Kenen, for instance, says that every aspect of List's theory is 'easily refuted'.<sup>6</sup> Nobel Laureate in Economics Paul Krugman has even gone as far as to label him a 'turgid, confused writer', arguing that he belongs in a group of clearly second-rate political economists who attempt 'to cover simplistic ideas with a veneer of faux scholarship'.<sup>7</sup> From this latter perspective the puzzling thing is not why List has failed to receive more attention in the manner now advocated by many IPE scholars but why he has received as much as he has. Viewed in such a way, IPE appears to be the odd one out in wanting to place List on an equal footing with the great economic authors of the past.

The *National System's* appeal within IPE is that it presents an alternative development blueprint to that which has dominated the policy-making agendas of global

governance institutions for so long, but the scepticism of historians of economic thought lies in the fact that List's distinctiveness is almost completely self-appointed. When taking his text in its own terms, it is noticeable just how much clear blue water he opened up between his theory and that of the classical political economists against whom he set his stall. In particular in this regard, Adam Smith's *Wealth of Nations* was singled out, almost remorselessly, as the object of List's critique. However, the baseline for comparison is entirely of List's making, emerging from attempts to signal the reasonableness of his position through caricaturing Smith's. The interesting point for current purposes is that this same framework of comparison then tends to be repeated, pretty much verbatim, by so many who have written about the *National System* for an IPE audience. In this way, though, they import its historiographical weaknesses into their own work.

The paper now proceeds in three parts in an effort to make sense of what, to historians of economic thought, looks to be List's highly dubious Smith historiography. The objective in doing so is to provide rather surer foundations for grounding theoretically-informed accounts of the development process today within a Listian framework. Section one provides evidence to support the claims of the more historiographically-aware List scholars in IPE. It confirms such scholars' insistence that List's account of the development process was closer to the liberal ideals of the classical political economists than is typically acknowledged, while also suggesting that an important reason for this overblown sense of distance is List's own exaggerated commentary on the views of his predecessors. The subsequent sections then attempt to explain List's position on Smith by uncovering the possible influences which underpin his idiosyncratic reading of *The Wealth of Nations*. Section two

focuses on the way in which Smith's fellow Scots, Dugald Stewart and John Ramsay McCulloch, were important intermediaries between his actual text and the interpretation List placed upon it. Section three shows that Georg Sartorius created a distinctly "Germanised" Smith on the back of the Earl of Lauderdale's critique of Smith's economic concepts, and that Sartorius's construction is also recognisable in List's reworking of Smith's text. What emerges is a somewhat circuitous historiographical route to the foundations of Listian political economy. As a consequence, the task of grounding contemporary debates about development priorities in List is a much more complicated historiographical endeavour than is generally acknowledged today.

### **List's Scholarly Status: Contrasting Viewpoints**

List's *National System* is deeply ingrained into the pedagogical core of IPE. Despite this, the suspicion remains amongst those who have shown a genuine analytical interest in how he constructed his arguments that his work is much more widely "known" than actually read.<sup>8</sup> In other words, he is one of those writers whose principal theoretical preoccupations can be repeated in a general sense, but whose specific formulations are only ever rarely studied in their original form. This sort of arm's length approach to List in IPE appears to have its source in Robert Gilpin's *U.S. Power and the Multinational Corporation*, which emphasises List's scepticism of free trade as a development tool and sets him up in opposition to the classical political economists in recommending the strategic use of protectionist measures to benefit national producers.<sup>9</sup> Such a view has been a mainstay of IPE textbooks ever since –

primarily via the influence of Gilpin's own *Political Economy of International Relations*<sup>10</sup> – and it has acted throughout this time as a substitute for a thoroughgoing engagement with the *National System*.

However, if the issue was solely a general reluctance to read List in the original, this would be easily remedied. What is a particular problem for IPE is the very different opinions which have arisen about his scholarly status from those who *have* read his work closely, with IPE scholars generally much more willing to embrace his major analytical lines of argument than historians of economic thought. Deciding which side to take in this debate is, in essence, a question of *how* to read List's work. Reading it merely in its own terms can lead the unwary into some really rather significant historiographical traps and, from there, into exaggerating his claims to authority. The analytical narrative of the *National System* is held together largely by List's depiction either of what Smith said or what he would have liked Smith to have said. As such, the relationship between the *National System* and *The Wealth of Nations* should be treated as perhaps the foremost controlling mechanism of that narrative, and List should therefore be read through his Smith historiography.

List's most deep-seated objection to Smith's economics was that it operated from 'preconceived opinions' to the detriment of the historical record, thus being ignorant of the fact that 'experience everywhere teaches us' that the development process always takes place within distinct national units.<sup>11</sup> *Only* nations can develop successfully, said List,<sup>12</sup> because there was no other form of political organisation which could secure through selective interventions viable increases in productive powers: 'the assertion that the English have attained to their present commercial



eminence and power, not by means of their commercial policy, but in spite of it, appears to us to be one of the greatest falsehoods promulgated in the present century'.<sup>13</sup> Smith's great error, from this perspective, was to substitute in his theory the individualised process of capital accumulation for the distinctly socialised process through which List held that the nation as a whole creates higher levels of wealth.

