

## Misrepresenting Adam Smith

From time to time I see or hear claims that Adam Smith favored progressive taxation, on at least one occasion that he favored a progressive income tax. One passage from *The Wealth of Nations* I have seen offered in support of the claim:

The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.

Taxation in proportion to revenue is not progressive taxation but proportional taxation, in modern terminology a flat tax. The quote not only is not evidence for the claim, it is evidence against it, important evidence since it is the first of the maxims with which Smith introduces his discussion of taxes.

Not only is Smith not endorsing a progressive income tax, he is not endorsing any sort of income tax. Reading further into the passage, he successively rejects taxes on income from capital, taxes on wages, and taxes on the income of professionals. The only income he approves of taxing is the income of government officials. What he is arguing for is not a tax on income but a system of taxation whose effect is proportional to income; unlike most modern commenters he realizes that determining who bears the cost of a tax is not as simple as seeing who hands over the money.

Another quote offered was:

It must always be remembered, however, that it is the luxuries, and not the necessary expense of the inferior ranks of people, that ought ever to be taxed.

This was interpreted as meaning that Smith wanted to tax the luxuries of the rich rather than the necessities of the poor. One of the places I found that quote and interpretation was on a [Daily Kos web page](#).

Here is the full paragraph:<sup>1</sup>

It must always be remembered, however, that it is the luxurious and not the necessary expense of the inferior ranks of people that ought ever to be taxed. The final payment of any tax upon their necessary expense would fall altogether upon the superior ranks of people; upon the smaller portion of the annual produce, and not upon the greater. Such a tax must in all cases either raise the wages of labour, or lessen the demand for it. It could not raise the wages of labour without throwing the final payment of the tax upon the superior ranks of people. It could not lessen the demand for labour without lessening the annual produce of the land and labour of the country, the fund from which all taxes must be finally paid. Whatever might be the state to which a tax of this kind reduced the demand for labour, it must always raise wages higher than they otherwise would be in that state, and the final payment of this enhancement of wages must in all cases fall upon the superior ranks of people.

Smith is arguing for taxing the luxuries of the poor, not the luxuries of the rich. Changing “luxurious” to “luxuries” in the first sentence and adding a comma makes it possible to misread it

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<sup>1</sup> Quoted from Edward Canaan’s text of Smith’s fifth edition, the last published in his lifetime. The same words are found in the [webbed](#) first edition and in a physical copy of the sixth edition that I have examined.

as "the luxuries of the rich, and not ... ," but that reading is inconsistent with the rest of the paragraph. Smith's argument is that a tax on the necessities of the poor will raise wages hence be paid by the rich and that one should therefor tax the luxuries of the poor instead.

The earliest example of the text of *The Wealth of Nations* with "luxuries, not" instead of "luxurious not" that I have been able to find is an [1843 book](#) entitled "*An Inquiry into the Nature and Causes of the Wealth of Nations by Adam Smith, LL.D. F.R.S. with a Life of the Author, also a View of the Doctrine of Smith, compared with that of the French Economists; with a Method of Facilitating the Study of His Works; from the French of M. Garnier.*" It may have gotten from there to modern commenters via Project Gutenberg, which has the 1843 version attributed to "M. Garnier and Adam Smith."

Other quotes also get offered to support the claim that Smith was in favor of progressive taxation. One blogger had:

The rich should contribute to the public expense, not only in proportion to their revenue, but something more than that proportion. (Adam Smith, *Wealth of Nations*)

The actual quote is:

It is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion.

Not only has the blogger removed without notice the first six words of the sentence, entirely changing its meaning, he has capitalized the word that starts his truncated sentence in order to pretend that what he is giving is the whole sentence. This looks like deliberate dishonesty, although later appearances may have been by people who did not bother to check the quote against the original. What Smith is saying in that passage is that a particular tax, desirable on other grounds, should not be rejected just because it falls more heavily on the rich, that that is an argument against it but not a conclusive argument.

Noah Smith, in his substack blog Noahpinion,<sup>2</sup> offers the entire quote and interprets it as support for progressive taxation, blissfully unaware of Smith's first maxim of taxation. Viewing the text through the eyes of a modern progressive, he interprets "not very unreasonable" as "desirable." He also adds another quote to the argument:

"Wherever there is great property there is great inequality. For one very rich man there must be at least five hundred poor, and the affluence of the few supposes the indigence of the many."

