Adam Smith’s Perspective of International Relations

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By the time of the publication of Adam Smith’s greatest book, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Britain had triumphed over France and Holland to hold control over international trade from North America to India. In Europe, there was a commercialization of agriculture and a striking growth of manufacturing and commerce, in and between the most economically developed nations. Just before the great textile boom of the late 1700s, this period was the brink of the globalization of trade. Glasgow was already a place of new worlds being discovered; consequently Scottish Enlightenment philosopher Adam Smith (1723-1790) had ample material to feed his ideas and a transcontinental audience with whom to debate them. Smith believed in progress at the international level, sought to influence the conduct of men who had “power and place” and wrote for the “Great World.” His conception of international relations focused on gains from international trade, the openness and dynamics of international conflict and the irrationality of war. He also made important statements about the role of man and state in the sphere of international relations.

This paper will look firstly at the importance of the *Wealth of Nations*, the main source of Smith’s ideas, before discussing the concept of natural order, a basis of Smith’s philosophy. The focus will then turn to the nature of man in relation to the international domain, and the recognition of defence as the most important responsibility of the state. Lastly, before concluding with the contemporary relevance of the philosopher’s work, two key international realms, trade and war, will be discussed.

Smith examined international relations in all his works, but the bulk of his international views are contained in the *Wealth of Nations*. It is considered to be one of the most comprehensive analyses of Smith’s time. The book’s central concern is the natural growth of wealth. A phenomenon Smith attributed to the natural creativity and ingenuity of man. Special properties found only in human animals cause rapid technological progress. This push towards invention is because humans are so poorly supplied in their natural state and nearly all inventions are to improve the material world.

A basis of Smith’s philosophy is the concept of an underlying natural order, built upon the unintended consequences of self-interested behaviour, and discoverable through the application of scientific methods to human affairs. Belief in this natural order allows that, in pursuing one’s own advantage, each individual is “lead by an invisible hand to promote an end which was not part of his intention.” Natural order will arise spontaneously and interference will only do harm. Left undisturbed, such an order will bring a harmony of interests and “the best way to speed development (internationally) is to remove all obstacles to trade at home and abroad.” The flaws and contradictions of this natural order derive from man’s nature.

Smith’s description of the nature of man is two-fold. Man is an imperfect creature, weak, slothful, prone to self-indulgence with a natural preference for his own happiness over others, and given to indolence and dissipation, especially once wealth has been acquired. But he is social, endowed by nature with imagination, the desire for empathy and sympathy for others, even in matters of his own self-interest. Imagination allows him to put himself in the place of others, sympathy allows him to share their emotions and control his own behaviour in accordance with shared social standards. Man places an importance on cooperation, shared feelings and actions. He sees his real self in the attitude others display towards him, and has an innate tendency to seek to better himself through competition.
This competitive nature is regulated by natural law that applies equally to civil society and to the society of nations. 33

Man is set above animals primarily because human passions are uniquely channelled by an instinctive willingness34 "to give this for that." 35 The passions that guide man cannot be overcome by mere economic interest; for, as Smith attested, man is motivated by a more complex and powerful set of passions. 36 Nevertheless, Smith envisioned people acting irrationally, from the point of view of economic interest. 37 Such irrational behaviour, the philosopher felt, was even more apparent in the actions of nations, often dominated by the passions of national sentiment. 38

Smith believed the function of man’s intellect to be one of counteracting national prejudice and fostering the idea that national welfare comes at the expense of other nations, a premise that, according to the philosopher, will lead inevitably to international conflict. 39 Smith recognized how “love of nation” places geographical limits on sympathy for and love of humankind. 40 People envy and fear wealth and power of neighbouring nations 41 and the more patriotism one feels for their state, the more disdain one has for other states. 42 Because of the depth of national passions, international politics is even more prone, than domestic politics, to the domination of partial interests, making it much more difficult, in international affairs, for the state to obtain the position of an impartial spectator. 43

