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ADAM'S SMITH'S CONCEPT OF A GREAT SOCIETY AND ITS TIMELINESS

Abstract. The article aims to present the concepts of Adam Smith which are important considering the current disputes over liberalism, as well as the challenge that is the maintenance of the world's economic order. Firstly, the article analyses the significance of the division of labour which is perceived as a fundamental premise for transitioning from small communities and face-to-face exchanges to the impersonal exchange and the expanded social order in which relations with strangers become meaningful. Secondly, the present work indicates that Smith did not neglect the matter of justice when proclaiming the need for freedom. He believed that efficient functioning of the market depends on the political system and a man's ethical system, and his criticism of interventionism was not directed against the state as an institution co-creating the social order, but against the act of granting special privileges to certain interest groups. Thirdly, the article refers to the concept of coordination described by Scottish moral philosophers and the so-called Smith Problem. In this context, the article presents arguments against the assumption that John Nash's theory provided proof of the erroneous nature of Adam Smith's concepts. Arguments in favour of the timelessness of the economic philosophy of the father of economics are also drawn from Vernon Smith's experimental economy and the research of evolutionary psychologists.

Keywords: Adam Smith, division of labour, social order, impersonal exchange, justice, prisoner's dilemma

Introduction

The growing tensions in the global economy and politics highlight the importance of social order and the relationship between economy, morality, and politics. At the same time, there is a growing conviction that globalization and neoliberalism are at the basis of processes which endanger not only prosperity but also peace. What is being criticized is liberal ideology and the concept of the invisible hand of the market, but more importantly, hostility towards the idea of free trade and contacts with strangers is beginning to

play an increasingly important role in politics (Zielonka 2018, Lilla 2018, Allison 2018). All of this is happening in a world of ever-closer, often invisible, dependencies, arising from the division of labour and knowledge.

The problem of social order was the central focus of the founders of economics and liberalism. Starting from the marginal revolution in economics, the general equilibrium theory began to crowd out this issue, resulting in a changed perception about the market within mainstream economics. Smith's extensive concept of market order gave rise to the theme of negative feedback, which became the basis of the equilibrium mechanism, while the idea that relations based on exchange create social bonds was neglected. As a consequence, the tradition of juxtaposing economic and social phenomena has developed, in addition to the conviction that the development of a market economy means a progressive separation of the economy from society. At the same time, economics was developing in a direction that did not facilitate the comprehension of either capitalism or the role of the market and the state in economic development (McCloskey 2017, Keen 2017). Neither the opposition of social and economic phenomena nor the direction in which mainstream economics developed was in accordance with the ideas of Adam Smith.

Despite the huge, already existing amount of literature, the doctrine of Adam Smith still arouses interest and controversy (Sedlacek 2011; Kwangsu 2014, Paganelli 2015, Mahoney 2017; Weingast 2018). The cause of misunderstandings is usually the fact of viewing neoclassical economics as a logical consequence of Smith's idea and perceiving Smith's doctrine as being in opposition to the idea of the embeddedness of the market. It is not recognized that Smith understood the embeddedness of economy in culture and politics. The difference between Smith and Karl Polanyi, who emphasized the problem of the embeddedness of economy, does not mean that Smith did not see this problem. The difference is that Polanyi emphasizes the fact that "usually economic order is only a function of the social order" (Polanyi 2010, p. 86), and Smith, emphasizing the role of division of labour, points out that forms of economy change the principles of social order.

The article aims to present those ideas of Adam Smith that are important from the point of view of the contemporary challenge which is to preserve the global economic order and draw attention to the persistent simplifications in the interpretation of the teachings of the creator of economics. The article emphasizes the importance of the division of labour as a fundamental premise for changing the conditions of social order found in the idea of the Great Society. Adam Smith understood that the increase in productivity and prosperity depends on an expanded social order – an order

in which relations with strangers acquire a special meaning. An important aspect of his vision of a good society was also the conviction that excessive cooperation within groups of interests leads to party wars, destroys the social order, and is an obstacle on the path to prosperity. The first part of the article presents the idea of an elemental social order as an argument for the unity of two great works by Smith: *Inquiry into the Nature and Causes of the Wealth of Nations* and *Theory of Moral Sentiments*. In the second part, Smith's views on justice as a condition of social order and the role of the state are interpreted. It is emphasized that Smith's critique of mercantilist politics did not mean that the role of a central authority in shaping the principles of the market system was not recognized and was not directed against the state as an institution co-creating the social order. This criticism was directed against granting special privileges to certain groups of interests. The third part presents arguments against the thesis that John Nash's theory provided proof of the erroneous nature of Adam Smith's concepts. The arguments are based on the analysis of two concepts of coordination and on the conclusions of the experimental studies of Vernon Smith. The article is concluded with comments on the timelessness of Smith's insights on social change involving the transition from personal exchange to impersonal exchange.