Noah interprets this as an attack on income inequality. In fact it is nothing of the sort. The paragraph continues:

The affluence of the rich excites the indignation of the poor, who are often both driven by want, and prompted by envy, to invade his possessions. It is only under the shelter of the civil magistrate that the owner of that valuable property, which is acquired by the labour of many years, or perhaps of many successive generations, can sleep a single night in security.

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<sup>2</sup> <https://noahpinion.substack.com/p/is-economics-an-excuse-for-inaction>

...Where there is no property, or at least none that exceeds the value of two or three days' labour, civil government is not so necessary.

Adam Smith isn't arguing against inequality, he is saying that it is inequality that makes government necessary.

Another and somewhat subtler misrepresentation of Smith, this time as a Georgist a century before Henry George, appears in the book *J is for Junk Economics* by Michael Hudson; I came across it quoted on Facebook. Hudson writes:

Landownership privileges “are founded on the most absurd of all suppositions, the supposition that every successive generation of men has not an equal right to the earth...but that the property of the present generation should be...regulated according to the fancy of those who died...five hundred years ago,”

He omits the first three sentences of the paragraph:

When great landed estates were a sort of principalities, entails might not be unreasonable. Like what are called the fundamental laws of some monarchies, they might frequently hinder the security of thousands from being endangered by the caprice or extravagance of one man. But in the present state of Europe, when small as well as great estates derive their security from the laws of their country, nothing can be more completely absurd.

What Smith is talking about is not landownership privileges but entail, the legal rule under which the owner of entailed land could neither sell it nor leave it to anyone but his natural heir, normally his eldest son. Entail was not a landownership privilege but a restriction on the privileges of current landowners imposed by their ancestors in the distant past, hence Smith's comment.

There is another very popular misreading of Smith on the Daily Kos web page and in a variety of other places, the claim that Smith supported public schooling. The web page quotes:

For a very small expence the public can facilitate, can encourage, and can even impose upon almost the whole body of the people the necessity of acquiring those most essential parts of education.

Smith has a long discussion of possible ways of organizing and funding education in the course of which he argues both for and against a variety of alternatives, so it is easy enough to select out a passage which appears to be for government provision, such as this one. For an example on the other side:

Those parts of education, it is to be observed, for the teaching of which there are no public institutions, are generally the best taught.

His final summary statement on the subject, however, is:

The expense of the institutions for education and religious instruction is likewise, no doubt, beneficial to the whole society, and may, therefore, without injustice, be defrayed by the general contribution of the whole society. This expense, however, might perhaps with equal propriety, and even with some advantage, be defrayed altogether by those who

receive the immediate benefit of such education and instruction, or by the voluntary contribution of those who think they have occasion for either the one or the other.

Or in other words, some public funding of schooling is not unjust but an entirely private system might be preferable.

The public involvement he is considering is much less than what we take for granted. He writes, immediately after the sentence that the web page quotes:

The public can facilitate this acquisition by establishing in every parish or district a little school, where children may be taught for a reward so moderate that even a common labourer may afford it; the master being partly, but not wholly, paid by the public, because, if he was wholly, or even principally, paid by it, he would soon learn to neglect his business.

Not, I think, an opinion that supporters of our public-school system would be willing to endorse.

The Daily Kos piece starts out with:

Conservatives love to quote Adam Smith, the Father of Capitalism. But I doubt that many of them have actually read his works.

The author of that piece also likes to quote Smith — and has not read his works.

### **Jennifer Roback Morse: Defending Marriage, Misrepresenting Smith?**

A correspondent called my attention to an interesting [essay](#) by [Jennifer Roback Morse](#), an economist I knew a very long time ago. Since then she seems to have become an articulate and prolific author in support of conventional marriage and an energetic opponent of same-sex marriage. Her essay is aimed mainly at libertarians; its central argument is that a society where sex and child-rearing occur primarily within conventional marriage is, from their standpoint, more desirable than what she thinks we are moving towards, a society of casual hook-ups, single mothers and court-enforced rules on child support, visitation rights, and the like.

It is a plausible claim but Morse does not make it clear in that essay what she thinks should be done in order to maintain the more desirable pattern of behavior. Is she merely arguing that we, as individuals, ought to treat married parents with more respect than unmarried ones and encourage other individuals to do the same? That we should advise our children to look for long-term mates? Does she want the law to treat conventional marriage as an enforceable contract, hard to get out of, with civil or criminal penalties attached to adultery? Does she want tax law and other interactions with government to favor people who have entered into such a contract? In this essay, at least, she does not say, although I could probably get some answers by reading other things she has written.