Many contemporary IPE scholars have adopted a very similar focus on what makes List's work distinctive by accepting his account of how he challenged Smith's underlying conceptual framework. In their highly regarded critical textbook for the field, for instance, Stephen Gill and David Law appear to have incorporated the contents of List's opposition to contrast the 'Hobbesian individualism' of the classical political economists with the *National System's* 'more holistic and organic conceptions of the community'.<sup>14</sup> This is despite Smith drawing a direct line from Hobbes to his nemesis, Mandeville,<sup>15</sup> who he described as a 'splenetic philosopher' for his celebration of the purely self-regarding individual 'who gives himself out for the author of what he has no pretensions to'.<sup>16</sup> Hobbes and Mandeville were equally damned by Smith for holding that all sentiments – including, one must presume, those which underpin the process of capital accumulation – can be reduced solely to feelings of self-love.<sup>17</sup> These are the sorts of feelings which must voluntarily be surrendered when attempting to build up the nation's productive powers in Listian fashion, but for Smith they were in any case wholly unnatural.<sup>18</sup> As such, the Listian opposition immediately collapses.

Less directly but nonetheless along similar lines, in their very important work on development theory Anthony Payne and Nicola Phillips have attributed List's

‘considerable ... intellectual impact’ to ‘his major ontological differences with the way the “popular school”, as he called the liberals, viewed the world’.<sup>19</sup> Yet this is despite Smith’s “sympathy” procedure providing his theory with an ontological underpinning that List’s needs but does not have: namely, a plausible philosophical mechanism to explain why people would cede the right to distribute their property in whatever way they deemed best in order to privilege the competing claims of the nation’s development profile. List called repeatedly on the current generation of German people to promote the interests of future generations over their own by diverting available resources from current consumption to building up the country’s economic base.<sup>20</sup> The image of self-effacing sacrifice shines through his text at these points, but no philosophical explanation is offered for how it might become the settled will of the people to ‘give up a measure of property in order to gain culture, skill, and powers of united production’.<sup>21</sup> He was left to talk in only very vague terms about it being good for the nation that current resources are used to invest in future prosperity. Smith’s sympathy procedure, by contrast, suggests that a suitably well-tutored imagination is more than capable of exhibiting ‘fellow-feeling’ with generations as yet unborn.<sup>22</sup> This allows people to experience in vicarious form the sensation of having their present behaviour approved when someone else in the future recognises the debt they owe to previous generations’ selflessness.<sup>23</sup> In this way, Gianni Vaggi writes of the Smithian conception of an historically-grounded ‘socio-economic man’,<sup>24</sup> which is to be contrasted to the abstract homo economicus construction that List imputed to him. Once again, this entirely contradicts the Listian opposition.

List’s attribution to Smith of a distinctly pre-social individualism is an important example of the barely concealed parodies he constructed of his opponents’ positions.

Perhaps the fact that the *National System* started life originally as an entry into a prize essay competition helps to explain the distortions of its commentary, as the space thus opened up between his views and prevailing economic opinion might well have been designed to catch the judges' eyes.<sup>25</sup> Distortions they remain, though, ones which all too often are reproduced in IPE when his history of economic ideas is treated largely uncritically as an authentic and rigorous history.

However, not all work on List in IPE can be similarly accused, because there are a number of historiographically-aware contributions which seek to place his reading of the history of economic ideas directly in relation to the texts on which it is purportedly based. These pieces show that List's analysis of the scope, extent and timing of industrial protection is significantly more conditional than his own proclamation of a general theory implies,<sup>26</sup> as well as that Smith's work, in particular, contains layers of subtlety and even ambiguity which List's depiction simply does not allow.<sup>27</sup> As a consequence of this, George Crane and Abla Amawi have described List's system as 'ultimately ad hoc',<sup>28</sup> and once this characteristic is taken into consideration the distance between the two men's work shrinks rapidly: they are not, writes Christine Margerum Harlen, 'as easily separable ... as often portrayed'.<sup>29</sup> Two points can usefully be made in this regard.

The first is that it is important not to read too much into List's insistence that the idea of universal gains from trade was a classical political economy myth serving the interests of British manufacturing predominance.<sup>30</sup> This claim remains a significant component of the textbook IPE presentation of Listian nationalism as the self-appointed "other" to Smithian liberalism, but it by no means captures the whole of

List's argument.<sup>31</sup> For, he was equally adamant that free trade should nonetheless be the ultimate goal for all who shared nineteenth-century Britain's industrialisation potential.<sup>32</sup> List's argument about the stages to universal association through trade applied only to those countries that had already left the agricultural stage behind and were capable of mounting a sustained challenge to the dominant industrial power.<sup>33</sup> For these countries, as Shafaeddin notes, protection should only be used from List's perspective in a selective manner and for as long as market conditions are conducive to its success, and it should only ever be seen as a temporary step on the road to a system of free trade amongst equals.<sup>34</sup> Building up the nation's productive powers was *not* the same as offering blanket protection for all of its producers. Indeed, Arno Mong Daastöl has even said that 'List was, perhaps, too much of a free trader, often showing too much faith in the withering away of necessary public regulation'.<sup>35</sup>

The second point to make is how often Smith endorsed similar structures of protection.<sup>36</sup> He even described the clearly nationalist Navigation Acts as 'the wisest of all the commercial regulations of England'.<sup>37</sup> Mark Elam has alluded in this context to Smith's apparent inability to 'shrug off a strong sense of the vulnerability and fragility of commercial society'.<sup>38</sup> The Navigation Acts were a mechanism for ensuring that British naval dominance secured the nation's preferential trading routes, but their constraints on the activities of foreign ships reduced the quantity of cargo which could be transported from British shores once bought there. Smith's support for those restrictions came in spite of his analysis of the seemingly superior free trade solution: 'By diminishing the number of sellers, therefore, we necessarily diminish that of buyers, and are thus likely not only to buy foreign goods dearer, but to sell our own cheaper, than if there was a more perfect freedom of trade'.<sup>39</sup> Unfortunately, List

was by no means clear where he stood on this crucial historiographical point. On the one hand he readily admitted that ‘Smith allows in three cases the special protection of internal industry’,<sup>40</sup> but on the other hand he claimed that ‘Smith, his disciples, and his successors have denounced every prohibition, every restriction, and every high import or export duty imposed to protect industry’.<sup>41</sup>

The existence of the revisionist historiography therefore provides the textbook IPE account with some obvious difficulties insofar as it has presented a compelling case that List routinely overstated his difference with Smith.<sup>42</sup> My point of departure is to try to take that interpretation one step further. I ask how List was able to get Smith so wrong whilst being seemingly blind to the fact. I believe that the answer lies in understanding the multiple layers of historical intermediation which account for the contrast between the arguments that Smith placed in his own text and the arguments that List alleged were contained there.