The idea of social order in the *Inquiry into the Nature and Causes of the Wealth of Nations* and the *Theory of Moral Sentiments*

Contrary to the conventional vision, Smith's doctrine cannot be understood well when we only emphasise the idea of the invisible hand of the market and the motive of personal interest. The psychological and institutional foundations of the market, as well as the state and politics, were subjects of Smith's keen interest. Smith begins the fourth book of the *Wealth of Nations* with the following statement:

Political economy, considered as a branch of the science of a statesman or legislator, proposes two distinct objects; first, to provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves; and secondly, to supply the state or commonwealth with a revenue sufficient for the public services. It proposes to enrich both the people and the sovereign (Smith 2007, p. 328)

Smith's interest in politics stems from his awareness of the fact that the market can only function efficiently in the right institutional condi-

tions, which are created with the involvement of the state. Smith is interested not only in prosperity but also in good society because the father of economics understood that there is no wealth without a good society (Edwards 2011, p. 102). This interpretation is consistent with the view that there is no contradiction between the moral philosophy presented in the *Theory of Moral Sentiments* (TMS) and the economics contained in the *Wealth of Nations* (WN). The political economy emerged from the moral philosophy of Adam Smith, whose function was the discovery and explanation of the “invisible chains” connecting elements of the social system as a system of interrelated moral principles, legal rules, economic and political operations. The idea of spontaneous social order permeating both of Smith’s works acts in favour of the unity of his efforts. In TMS, the idea of a natural, providential order permeates the considerations regarding morality and happiness, from the perspective of an individual, a state, and even the whole of humanity. In WN, the idea of a spontaneous order takes a more material and earthly form – the form of the demand and supply mechanism as a way of allocating production resources for various applications. However, the market perspective does not invalidate or reduce the significance of the moral and political issues considered in TMS in any way.

In TMS, to justify his optimistic vision of a moral order, Smith often refers to the omnipotent Creator as “Nature,” or “the author of Nature.” But the use of a rhetoric in which God is the driving force does not change the fact that Smith rationally explains how moral principles are generally respected and how often-conflicting interests are reconciled. In addition to the appeal to God’s agency, we observe the insightful idea of a man who is guided by personal interest, but at the same time has the ability to show empathy and who, in the interests of his reputation, corrects his behaviour. The idea of the universe being managed by God is a complement of the concept of a man’s limited rationality. The complexity of the world makes it necessary to share responsibility: God is responsible for the happiness of humanity, and a man’s responsibility is limited to the matters and people around him (Smith 1984, p. 237). But while creating the impression of the supernatural character of social order, Smith uses fully rational arguments. First, he warns against doctrinaires wishing to create the world in accordance with a predetermined plan and points to the difficulty of adopting a central plan to the different preferences of individuals¹. Secondly, he proves that a system based on freedom and the market reduces the possibility of the legislative process being manipulated by groups of interests. Thirdly, a system based on competition and lack of privileges allows us to overcome the problem of limited human knowledge. (see Harpham 2000, p. 222).

Smith, like Adam Ferguson and David Hume, thought that a man is never sufficiently knowledgeable to plan and successfully implement a top-down project regarding the creation of a social order and a centrally planned economy. As the division of labour becomes more specialized, economic processes grow increasingly complex and require more and more knowledge. The problem of knowledge arising in this way is solved thanks to the decentralization of economic decisions and market prices. Individuals familiar with their surroundings are able to assess where they should invest their capital and where they can expect the highest profits. Prices inform an individual about the processes occurring in the entire economy². The theme of limited human knowledge and the epistemological interpretation of the market was used in the 20th century to criticize central planning and socialism, as well as neoclassical economics (Hayek 2013, Frydman, Goldberg 2009).