According to Smith’s system of natural liberty, the state has three general functions: justice, public works and defence 44. Within the scope of international relations, for Smith, defence is its most important duty and ultimately more important than opulence. 45 The basis of order in any state is the “desire to defend ourselves and our things against the possible ‘encroachment’ of our neighbours.” 46 Smith maintained that all forms of government: democracies, feudal societies, republics and monarchies, can be understood as variations of one theme - the need to prevent violence and disorder in societies, where property is of primary value and inequality of wealth threaten to disrupt the “public quiet.” 47

Smith had a fundamentally realist view of international relations in this matter. 48 He believed there to be irreconcilable conflicts of interest between states that produce a security dilemma for individual nations. 49 Realists believe the only secure way to preserve civilization and liberty is to be well defended. 50 Although a strong opponent of mercantilism, he did not dispute its view that national defence is a primary condition of national wealth, thus requiring an adequate system to protect a nation. 51 For example, in the nineteenth century, the renown of Britain as a trading nation made her navy and merchant marine crucial to national security. 52 Smith also viewed defence as an important factor in keeping the state prosperous:

...among neighbouring nations, in a barbarous state there are perpetual wars ... and tho’ private property be secured from the violence of neighbours, it is in danger from hostile invasion – this makes it also next to impossible to accumulate stock. So if they feel they are going to be robbed, there is no reason to be industrious. ... 53

The Scottish philosopher explained that defence is best achieved with a standing army versus a militia: 54 “as it is only by means of a well-regulated standing army that a civilized country can be defended.” 55 An army of professional soldiers can apply specialization to military arts and encourage the qualities of “regularity, order and prompt obedience to command” demanded by modern warfare, 56 further specifying,

...where the sovereign himself is the general and the principal nobility ... the chief officers of the army; where the military force is placed under the command of those who have the greatest interest in the support of civil authority, because they have themselves the greatest share of that authority, a standing army can never be dangerous to liberty. 57
Nonetheless, protecting society from violence and invasion of other independent nations in the
commmercial age was, and still remains, a difficult task. The complexity of modern war and the high costs
born with firearms is enhanced still further by the expense of exercising and disciplining soldiers in
times of peace and employing them in times of war. Thus, it is the "wisdom of the state" that must
arrange for the payment and provision of defence. But since defence is a benefit for all, it ought to be
"defrayed by the general benefit of the whole society, all different members contributing". Smith
explained that it is only the state that can, in its wisdom, induce men to devote themselves fully to
military matters, a mentality lacking in societies of the past. In fact, by Smith’s time, defensive power
had shifted in favour of the wealthier commercial nations from the barbarian nations, who in modern
times had found it difficult to defend themselves against the opulent and civilized. The extension of
civilization became favourable to permanency, and only enhanced the importance of wealth for
purposes of national security.

Smith saw the need for national security to grow along with the success of the division of labour
and economic development. According to the philosopher, as a society grows richer, it becomes a more
attractive target to its poorer neighbours. But these issues that exacerbate the problem of national
defence also provide its potential solution, because the division of labour, on which opulence depends,
and man’s focus on luxury, leaves many men unfit for military service. Indeed, private citizens are too
busy to be violent and it is not in their interest to devote themselves fully to the defence of their country.
Therefore, men find it more convenient to follow the ideals of the division of labour and buy off the
threat of violence by hiring others to police their borders, specifically sets of men with nothing else to
do. Ideally, the state should be like a referee, able to punish or even expel, but remain uninvolved in
everyday contests and exchanges. However, Smith acknowledged that lust for domination and power,
within the state, is predominant. Thus, although the state should be a strong force, it should also remain
restrained.

Smith had even less regard for non-governmental organizations. These 18th century organizations,
apprenticeship guilds and corporations, were coercive and even more sinister than the government itself,
because they were protected by "public law," yet impervious to public scrutiny. Mercantilists, members
of such organizations, held that all nations are taught that their interest consists of beggaring their
neighbours. Each nation is made to look with an unenviable eye upon the prosperity of all the nations
with which it trades, and to consider their gains as its own loss. Nonetheless, Smith sustained that, "the
wealth of neighbours ought to be a matter for national emulation, not of national prejudice or envy." In
this objection, he demonstrated a harmony of interests doctrine in international relations. Smith believed
that with such improvements all nations ought, not only to endeavour itself to excel, but for the love
of mankind, to promote, instead of obstructing, the excellence of their neighbours.