### **List on Smith (1): The Stewart and McCulloch Connections**

It is far from straightforward to reconstruct an accurate picture of List’s intellectual influences, because he was notoriously unreliable when providing information about how he translated his experiences into useable theoretical knowledge.<sup>43</sup> Indeed, he appears to have deliberately covered his tracks in this respect by making the highly improbable claim that he ‘cast all books aside’ in preparation for writing the *National System*.<sup>44</sup> The only guide on sources provided for his readers is therefore the evidence of List’s writing itself.

The turn-of-the-twentieth-century English economist, Joseph Shield Nicholson, was perhaps as well placed as anyone to assess the merits of List's Smith historiography. He is alone in the English-speaking world in having had simultaneously in print as editor versions of List's *National System* and Smith's *Wealth of Nations*. Nicholson's version of *The Wealth of Nations* went through six editions between 1884 and 1901. In its heyday, it was generally recognised as being one of the two authoritative Anglophone treatments in circulation, the other being John Ramsay McCulloch's much earlier version, which went through thirty-six editions between 1828 and 1890. Nicholson's version of *The Wealth of Nations* was not in print when List was writing the *National System*, so there was obviously no way that he could have been influenced by it in his account of Smith's work. However, the early editions of McCulloch's version could certainly have played such a role and, moreover, they seem to have done so.

The two versions differed markedly in tone. Nicholson praised Smith for the historicism of his text and for his reliance on solid empirical evidence when theory building,<sup>45</sup> which was the polar opposite of List's complaint that Smith was blind to both history and facts when they 'stood in the way of his pet notion of unrestricted free trade'.<sup>46</sup> By contrast, McCulloch criticised Smith for failing to have had the foresight to promote the much more self-consciously abstracted Ricardian deductivism favoured in his own day.<sup>47</sup> Indeed, McCulloch used his position as editor as an open invitation to "correct" the more overtly historicised aspects of Smith's analysis and to show what his ostensible free trade doctrine would have looked like had he also benefited from being a more modern theorist.<sup>48</sup> List's Smith

historiography is interesting in this respect, because it appears very much in its content to have been a reading of what the dyed-in-the-wool Ricardian in McCulloch had regretted Smith was *not*. At the very least, List's attacks on McCulloch's own work are just as strident as those on Smith's, and they are founded on exactly the same underlying analytical critique of the ahistoricism and false universalism of which Ricardians were often accused in the mid nineteenth century when promoting free trade.<sup>49</sup>

Perhaps on this basis alone, Nicholson used the introductory essay to his 1904 edition of the *National System* to infer 'that List had never read Adam Smith himself, but had taken for granted the *Smithianismus* bandied about in popular pamphlets'.<sup>50</sup> Elsewhere he complained of 'the utter baselessness of [List's] construction'.<sup>51</sup> The most notable aspect of his writings in this respect is the tendency towards exaggeration. List himself openly acknowledged this feature of his work, arguing the following about his approach to *The Wealth of Nations*. '[A]s I hold that the views which I have controverted are injurious to the public welfare, it is necessary to contradict them energetically. And authors of celebrity do more harm by their errors than those of less repute, therefore they must be refuted in more energetic terms'.<sup>52</sup> Nicholson concluded that such an approach 'is absurdly wrong as applied to Adam Smith',<sup>53</sup> but the very fact that List chose this level of engagement says a lot about his own text. His most important English-language biographer, W.O. Henderson, suggests that List's priority was to showcase his nationalist politics rather than his theoretical skills, and that this 'was responsible for the sweeping generalizations, the exaggerations, and the personal attacks upon his opponents'.<sup>54</sup>

Even his clearest statement of the fundamentals of Smith's theoretical system led him to favour as the source of his information heavily-politicised over more rounded historiographical accounts. At the time at which he was writing, the most frequently cited treatment of Smith's life was that which Dugald Stewart read to the Royal Society of Edinburgh in 1793. List took from Stewart what he believed was an assessment of 'Smith's whole system ... in a nutshell'. 'The power of the State can and ought to do nothing,' was his paraphrase of Stewart's interpretation of Smith's worldview.<sup>55</sup> However, the former wrote *two* accounts of the latter's life, each laying out chronologically the same significant moments but doing so around a markedly different historiographical commentary. From matching the text of List's references in the *National System* with the text of Stewart's originals, it looks as though he relied exclusively on Stewart's first account and entirely ignored the also widely available second. The important point in this regard is that the second recanted almost all of the major points of interpretation that List took uncritically from the first.

The McCulloch version of *The Wealth of Nations* was very much a product of its time in that it contained a re-print of Stewart's *initial* "Account of the Life and Writings of Adam Smith". This might explain List's familiarity with it, given that the McCulloch version seems to have played such a substantial role in shaping his thoughts on Smith's economics. Yet, by the end of his career Stewart had made the rather blunt observation, 'I hate biography', disclaiming many of the features of his first Account and questioning his right to the widely-acknowledged position of foremost authority on the connection between Smith's life and work.<sup>56</sup> This was because he became increasingly concerned that he had been unduly influenced in using the political



events of his own day as an interpretive device for the economic theory that Smith had created for *his* day a generation previously.