Smith saw that a system based on economic freedom serves not only the effective use of resources but also increases the scope of a man's opportunities for action and personal fulfilment, thus serving to expand human freedom. The innovativeness in Smith's view of freedom consists in the fact that human freedom does not have to be realized through participation in politics; freedom may be obtained through the practice of economic activity (Edwards p. 102). For this to be possible, however, the existence of appropriate institutions conducive to the efficient functioning of the state and the honest and thoughtful behaviour of individuals is necessary. The motive of personal interest **does not always** promote universal good and serves the long-term interests of individuals; it only does so in the right institutional conditions³. Mercantilism was an excellent illustration of this, presented by Smith as a policy of creating an environment promoting the activity of interest groups – an environment in which personal interests are contrary to the public interest.

The limited nature of knowledge, spontaneous adaptation processes, unintended consequences of human actions and the occasionally appearing metaphor of the invisible hand – these are the elements that co-create an evolutionary vision of social development which shows the threats and even the impossibility of a complete, top-down formation of the social order. Smith warns against total change but does not recommend the use of a laissez-faire policy. The famous invisible hand is a rhetorical tool – a metaphor referring to the concept of unintended consequences of human actions (Pack 1996, p. 189). It can also be referred to as “invisible chains”, the discovery of which was to be the goal of philosophy. The invisible hand is rightly associated with the approval of the free market, but it was wrongly encapsulated with laissez-faire ideology and the ethics of egoism.

Principles of justice, group interests, and the role of the state

Freedom and competition – these are only potential sources of prosperity and an expansion of possibilities for an individual and a state to develop. The implementation of these possibilities depends on the one hand on the political system and on the other hand on the ethical system of a person. Both issues are joined by the principle of justice as a principle of social order and a principle of human behaviour. Justice and fair law are words that appear more frequently than freedom on the pages of TMS and only slightly less frequently on the pages of WN.

An individual may devote all his efforts to the pursuit of wealth and acclaim, but there exists a significant limit – he must not violate the principles of fair behaviour. Smith describes these principles hierarchically; he regards the protection of life and the personal integrity of a neighbour as the most inviolable principles of fair behaviour, then he mentions the protection of property, and thirdly, the principle of abiding by one's contracts (Smith 1984, p. 84). Justice understood in this way is a condition necessary for the existence of society. Society can survive when there is no willingness to do good, but it cannot survive when there is no justice. When people have a tendency to do harm, when there is mutual dislike and resentment, violence arises as a consequence, conflicts of interests dominate, and social ties break down. Therefore, justice, unlike the virtue of benevolence, cannot be a matter of an individual's will. Compliance with the principles of justice is a domain of state compulsion (Smith 1984, p. 81). By denouncing mercantilist interventionism, Smith does not claim that maximum limitation of the functions of the state is a requirement necessary for the freedom of an individual and the existence of a good society. He sees the foundation of justice in a man himself, in his ability to empathize with others, and his pursuit to build a positive image of himself in both the eyes of others and his own (the idea of an impartial observer). In spite of his optimism about human nature, he sees the necessity for the state to introduce instruments that guarantee justice, and thus the sustainability of society. In WN, he mentions the establishment and obedience to justice as one of the three obligations of the state (Smith 2007, 533–534) and emphasizes the need to separate the executive and judiciary powers. An impartial justice system is necessary for the freedom and sense of security of an individual.

When judicial is united to the executive power, it is scarce possible that justice should not frequently be sacrificed to what is vulgarly called politics [Smith 2007, p. 559].

His opinions expressed in the course of a historical analysis of the development of cities in Europe after the collapse of the Roman Empire are proof of how high Smith's expectations were towards the state as an entity co-responsible for establishing social order and enabling economic development. Smith describes how, gradually, the alliance of the king and townspeople against the magnates allowed for the establishment of municipal offices, judicial authorities and armed forces institutions, which he believes to be the cornerstone of social order, as well as the freedom and security of individuals. Central authority is indicated as the proper solution and one opposite to the dominion of magnates and lords, who obstructed the freedom of the rest of the social classes and the monarch himself.