According to the Scottish philosopher, the state’s global duty is the concentration of economic
power, and the natural aristocracy of every nation is motivated primarily by considerations of their own
self-importance, power and prestige. As Smith’s natural system of perfect liberty and justice illustrates,
national boundaries do not constrain the movement of goods, labour, or capital. Laws against the
emigration of skilled workmen are criticized and the mobility of capital is presumed. Conversely, if a
nation cannot prosper without the enjoyment of perfect liberty and justice, there is not a nation worldwide
that will ever be able to prosper.

Ultimately, Smith considered relations between states as affable and/or hostile. Commerce and
international trade are positive factors in an international realm where war is hostile. Both entities are
beneficial to states and enable them to afford the defence they will need, since, as previously stated, the
wealthier a state becomes, the greater danger it has of being attacked. Smith’s international realm was
one of unpredictability and danger, where general principles for foreign policy, other than prudence and
vigilance, were difficult to formulate. He believed in irreconcilable problems between nations, mainly a
According to Smith, power politics rule international affairs. This is far from the view, common to Liberals, Utopians and Marxists, that economic forces ultimately triumph over politics. Also, he acknowledged the Hobbesian approach: The idea that nations, in international relations, are inspired to cooperate because of fear, especially because of growth of military power in other states.

Smith's political doctrine of international peace is parallel to his economic one, resting upon recognition of common and reciprocal interests, like trade, which extend beyond national frontiers. This peace cannot be ensured by democracy or commerce. Since there is no natural harmony between nations, the tendency towards international conflict is not necessarily improved by the rise of responsible government and commerce. However, international harmony is possible if it is based upon balance of power. He was also sceptical that reforming the institutions of international society would lessen conflict, but fostered the idea that the balance of power and national defence would instil mutual respect between states. He felt that statesmen, by pursuing national interests and balance of power politics, through alliances, could indirectly preserve the independence of states and peace. In fact, free trade contributes to peace only in this case.

Smith specified that a nation that enriches itself by foreign trade is likely to do so when its neighbours are all rich, industrious, commercial nations. Free trade then transforms international commerce from a source of war into the basis for peaceful relations and mutual benefit. The market serves both national and international interests once legislators are guided by the science of political economy, developed by Smith and others, rather than by the partisan advice of mercantilists.

As previously specified, within the mercantile system, international economic relations "constitute a zero sum game where one nation's gain must be another's loss." International trade is conceived as a struggle against rival nations, a struggle that often leads to outright warfare and violence as nations try to secure trade privileges, routes and colonies. Smith wanted to redirect these relations along more cosmopolitan and pacific lines. He also denied the mercantilist claim that beneficial results of trade require frequent interventions by government, instead sustaining that such actions prompt excessive and irrational hostility between states. "Commerce ought naturally to be, among nations, as among individuals, a bond of union and friendship ..." Smith maintained that the contradiction between national economic and political interests is particularly acute for neighbouring countries. For example, 18th century Britain and France could have gained much from removing the mercantile restrictions on their economic intercourse:

...but the very same circumstances which would have rendered an open and free commerce between the two countries so advantageous to both, have occasioned the principle obstructions to that commerce. Being neighbours, they are necessarily enemies ... and what would increase that advantage of national friendship, serves only to inflame the violence of national animosity ...

In his commercial policy, Smith asked: how do nations gain from international trade and openness? Ultimately, the reply he provided is that countries gain by participating in the widest possible market. As in the domestic economy, the international trade of a country does not require detailed supervision by the sovereign. If, as Smith specified, the sovereign would arrange "the most unbounded freedom of exportation to the dominions of all other princes", peace and external security should follow.

Smith also saw foreign trade as serving as an outlet for surplus goods, for, as an "exchange of surpluses", the extent of a country’s foreign trade is limited by the value of the surplus produced by the whole country and of what can be purchased with it. This incorporates the ideas of Absolute Advantage, which states that under free trade, all goods tend to be produced in those countries where their
absolute real costs of production are the lowest. Countries will export goods that can be produced at lower real costs at home than abroad, and import those goods that can be produced at lower real costs abroad. The absolute differences in real cost of production lies in differences in climate, qualities of soil and other natural or acquired advantages. As an example, Smith cited that growing grapes in Scotland can be done, but at a much greater cost than in France. The Scottish philosopher also emphasized the desirability of importing materials, tools and provisions for the employment and maintenance of industrious people, "who reproduce, with a profit, the value of their annual consumption," as opposed to goods which are likely to be consumed by those who produce nothing.