The point that the later Stewart sought to establish was that he had done too much to try to enforce the separation in readers' minds between Smith's theoretical system and the politics of the French Revolution.<sup>57</sup> He subsequently worried that by "exonerating" Smith of any connection to the Revolution he had adopted something less than a proper historiographical method in order to speak more decisively on Smith's behalf on certain issues than Smith had done for himself. When formulating his second Account as a rejoinder to the first almost twenty years later, he wrote: 'I think it proper for me *now* to add, that at the period when this memoir was read before the Royal Society of Edinburgh, it was not unusual, even among men of some talents and information, to confound, studiously, the speculative doctrines of Political Economy, with those discussions concerning the first principles of Government which happened unfortunately at that time to agitate the public mind'.<sup>58</sup>

Stewart was, after all, Smith's friend, and he did not want the latter's reputation to be tainted in their homeland by doing anything to endorse the unreciprocated expressions of filial loyalty offered to him by many of the French revolutionaries. Attempts to stipulate theoretical laws of the economy to be enacted by the state were deemed to be too close to the opinions held by revolutionary intellectuals to be acceptable in Britain in the 1790s.<sup>59</sup> The early Stewart consequently downplayed this aspect of *The Wealth of Nations* and emphasised instead Smith's preference for free trade.<sup>60</sup> That policy had prior advocates amongst eighteenth-century British pamphleteers every bit as much as it did in France.<sup>61</sup> The association of Smith with the free trade doctrine

therefore carried far fewer intimations of being an exclusively “French” ideal, and it was consequently much more palatable in the increasingly politically insular Britain of the 1790s. McCulloch also went out of his way to portray Smith as a political free trader first and an economic theorist second.<sup>62</sup> List’s critique is entirely consistent with his having used these two depictions of Smith’s worldview as his starting point.

### **List on Smith (2): The Lauderdale and Sartorius Connections**

Even though List’s Smith is recognisable textually in the early Stewart’s and McCulloch’s Smiths, this does not explain on its own why he should have alighted conceptually upon that particular emphasis in his interpretation of *The Wealth of Nations*. One possible reason is provided by McCulloch’s efforts to reconstruct the evolution of economics on the basis of a dehistoricised theory of value.<sup>63</sup> He was largely responsible for most English-speaking economists in the nineteenth century attempting to understand all production and exchange relations through the process of price determination.<sup>64</sup> The Smith which List would have encountered in McCulloch was forced to speak to such an agenda. However, of all the national traditions of economics it was the German tradition which proved to be the most resistant to dehistoricised value-based theories throughout the period in which List learnt his economics.<sup>65</sup>

When *The Wealth of Nations* was first published in German almost immediately after its publication in English, it was by no means an immediate success.<sup>66</sup> It failed entirely in the 1780s and 1790s to supplant Sir James Steuart’s *Inquiry into the*

*Principles of Political Economy* as the most popular English-language text on economics.<sup>67</sup> Steuart had written his book while in exile in Germany, and it bore many of the hallmarks of the prevailing German Cameralist tradition,<sup>68</sup> in which the microfoundations of price determination were wholly subservient, theoretically-speaking, to the efficient administration of *Staatswirtschaft*.<sup>69</sup> Smith sealed his initially less than glowing reception in Germany when he went out of his way to artificially inflate his differences with Steuart. List certainly thought that Smith had been unfairly dismissive of Steuart's embryonic nationalist ontology, believing that Steuart had delivered the first comprehensive account of the industrial system based on historically-sensitive understandings of the development process.<sup>70</sup>

A greater interest in *The Wealth of Nations* was displayed amongst German economists in the opening decade of the nineteenth century. The most important of these figures was Georg Sartorius.<sup>71</sup> He made significantly less effort to try to force Smith to speak posthumously to the German economic tradition, and the focus shifted instead to trying to understand how a more subtly "Germanised" Smith would differ from the voice he projected through his own text.<sup>72</sup> To this end, Sartorius elaborated a critique of Smith by James Maitland, Earl of Lauderdale. Lauderdale's *Inquiry into the Nature and Origin of Public Wealth* took issue with what he saw as Smith's attempts to reduce all economic phenomena to the manifestation of price dynamics. In this regard, his depiction of what was to be found in *The Wealth of Nations* echoes McCulloch's later lament for what Smith *should* have been but was not and, from there, List's mistaken view of what Smith actually *was*. Lauderdale positioned himself against the common view amongst economists in Britain at that time, namely that it was possible to derive a universal measure of value which would render

tractable a price theoretic system. He concluded that the popularity of this view was explained by ‘the authority of those who have held it [in particular, Smith], rather than the ingenuity or even plausibility of the manner in which it is supported’.<sup>73</sup> Lauderdale’s critique turned on the fact that any denominator recommended to serve as a universal measure of value only attains its own value for the same reasons as those things it is used for valuing.<sup>74</sup> From this perspective, the internal dynamics of Smith’s theoretical system rested on a tautology.<sup>75</sup>

Sartorius defended Smith against the extremes of Lauderdale’s attack, but he nonetheless continued to work within the parameters of the latter’s concerns to impose on Smith’s work a much more robust account of value theory than Smith had used himself.<sup>76</sup> It is at this point that Sartorius’s writings take a familiar form for anyone who knows the structure of List’s Smith historiography. He argued that the rise of nominal prices is coterminous with an increase in value from Smith’s perspective, but not with an increase in public wealth from his or Lauderdale’s.<sup>77</sup> Smith had erred, he said, by conflating individual and public wealth, thereby treating the redistribution of individual wealth arising from a change in nominal prices as an enhancement of public wealth.<sup>78</sup> This argument is recognisable in revised form in List’s accusation that Smith championed a “dead materialism”, in which national accumulation functions are related solely to increased holdings of individual wealth.<sup>79</sup>