The lords despised the burghers, whom they considered not only as of a different order, but as a parcel of emancipated slaves, almost of a different species from themselves. The wealth of the burghers never failed to provoke their envy and indignation, and they plundered them upon every occasion without mercy or remorse. The burghers naturally hated and feared the lords. The king hated and feared them too; but though perhaps he might despise, he had no reason either to hate or fear the burghers; Mutual interest, therefore, disposed them to support the king, and the king to support [io] them against the lords. They were the enemies of his enemies, and it was his interest to render them as secure and independent of those enemies as he could. By granting them magistrates of their own, the privilege of making bye-laws for their own government, that of building walls for their own defence, and that of reducing all their inhabitants under a sort of military discipline, he gave them all the means of security and independency of the barons which it was in his power to bestow. Without the establishment of some regular government of this kind, without some authority to compel their inhabitants to act according to some certain plan or system, no voluntary league of mutual defence could either have afforded them any permanent security, or have enabled them to give the king any considerable support (Smith 2007, p. 311).

The above description also perfectly shows that freedom and security in Europe emerged gradually, as the unintended consequences of human actions, motivated not so much by calculation as by emotion (Alvey 2004, p. 459). In turn, the gradually established order and increased security directly served the development of the economy because the confidence in being able to enjoy the fruits of one's labour inspired actions aimed at improving living conditions. The new situation was conducive to the accumulation of capital in cities, where there was an increase in security and order (Smith 2007, pp. 312–313). Thus, Smith recognizes the problems which are analysed in the context of a new institutional economy in the 20th century. Long before the emergence of the public choice

theory, the father of economics noticed that the threat to freedom from the state results from the fact that it may be abused by interest groups⁴. Freedom was to be part of a broader institutional order in which power is not abused, but serves justice and prosperity. The idea of freedom is not directed against the state as an institution co-creating the social order, but against granting special privileges to a few chosen individuals. Smith saw that it was the interest groups which influenced the legislation and politics in order to use the state to pursue their particular interests who were the architects of a system sacrificing the interests of consumers and workers in favour of manufacturers, which was in force in his time. Perhaps it is even justified to say that Smith wrote WN to encourage politicians to oppose economic groups trying to use political power to promote their own interests (Muller 2009, p. 95).

Emphasizing the importance of justice understood as adhering to the principles of inviolability of an individual's rights and not harming others, as well as the premise of the superiority of this principle over the principle of benevolence – these are the central ideas of Adam Smith's ethical system that underlie his vision of the Great Society. The leading theme of the whole Smith system of natural freedom is the belief that in the Great Society arising as a result of the increasingly more specialised division of labour, there dominate ties stemming from the reciprocity of services rendered on the basis of one's own interests and compliance with the principles of justice not only with regard to relatives but also to strangers. The growing division of labour brings the potential to increase the efficiency of labour productivity and simultaneously necessitates a change in the nature of social bonds. Ties based on altruism and responding directly to the needs of others are limited to family and loved ones. The scope of "noble motifs" is narrowed down to small communities, but at the same time, there emerges the long-term, far-reaching understanding of the interests of an individual and groups which extends beyond the mere perception of a human being and imposes the need to treat all members of the society equally.

Smith's idea of social order and game theory

Smith saw that the division of labour and the development of markets required cooperation with strangers and that excessive cooperation within a group may harm prosperity and social peace. An example of the latter is the fact that Smith denounced price collusion and the act of putting pressure on legislators to pursue group interests (Smith 2007, 200). From

this point of view, it is paradoxical that in the 20th century Adam Smith's concept of cooperation was questioned on the basis of Nash's mathematical game theory and the so-called prisoner's dilemma. The paradox is that Smith's concept of social order was rejected on the basis of an imaginary situation in which the protagonists were criminals, and the goal was to avoid punishment for violating the principles of justice. A problem was seen in the fact that the Nash equilibrium – that is, the selection of an optimal strategy from the point of view of each player in a game referred to as the prisoner's dilemma⁵ – does not lead to an outcome which is the most advantageous from the point of view of the common interest of the players. This was supposed to prove that Smith's thesis that in an economy based on the division of labour, freedom, and competition, people striving for their individual goals may contribute to the growth of well-being, is wrong.