Concerning the mutual benefits of foreign trade, Smith explained,

...it carries out that surplus part of the produce of their land and labour for which there is no demand among them and brings back in return for it something else for which there is a demand... By opening a more extensive market for whatever part of the produce of their labour may exceed the home consumption... to increase the real revenue and wealth of society.

But trade may not always have the same advantage to both partners. Both countries gain equally only if the balance of trade between the two trading countries is equal, and if the exchange consists entirely of native commodities (a direct trade). Nevertheless, if one country exports to the other only native commodities, while the latter exports to the former only foreign commodities (roundabout trade), the former receives the greater benefit from trade. But, since almost all countries exchange with another partly native and partly foreign goods, Smith believed the country "in whose cargoes there is the greatest proportion of native and the least of foreign goods will always be the principal gainer."

He stressed both the greater advantage of trade with neighbouring countries, over trade with the more distant American continent, and of direct over roundabout trade. Smith maintained that a merchant would prefer to deal with domestic rather than foreign suppliers, so as to have the stock of goods compromising his or her mercantile capital move within his or her home country, rather than across national boundaries. Transportation is an important variant because it determines the commodity composition and volume of a country's trade, both foreign and domestic, and is considered a "natural protection" from foreign trade.

Fairly, Smith explained that taxes imposed on domestic industries should also have a parallel import duty on foreign products, to leave competition on the same footing. Indeed, he detested monopolies, thinking they only serve to impoverish their nations. The economic logic of a monopoly is to reduce the quantity of goods made, raise prices nearly in proportion, and, thus, "make a great profit at a less expense of material and labour than can be done when many have the same liberty."

Smith also favoured restrictions on foreigners that support industries necessary for national defence, because of his previously described prejudice of defence over opulence. In this way, he supported the Navigation Act of 1660 that required trade between the colonies and Great Britain to be carried out on British ships, and certain classes of commodities to be confined initially to the market of the mother country.

To illustrate how international trade is beneficial, Smith examined the case of 18th century China, and why it was "altogether stationary", when growth was "slow and gradual" in Europe, and "rapidly progressing" in North America. Smith maintained that the Chinese have little respect for foreign trade: "except with Japan, the Chinese carry on, themselves... in little or no foreign trade; it is only into one or two ports of their kingdom that they even admit the ships of foreign nations." Smith's view was that without international trade, China had become too bounded and did not benefit from new technology and ideas:

...a more extensive foreign trade... especially if any considerable part of this trade is carried on Chinese ships, could scarcely fail to increase very much the manufacturers of China, and to improve
very much the productive powers of its manufacturing industry . . . Upon their present plan, they have little opportunity of improving themselves by the example of any other nation. 137

While the Scottish philosopher thought international trade to be a benefit to all states, he saw war as a foe to all: “a product of ignorance or the folly of statesmen, as it was for others, but more fundamentally a product of the international anarchy.” 138 A flaw of international order, international anarchy creates a security dilemma for every state, 139 where “independent and neighbouring nations, having no common superior to decide their disputes (the absence of a world sovereign), all live in continual dread and suspicion of one another.” 140 Any imbalance leads to conflicts of war, and, yet, the passions of citizens work to exacerbate this potential for conflict between states: “the mean principle of national prejudice is often found upon the noble one of the love of our country.” 141 This accounts for his scepticism that democracy can eliminate war because “international anarchy is the permissive cause of conflict and war, and the passions, the individual’s driving force.” 142 According to Smith, states cannot even rely on international law, for “in war, not only what are called the laws of nations are frequently violated . . . (they are) laid down with very little regard to the plainest and most obvious rules of justice.” 143