This was List’s means of presenting the self-proclaimed distinctiveness of his theory of the nation’s productive powers.<sup>80</sup> His aim in this respect was to refute Smith’s suggestion that a country gained from increases in its circulating capital when buying goods from the cheapest market and selling them in the dearest.<sup>81</sup> List argued that

incentivising this sort of economising behaviour was equivalent to ‘reduc[ing] the process of the formation of capital in the nation to the operation of a private rentier’.<sup>82</sup> Such a view, he said, emerged only ‘from a shopkeeper-like calculation and comparison of the value of the exchanges arising from ... exports and imports’.<sup>83</sup>

Smith certainly did believe that the process of capital accumulation logically entailed savings behaviour, as well as that savings, in turn, could be stimulated through careful purchasing strategies.<sup>84</sup> However, what Lauderdale, Sartorius and, following them, List had all missed was that the relevant passage in *The Wealth of Nations* revolves around an extended discussion of the potential perils to national prosperity of excessive consumption. List thus managed to confuse what was actually an ethical argument about how to become a more socially-aware individual by not flaunting consumption wealth in front of less fortunate people for the purely commercial argument about striking the most favourable deal. The fact that a country’s circulating capital increased in the presence of such prudential behaviour was a fortunate economic happenstance of learning to do right by others,<sup>85</sup> and nothing like the *a priori* policy objective that List treated it as.<sup>86</sup>

Sartorius also used Lauderdale’s rejection of value theory to distinguish between more and less successful state strategies for fostering expansions in national wealth. He argued that the devolution of accumulation functions to competitively-aligned firms was responsible for destroying more long-term wealth for the nation than it created short-term wealth for the firms in question.<sup>87</sup> Smith’s error this time, he said, was to assume that the whole world was at a single stage of economic development and that all individual units within it could therefore compete on an equal footing.<sup>88</sup>

This argument is recognisable in revised form in List's accusation that Smith championed a "disorganising particularism", in which national accumulation functions are sacrificed to the private profit motive.<sup>89</sup>

However, List's mistake this time was not to look beyond the first two books of *The Wealth of Nations*. These are the two on which McCulloch's introductory essay focused and which also drew the attention of Lauderdale and Sartorius before List, but they can hardly be said to be representative of the work as a whole. There, Smith presented a self-consciously abstract theory of economic dynamics which would pertain to what he called the system of 'natural liberty', but *only* to such a system.<sup>90</sup> It acted as a philosophical standard to aspire towards, a structure of social relations modelled on 'a universal republic embracing all members of the human race', to cite List.<sup>91</sup> Within such a structure economic affairs *can* be regulated purely by the private profit motive at no apparent loss to the productive potential of any single unit within the world economy. The text of Books IV and V of *The Wealth of Nations* demonstrate conclusively, though, that Smith took this to be a merely hypothetical situation.

He inserted into those books the voice of an outside observer looking on at all the economic policy errors of recent British Governments.<sup>92</sup> On a great number of occasions, the policy advocate in Smith argued against the unthinking free trade position imputed to him by List.<sup>93</sup> In these passages, as Jacob Viner argues, Smith proved beyond dispute that he 'was not a doctrinaire of laissez faire. He saw a wide and elastic range of activity for government, and he was prepared to extend it even farther if government, by improving its standards of competence, honesty, and public

spirit, showed itself entitled to wider responsibilities'.<sup>94</sup> List completely overlooked the veritable catalogue of instances in which Smith asserted serious qualifications to the system of natural liberty if they better suited a conception of the national interest.<sup>95</sup> To the extent that Lauderdale and Sartorius did likewise in subtly changing the meaning of *The Wealth of Nations* to suit their own theoretical systems, they also consequently appear to have had an important hand in shaping List's distinctive Smith historiography.

### **Conclusion**

The preceding sections have begun to provide some evidence about the likely sources of List's interpretation of Smith. However, it is worth pausing for a moment to reflect on just how many different "Smiths" there are floating around in the background to List's work. List's Smith is, in a textual sense, some combination of the early Stewart's and McCulloch's Smiths, but it is also, in a conceptual sense, Sartorius's Smith, which in turn is merely a reworking and slight softening of Lauderdale's Smith. List's Smith historiography consequently involves travelling a considerable distance from Smith's original text through the influence of these four strategically significant intermediaries. The only thing that List added to these interpretations that was uniquely his own was a level of exaggeration which ensures that historians of economic thought today find it difficult to take his characterisation of Smith seriously.

The route to List's Smith involves understanding the means through which, over two centuries and more following his death, Smith has been subjected to a procedure that

Vivienne Brown has described as ‘canonisation’.<sup>96</sup> This is the mechanism through which classic status is ascribed to a text, but then the meaning of the text is increasingly simplified in the interests of producing an easy-to-grasp reading of its allegedly core claims. In such instances, simplification often entails distortion, thus changing for popular consumption the author’s original intentions.<sup>97</sup> This is certainly what happened to *The Wealth of Nations* at the hands of List and his attempt to posit a reading of Smith’s economics specifically to facilitate his own nationalist politics. Interestingly in such a context, as the historiographically-revisionist List scholars in IPE have recently pointed out, it is also the fate to have befallen the *National System*.<sup>98</sup> Just as List ignored for his own ends the theoretical subtleties of Smith’s repeated qualifications of laissez faire, so too many modern development theorists have allowed the complicating contents of List’s theory to be pushed to the background in order to harness him to their all-out assault on the current neoliberal world order. The major methodological implication to arise from the foregoing analysis of the canonisation of both Smith and List thereby involves the advantages to be gleaned from IPE scholars more willingly embracing historiography to assist their continued search for the subject field’s foundations.