Meanwhile, when comparing the concept of a non-cooperative strategic game, which is what the game described as the prisoner's dilemma is, to Smith's concept of the market system – two characteristics of the latter should be recalled. First of all, from Smith's point of view, the personal interest as a motive for economic decisions is not a question of moral choice, but the unavoidable consequence of the fact that, in a society based on an advanced division of labour, meeting the needs of each person cannot depend on the friendship of others because it is dependent on thousands of people unknown to the individual. Cooperation must be based on the principle of reciprocity and equivalence, and not on altruism. The market-based exchange mechanism is a system of coordination and cooperation, build on the foundation of mutual benefits. The market should therefore not be interpreted as a non-cooperative game. Smith describes this problem in the following manner:

In civilized society he stands at all times in need of the cooperation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons. In almost every other race of animals each individual, when it is grown up to maturity, is entirely independent, and in its natural state has occasion for the assistance of no other living creature. But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only.^o He will be more likely to prevail if he can interest their self-love in his favour, and shew them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. (Smith 2007, p. 15–16).

Secondly, the different stance of supporters of the market order and its critics referring to the prisoner's dilemma is related to the ambiguity of the term coordination. In game and management theories, coordination is usually understood as a planned, conscious adaptation of interdependent elements, actions, goals and means⁶. Coordination understood in this way implies that the people involved in the process fully understand the rules by which they operate, and head consciously towards their targets. In this sense, one may talk about coordination within an enterprise and any other hierarchal or informal organization striving to achieve a specific goal. This concept of coordination does not presuppose efficiency, although it refers to this notion.

However, in the doctrine of Adam Smith, and later also in the works of Michael Polanyi and Hayek, we find the idea of a social order as a spontaneous order, which can be treated as a superordinate coordination – meta-coordination⁷. Meta-coordination also assumes the interdependence of elements and mutual influence and refers to the efficiency of the system, but concerns a larger range of matters, includes numerous manifestations of coordination at lower levels, and means the achievement of a satisfying social order without the conscious plan of a man (Klein, 1997, p. 330). In Smith's view, the market is a kind of meta-coordination and does not apply to such cases as the situation presented in the game referred to as the prisoner's dilemma. It does not serve the purpose of a group of players reaching an agreement and pursuing their particular interests. It is the kind of legislation which guarantees privileges and exclusivity of production that serves particular interests and, according to Smith, the state of competition in the market was to prevent it.

New arguments in favour of Adam Smith's concept are provided by experimental economics. From the experiments introduced into economic research thanks to Vernon Smith, it appears that people have a sense of justice, a tendency to cooperate, expect a just distribution and reciprocity (Paganelli 2011, p. 247). History, which provided arguments to Adam Smith and other Scottish moral philosophers, is now being replaced by the laboratory. Laboratory research suggests that genes and culture may favour entering a higher level of cooperation and that a higher level of market integration promotes better cooperation (ibidem, p. 248). Empirical research aims to broaden the understanding of human nature, institutions, politics, religion, law, and economics (Paganelli 2015, 367). Summarising the results of his research, Vernon Smith (2005, p. 143) refers to his great namesake, writing: "To paraphrase Adam Smith, people in these experiments are led to promote group welfare enhancing social ends that are not part of their

intention". He emphasizes the fact that Adam Smith's ideas are part of a prolific legacy of the concept of emergent order and ecological rationality left by Scottish philosophers of the Enlightenment period and Friedrich Hayek. This legacy appreciates the intelligence that is contained in institutions emerging in the processes of social interaction and is not always the result of a deliberate project of a man (Smith V. 2013, p. 30).

Between a closed and open society

The validity of Adam Smith's views is evident in the fact that contemporary economics has increasingly higher hopes concerning behavioural and institutional economics, and while reading contemporary authors seeking answers to questions about the origin and future of human civilisation, one may find many of Smith's ideas. The most important question that arises here is how to apply the idea of spontaneous order and therefore the market to the modern world. How should the relationship between that which is spontaneous and dependent on free individuals and that which is planned and imposed change in accordance with the increasingly specialized division of labour and the growing complexity of economy? How would Smith evaluate the design and implementation of European integration? What would he think about the problem of immigration? In a chapter from TMS significantly titled *Of the Order in which Societies are by Nature recommended to our Beneficence*, Smith included the most important general remarks on the organization of society, its improvement and mutual dependencies and principles of reconciling the interests of individuals, nations, and the whole of humanity. There, he presented an attitude of extraordinary moderation in reforming the political system of the state. He emphasised the importance of the state as a guarantor of security and the need to respect the law, but at the same time expressed his understanding of the resistance of groups defending their privileges. Even in a situation where the integrity of the state requires their limitation, he recommended the gradual implementation of changes, so as to avoid the use of force to overcome deeply-rooted beliefs and habits. He explained his stance as follows:

This partiality, though it may sometimes be unjust, may not, upon that account, be useless. It checks the spirit of innovation. It tends to preserve whatever is the established balance among the different orders and societies into which the state is divided; and while it sometimes appears to obstruct some alterations of government which may be fashionable and popular at the time, it contributes in reality to the stability and permanency of the whole system (Smith 1984, p. 231).