My most serious criticism of the piece has nothing to do with the author's views on marriage. She writes:

Adam Smith recognized in the tenth chapter of *The Wealth of Nations* that “people of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.” Smith understood that the “natural” tendency to cheat the public must be checked by legal and social norms. The law must prohibit some economic behavior.

The actual passage she is quoting from reads:

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices. It is impossible indeed to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies, much less to render them necessary. A regulation which obliges all those of the same trade in a particular town to enter their names and places of abode in a public register, facilitates such assemblies. It connects individuals who might never otherwise be known to one another, and gives every man of the trade a direction where to find every other man of it. ...

Smith is not arguing, as Morse claims, that "The law must prohibit some economic behavior." On the contrary, he explicitly says that no law prohibiting the behavior described "would be consistent with liberty and justice." He is arguing not for laws against conspiracies in restraint of trade but against laws that help to create them — the 18th century equivalents of modern regulatory cum cartelizing agencies such as the ICC and CAB.

Morse has not merely misrepresented the point of the passage, she has very nearly reversed it. Either she does not know the passage she is quoting — from the most famous book in her (and my) field — or she is deliberately misleading her readers.

### **David Brin and Adam Smith**

Here is another case of someone complaining about conservatives falsely claiming Adam Smith in support of his views while doing exactly that himself. The complainer this time was David Brin, a science-fiction author who wrote an interesting [book](#) on surveillance some years back but has, in my experience, a tendency to pontificate well beyond the limits of his knowledge.

In the relevant passage, he wrote:

But anyone who actually reads Adam Smith also knows that he went on and on about that "fair and open" part! Especially how excessive disparities of wealth and income *destroy competition*. Unlike today's conservatives, who grew up in a post-WWII flattened social order without major wealth-castes, Smith lived immersed in class-rooted oligarchy, of the kind that ruined markets, freedom and science across nearly 99% of human history. He knew the real enemy, first hand and denounced it in terms that he never used for mere bureaucrats.

In a comment, I asked him to produce a quote from Smith saying that excessive disparities of wealth and income destroy competition. He responded with the following (from *The Theory of Moral Sentiments*).

"This disposition to admire, and almost to worship, the rich and the powerful, and to despise, or, at least, to neglect, persons of poor and mean condition, though necessary both to establish and to maintain the distinction of ranks and the order of society, is, at the same time, the great and most universal cause of the corruption of our moral sentiments."

Which, as I pointed out in my response, has nothing to do with disparities of wealth and income destroying competition. Apparently Brin could not find any examples of Smith saying what he claims Smith went on and on about, so quoted something else instead.

I could have gone on to point out that Smith's attacks are not, for the most part, against the "class-rooted oligarchy," which at his time consisted mostly of the landed gentry. On the contrary, he tried to persuade the landowners that the policies he thought were in the general interest were also in their interest, sometimes stretching his argument pretty far to do so. His attacks were mostly directed at the "merchants and manufacturers."

But it didn't seem worth the trouble.

Brin replied to my criticism but offered no example of what he claimed Smith went on and on about. His view seemed to be that, by pointing out that what he said wasn't true, I was evading the point of his argument. My fundamental complaint about Brin is the same as my complaint elsewhere about Rothbard, that as long as he believes he is arguing for the right side he does not really care whether what he says is true. I reached the same conclusion in [another exchange](#) with him over an entirely different issue.

Those interested in reading Brin's post and our exchange of comments will find them [here](#).

One question raised by all of these misrepresentations of Smith is whether I am dealing with error, deliberate fraud, or something in between. The answer is probably that some of them originate as deliberate fraud, others as mistakes, and they are then repeated by people who want to believe them and cannot be bothered to actually check the text to see what Smith was saying. In the case of Brin, it is pretty clear that, whether or not he knew what he said was false when he said it, he was unwilling to concede it was false when I asked him to provide evidence and he was unable to do so. Morse, whose email I was eventually able to locate, responded to my pointing out her error by trying to shift the issue to the conclusion she was arguing for rather than the question of whether she had misrepresented Smith. My pointing that out was answered with a two word email: "You win."