This does not mean that List can no longer be used to animate theoretically-conscious discussions of contemporary development dilemmas. However, it should lead to a more sophisticated appreciation of what might be found in List’s work, as well as a much more nuanced account of the difference between the classical liberal and neoliberal positions on development. By contrast, the use of the canonised Smith within IPE for teaching the fundamentals of the liberal approach to development involves taking some variant of List’s history of economic ideas for given, through



which the distance between classical liberal and neoliberal development theories is almost entirely eliminated. As has been shown, though, it does so on the basis of a deeply dubious intellectual history, one which was poorly researched by List and presented in eccentric form, being designed solely for the attempted naturalisation of his nationalist alternative. It is an intellectual history which is also being increasingly challenged by a small number of IPE scholars who have drawn attention to the interpretational weaknesses embedded within it. The future reliability of Listian critiques of neoliberal development strategies consequently depends crucially on the assimilation of greater historiographical awareness of the relationship between List and Smith.

---

## Notes

<sup>1</sup> For example: J Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century*, London: Norton, 2006, pp 64-5; M Veseth, *Globaloney: Unraveling the Myths of Globalization*, Lanham, MD: Rowman and Littlefield, 2005, p 47.

<sup>2</sup> F List, *National System of Political Economy – Volume 1: The History*, New York: Cosimo Classics, 2005 [1841], pp 107, 121; F List, *National System of Political Economy – Volume 2: The Theory*. New York: Cosimo Classics, 2005 [1841], pp 37-8, 65-6, 87-9, 188-92, 216-7; F List, *National System of Political Economy – Volume 3: The Systems and the Politics*. New York: Cosimo Classics, 2005c [1841], pp 44-52, 71, 110.

<sup>3</sup> For example: S Strange, 'Wake up, Krasner! The world *has* changed', *Review of International Political Economy*, 1(2), 1994, pp 209-219, p 211; R Palan & J Abbott with P Deans, *State Strategies in the Global Political Economy*, London: Pinter, 1999, p 80; D Balaam & M Veseth, *Introduction to International Political Economy*, fourth edition, London: Pearson, 2008, p 34.

- 
- <sup>4</sup> M Shafaeddin, 'Friedrich List and the Infant Industry Argument', in Jomo K.S. (ed), *The Pioneers of Development Economics: Great Economists on Development*, London: Zed, 2005, pp 42-61, p 43.
- <sup>5</sup> D Levi-Faur, 'Friedrich List and the political economy of the nation-state', *Review of International Political Economy*, 4(1), 1997, pp 154-178, p 154; C Winch, 'Listian political economy: Social capitalism conceptualised?', *New Political Economy*, 3(2), 1998, pp 301-316, p 301.
- <sup>6</sup> P Kenen, *The International Economy*, third edition, Cambridge: Cambridge University Press, 1994, p 225.
- <sup>7</sup> P Krugman, 'Counter-response: Proving my point', in D-S Cho & H-C Moon (eds), *From Adam Smith to Michael Porter: Evolution of Competitiveness Theory*, Singapore: World Scientific, 2000, pp 48-54, pp 53, 54.
- <sup>8</sup> E Helleiner, 'Economic nationalism as a challenge to economic liberalism? Lessons from the 19<sup>th</sup> century', *International Studies Quarterly*, 46(3), 2002, pp 307-329, p 311.
- <sup>9</sup> R Gilpin, *U.S. Power and the Multinational Corporation*, London: Macmillan, 1975, p 21.
- <sup>10</sup> R Gilpin, *The Political Economy of International Relations*, Princeton, NJ: Princeton University Press, 1987.
- <sup>11</sup> List, *National System III*, p 26; List, *National System II*, p 236.
- <sup>12</sup> List, *National System II*, pp 25-7.
- <sup>13</sup> List, *National System I*, p 31.
- <sup>14</sup> S Gill & D Law, *The Global Political Economy: Perspectives, Problems and Policies*, Hemel Hempstead: Harvester Wheatsheaf, 1988, p 26.
- <sup>15</sup> A Smith, *The Theory of Moral Sentiments*, Indianapolis, IN: Liberty Fund, 1982 [1759/1790], VII.iii.1.1.
- <sup>16</sup> Smith, *Theory of Moral Sentiments*, III.2.27, VII.ii.4.8.
- <sup>17</sup> Smith, *Theory of Moral Sentiments*, I.i.2.1.
- <sup>18</sup> P Force, *Self-Interest Before Adam Smith: A Genealogy of Economic Science*, Cambridge: Cambridge University Press, 2003, pp 66-7.
- <sup>19</sup> A Payne & N Phillips, *Development*. Cambridge: Polity Press, 2010, p 38.
- <sup>20</sup> R Backhouse, *Economists and the Economy: The Evolution of Economic Ideas*, second edition, New Brunswick: Transaction Publishers, 1994, p 89.
- <sup>21</sup> List, *National System II*, pp 34-5.