Referring to Smith’s Stages of Man in History, the gradual evolution of warfare is evident. In the hunting and shepherding societies, man is a warrior and hunter, and the skills needed for civilian pursuits are directly related to the skills for waging war. In the next stage of agricultural societies, the hard physical conditions of civilian life make it easier for men to adapt to soldiering. Wars are fought after seeding and before harvest, when the majority of the able-bodied young men are willing to serve without additional compensation. War is then not a great expense to government. In the most advanced stage, which is commercial society, the likelihood of being attacked, as well as the cost of warfare, increases dramatically. 144 Most men have professions, and time away from that work is a significant loss to family income. Thus, men are more unprepared for war, and there is little time for military exercise: 145 “the great body of the people becomes altogether unwarlike at the time their collective wealth incites invasion by neighbouring states.” 146

Smith thought many of the wars of his day were “unnecessary, ill advised and inimical” to the growth of the wealth of the nation. 147 He believed governments disguise the real cost of war, by borrowing money and adding to the public debt, instead of, as Smith preferred, implementing the likely unpopular policy of raising taxes, in times of war: 148 “the foresight of the heavy and unavoidable burdens of war would hinder the people from wantonly calling for it when there was no real or solid interest to fight for.” 149 Smith also considered wars to act as amusement for modern citizens, where individuals far from the battle ground read exploits that hold entertainment value: 150 “this amusement compensates the small difference between the taxes which they pay on account of the war, and those which they have been accustomed to pay in the time of peace.” 151

Smith hoped that warfare would become milder:

...a polished nation never undertakes such expeditions, it never makes war but with a design to enlarge or protect its territory; but these people make war either with design to leave their own inhibitions in search of better, or to carry off booty. 152

Such a change of motive reduces the destructive element in war. 153 This conquest form is also accompanied by a less bloody form of warfare, thanks to modern weapons: “modern armies are less irritated at one another because they fire arms that keep them at a greater distance.” 154 But the success of this change in warfare is dependent upon the “enlightenment” and commercialization of neighbouring societies. 155
In Conclusion, Smith believed that there was a lack of natural harmony between states, and that commerce and a good government cannot necessarily ameliorate conflict. Rather, with commerce exacerbating conflict, it is only the balance of power and a focus on defence that will instil mutual respect. Smith was not close to the liberalism of later liberals and radicals. Instead, he applied the division of labour internationally and recognized its importance in promoting trade and preventing war. He knew the significant connection of wealth and power in international relations. In fact, today, his ideas of “love of nation”, which places geographical limits on sympathy for and love of humankind, and where the more patriotism one feels for their state, the more disdain he holds for other nations, can be applied directly to the United States, among others. In addition, Smith’s views on the anarchical flaw of international order can be applied to the case of the American spearheaded 2003 conflict against Iraq. Smith explained that a state’s security dilemma is the direct product of such a flaw, leading nations to live in suspicion of one another, and potential conflict. As do those individuals who support weapons inspections and a valid reason for war, Smith sustained that all international conflicts, with thorough compromise or arbitration, can be resolved peacefully. He viewed acquisition (oil in the case of the United States versus Iraq), as an undesirable achievement of war, but a positive gain, if done so commercially and peacefully. Although Smith did see war as an acceptable form of defence, he acknowledged that it would never bring success. A view supported today by the substantial number of anti-war campaigners.

Indeed, there is evidence that Smith’s ideas have returned to prominence after trial and error, particularly his views on international trade. For much of the 19th century, Smith’s belief that free international trade can work for the benefit of all heavily influenced British policy. In addition, his beliefs fostered the recovery of Western Europe and Japan and the rise of many nations from poverty to “universal opulence” which had been Smith’s main goal. The world, whether for better or for worse, has returned to the free trade Smith believed would benefit all countries, but, as this text has demonstrated, he should also be revered, for he made important contributions to the arena of international relations theory, which still permeate much of modern scholarly thought.

Notes

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3 Stephen Copley, & Kathryn Sutherland, eds, Adam Smith’s Wealth of Nations (New York: St. Martin’s Press, 1995) 146.
5 Stephen Copley, & Kathryn Sutherland, eds, Adam Smith’s Wealth of Nations (New York: St. Martin’s Press, 1995) 146.
6 Jerry Z. Muller, Adam Smith in his Time and Ours, Designing the Decent Society (Don Mills: Maxwell McMillan Canada, 1993) 20.
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167 Ibid, 184.

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