- 
- <sup>22</sup> Smith, *Theory of Moral Sentiments*, II.i.5.3.
- <sup>23</sup> Smith, *Theory of Moral Sentiments*, I.iii.1.14.
- <sup>24</sup> G Vaggi, 'Adam Smith's Socio-Economic Man – and the Macro-Foundations of Microeconomics', in T Aspromourgos & J Lodenwijks (eds), *History and Political Economy: Essays in Honour of P.D. Groenewegen*, London: Routledge, pp 30-43, p 30.
- <sup>25</sup> WO Henderson, *Friedrich List: Economist and Visionary 1789-1846*, London: Frank Cass, 1986, p 165.
- <sup>26</sup> F List, 'Some Extracts from the Author's Preface to the First Edition', in F List, *The National System of Political Economy*, Fairfield, NJ: Augustus M. Kelley, 1977 [1841], pp xxv-xxxii, pp xxv-vi.
- <sup>27</sup> F List, *The Natural System of Political Economy*, translated and edited by WO Henderson, London: Frank Cass and Company, 1983 [1837], pp 17-18.
- <sup>28</sup> G Crane & A Amawi, *The Theoretical Evolution of International Political Economy: A Reader*, second edition, Oxford: Oxford University Press, 1997, p 36.
- <sup>29</sup> CM Harlen, 'A reappraisal of classical economic nationalism and economic liberalism', *International Studies Quarterly*, 43(4), 1999, pp 733-744, p 737.
- <sup>30</sup> List, *National System I*, pp 107, 121; List, *National System II*, pp 37-8, 65-6, 87-9, 188-92, 216-7, 243-5; List, *National System III*, pp 44-52, 71, 110.
- <sup>31</sup> D Baldwin, *Economic Statecraft*, Princeton, NJ: Princeton University Press, 1985, p 87; EM Earle, 'Adam Smith, Alexander Hamilton, Friedrich List: The economic foundations of military power', in P Paret (ed), *The Makers of Modern Strategy: From Machiavelli to the Nuclear Age*. Oxford: Oxford University Press, 1986, pp 217-261, p 218.
- <sup>32</sup> List, *National System II*, pp 10-15, 220, 237-8.
- <sup>33</sup> G Crane, 'Economic nationalism: Bringing the nation back in', *Millennium*, 27(1), 1998, pp 55-75, pp 69-70.
- <sup>34</sup> Shafaeddin, 'Friedrich List and the Infant Industry Argument', p 56.
- <sup>35</sup> AM Daastöl, 'Friedrich List (1789-1846)', in J. Backhaus (ed), *The Elgar Companion to Law and Economics*, second edition, Cheltenham: Edward Elgar, 2005, pp 590-606, p 591.
- <sup>36</sup> J Viner, 'Adam Smith and laissez-faire', *Journal of Political Economy*, 35(2), 1927, pp 198-232, reprinted in JC Wood (ed), *Adam Smith: Critical Assessments, Volume I*, London: Routledge, 1993, pp 143-167, p 154.

- 
- <sup>37</sup> A Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Indianapolis, IN: Liberty Fund, 1981 [1776/1784], IV.ii.30.
- <sup>38</sup> M Elam, 'National Imaginations and Systems of Innovation', in C Edquist (ed), *Systems of Innovation: Technologies, Institutions and Organizations*, London: Pinter, 1997, pp 157-173, p 168.
- <sup>39</sup> Smith, *Wealth of Nations*, IV.ii.30.
- <sup>40</sup> List, *National System II*, p 237.
- <sup>41</sup> List, *Natural System*, p 22.
- <sup>42</sup> See A Wyatt-Walter, 'Adam Smith and the liberal tradition in international relations', *Review of International Studies*, 22(1), 1996, pp 5-28, p 8.
- <sup>43</sup> WO Henderson, 'Editor's Introduction', in F List, *The Natural System of Political Economy*, translated and edited by WO Henderson, London: Frank Cass and Company, 1983, pp 1-14, pp 10-11.
- <sup>44</sup> List, 'Some Extracts', p xxix.
- <sup>45</sup> JS Nicholson, 'Introductory Essay', in A Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations by Adam Smith*, with an introductory essay and notes by JS Nicholson, sixth edition, London: T Nelson and Sons, 1901, pp 3-32, pp 6-7.
- <sup>46</sup> List, *National System I*, p 56.
- <sup>47</sup> JR McCulloch, 'Introductory Discourse', in A Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations, by Adam Smith LL.D.*, reprinted edition with original introduction by JR McCulloch, London: Longman and Co, 1838 [1828], pp xv-lv, p xlv.
- <sup>48</sup> K Tribe, 'Adam Smith in English: From Playfair to Cannan', in K Tribe (ed) advised by H Mizuto, *A Critical Bibliography of Adam Smith*, London: Pickering and Chatto, 2002, pp 27-49, p 29.
- <sup>49</sup> List, *National System II*, p 27.
- <sup>50</sup> JS Nicholson, 'Introductory Essay', in F List, *The National System of Political Economy*, Fairfield, NJ: Augustus M. Kelley, 1977 [1904], pp 1-15, p 2.
- <sup>51</sup> Nicholson, 'Introductory Essay', 1901, p 7.
- <sup>52</sup> List, 'Some Extracts', p xxx.
- <sup>53</sup> Nicholson, 'Introductory Essay', 1904, p 4.
- <sup>54</sup> Henderson, 'Editor's Introduction', p 13.
- <sup>55</sup> List, *National System III*, p 26.

- 
- <sup>56</sup> Cited in IS Ross, 'Introduction', in A Smith, *Essays on Philosophical Subjects*, Indianapolis, IN: Liberty Fund, 1982, pp 265-268, p 265.
- <sup>57</sup> D Winch, *Adam Smith's Politics: An Essay in Historiographic Revision*, Cambridge: Cambridge University Press, 1978, pp 186-7.
- <sup>58</sup> D Stewart, *Biographical Memoirs, of Adam Smith, LL.D. of William Robertson, D.D. and of Thomas Reid, D.D. read before the Royal Society of Edinburgh*, Edinburgh: W Creech, Bell and Bradfute, 1811, p 130, emphasis in original.
- <sup>59</sup> J Hollander, 'Adam Smith 1776-1926', *Journal of Political Economy*, 35(2), 1927, pp 153-197, pp 165-7.
- <sup>60</sup> D Stewart, 'Account of the Life and Writings of Adam Smith, LL.D., from the Transactions of the Royal Society of Edinburgh', in A Smith, *Essays on Philosophical Subjects*, Indianapolis, IN: Liberty Fund, 1982 [1793], pp 269-332, IV.18.
- <sup>61</sup> W Grampp, 'The Liberal Elements in English Mercantilism', *Quarterly Journal of Economics*, 66(4), 1952, pp 465-501, pp 473-85.
- <sup>62</sup> McCulloch, 'Introductory Discourse', p xliv.
- <sup>63</sup> RDC Black, 'Smith's Contribution in Historical Perspective', in T Wilson & A Skinner (eds), *The Market and the State: Essays in Honour of Adam Smith*, Oxford: Clarendon Press, 1976, pp 42-63, p 46.
- <sup>64</sup> Backhouse, *Economists and the Economy*, pp 1-2.
- <sup>65</sup> G Hodgson, *How Economics Forgot History: The Problem of Historical Specificity in Social Science*, London: Routledge, 2001, pp 60-1.
- <sup>66</sup> L Greenfeld, *The Spirit of Capitalism: Nationalism and Economic Growth*, Cambridge, MA: Harvard University Press, 2001, p 182.
- <sup>67</sup> K Tribe, *Strategies of Economic Order: German Economic Discourse, 1750-1950*, Cambridge: Cambridge University Press, 1995, p 139.
- <sup>68</sup> J Steuart, *An Inquiry into the Principles of Political Economy*, Edinburgh: Oliver Boyd, 1966 [1767].
- <sup>69</sup> N Koboyashi, *James Steuart, Adam Smith and Friedrich List*, Tokyo: Science Council of Japan, 1967, p 40.
- <sup>70</sup> I Hont, *Jealousy of Trade: International Competition and the Nation State in Historical Perspective*, Cambridge, MA: Harvard University Press, 2005, p 151.

- 
- <sup>71</sup> K Tribe, *Governing Economy: The Reformation of German Economic Discourse 1750-1840*, Cambridge: Cambridge University Press, 1988, p 145.
- <sup>72</sup> G Sartorius, *Abhandlungen, die Elemente des National-Reichthums und die Staatswirtschaft Betreffend*, Göttingen: JF Röwer, 1806.
- <sup>73</sup> Earl of Lauderdale, Excerpts from *An Inquiry into the Nature and Origin of Public Wealth*, in IS Ross (ed), *On the Wealth of Nations: Contemporary Responses to Adam Smith*, Bristol: Thoemnes Press, 1998 [1804], pp 121-130.
- <sup>74</sup> CW Hasek, *The Introduction of Adam Smith's Doctrines into Germany*, Honolulu: University Press of the Pacific, 2002 [1925], p 76.
- <sup>75</sup> M Blaug, *Economic Theory in Retrospect*, fifth edition, Cambridge: Cambridge University Press, 1996, pp 51-2.
- <sup>76</sup> On which latter point, see M Dobb, *Theories of Value and Distribution Since Adam Smith: Ideology and Economic Theory*, Cambridge: Cambridge University Press, 1973, pp 45-7.
- <sup>77</sup> Sartorius, *Abhandlungen, die Elemente des National-Reichthums*.
- <sup>78</sup> Hasek, *The Introduction of Adam Smith's Doctrines*, p 77.
- <sup>79</sup> List, *National System II*, pp 25-6, 32-3, 70.
- <sup>80</sup> List, *National System I*, p 59; *National System II*, pp 22, 53-4, 128, 169.
- <sup>81</sup> Henderson, *Friedrich List*, p 191.
- <sup>82</sup> List, *National System II*, p 132.
- <sup>83</sup> List, *National System II*, p 202; see also *National System III*, pp 28-9, 44.
- <sup>84</sup> See Smith, *Wealth of Nations*, II.iii.16 and II.iii.38 respectively.
- <sup>85</sup> Smith, *Wealth of Nations*, II.iii.6.
- <sup>86</sup> List, *National System III*, p 44.
- <sup>87</sup> Sartorius, *Abhandlungen, die Elemente des National-Reichthums*.
- <sup>88</sup> Hasek, *The Introduction of Adam Smith's Doctrines*, p 77.
- <sup>89</sup> List, *National System II*, pp 66-9.
- <sup>90</sup> Smith, *Wealth of Nations*, II.ii.94.
- <sup>91</sup> List, *Natural System*, p 129.
- <sup>92</sup> HJ Bitterman, 'Adam Smith's empiricism and the law of nature: I', *Journal of Political Economy*, 48(4), 1940, pp 487-520, p 520.

---

<sup>93</sup> J Evensky, 'The evolution of Adam Smith's views on political economy', *History of Political Economy*, 21(1), 1989, pp 123-145, reprinted in JC Wood (ed), *Adam Smith: Critical Assessments, Volume VI*, London: Routledge, 1993, pp 372-394, pp 382-3.

<sup>94</sup> Viner, 'Adam Smith and Laissez Faire', p 164.

<sup>95</sup> E Reinert & S Reiner, 'Mercantilism and Economic Development: Schumpeterian Dynamics, Institution-Building and International Benchmarking', in Jomo KS & E Reinert (eds), *The Origins of Development Economics: How Schools of Economic Thought Have Addressed Development*, New Delhi: Tulika Books, 2005, p 15.

<sup>96</sup> V Brown, 'Metanarratives and economic discourse', *Scandinavian Journal of Economics*, 96(1), 1994, pp 83-93, p 84.

<sup>97</sup> W Tabb, *Reconstructing Political Economy: The Great Divide in Economic Thought*, London: Routledge, 1999, p 32.

<sup>98</sup> Helleiner, 'Economic nationalism as a challenge to economic liberalism', p 308.