Smith's recommendations correspond to the vision of a man and a society emerging from the state of historical, anthropological, and psychological research focused on the idea of evolution. On the one hand, technological and cultural innovations have caused an extraordinary acceleration of development in the period that has passed since Smith's time, and on the other hand, modern societies are still characterised by the tension which exists between the benefits and risks of a closed and open society. It is still a problem for us to choose between the possibilities of rural and urban life, between national self-sufficiency and integration with the global economy, between the protection of traditional forms of order and small communities and the flexibility and lack of restrictions brought by modernity and globalisation. The tension between the desire to "stay in the port" and the attractiveness and risk of "going out onto the open sea" is too deeply rooted in humanity for a vision accounting for only one of the two polar opposites to be easily implemented. Politicians who declare in favour of one or the other may ride a temporary wave but risk an eventual turn of the tide (Seabright 2004, 18).

An important role was played in the history of social thought by Bernard Mandeville's comparison of a human society to a hive. Nowadays, a comparison to a termite mound has appeared (Seabright, 2004, 74). Both comparisons suggest the similarity of creating spontaneous order in nature and society. However, there is a significant difference between these allegories. Mandeville's allegory pointed to the irrelevance of human motivations, while Seabright emphasises the profound difference between nature and society. In contrast to the almost mindless cooperation of termites, human cooperation is a very fragile phenomenon dependent on trust, which is not a natural instinct, but a product of social conditions. The reforms of social institutions decide on trust and human cooperation, and are accompanied by a constant dispute over who is right. Human interaction is characterized by constantly asking the question "why" and convincing one another in order to prove that a person is right. The area of being right is connected with norms specifying how affairs should be conducted. It is vital to note that constant persuasion is directed at proving one's point, not necessarily at striving for truth (Dennett 2017, pp. 62–66, 292). Adam Smith, recognizing the importance of the division of labour, drew attention to the fundamental importance of norms enabling cooperation with strangers. He took up the salient issue of transitioning from personal exchange to impersonal exchange. He understood that – an idea whose significance was emphasised by the process of globalization and enormous technological progress. At a time when, on the one hand, the satisfaction of the needs of an individual depends on the activity of thousands of strangers, and on the other hand mankind creates

artifacts which can bring destruction, Smith's concern for norms conducive to impersonal exchange becomes particularly important. At the same time, the current problems of not only the so-called developing countries but also of the richest countries show the extent of fear of strangers and their cultural diversity. Additionally, the established political institutions which may serve the openness of a society, such as free elections, governments, rights, and constitutions, are being called into question or used in a way which shows that democracy may be used against the idea of an open society.

Judging by the history of mankind, norms conducive to cooperation with strangers are not a natural outcome of everyday experience. Becoming aware of them requires the initiation of the processes of abstract thinking and long-term education, as well as the establishment of institutions that reward cooperation with strangers and reprimand the lack thereof. Adam Smith made a significant step on that path. He also made us aware of the risks of attempts to excessively control social processes. We do not know where lies the boundary between that which may be fitted into the framework of a change which is reconcilable with the values and possibilities of an individual and small communities and that which is an impossible, dangerous project constituting the expression of human hubris. It is difficult to give up attempts to improve human civilization, but it is worth taking into account the scepticism of the Scottish moral philosophers and to always keep in mind the limitations resulting from human nature and history. Innovations improve the world, but also create new risks. For the innovations that have changed human life since Smith's time to continue to serve man, modern man has to better understand the consequences of practising freedom and the dilemma of a closed and open society. Therefore, there is a growing need for the dialogue and liberal education that shapes a free and responsible individual.

N O T E S

¹ "He [man of system] seems to imagine that he can arrange the members of a great society as easily as a hand arranges the pieces on a chess-board. He forgets that the chessmen's only source of motion is what the hand impresses on them, whereas in the great chess-board of human society every single piece has its own private source of motion, quite different from anything that the legislature might choose to impress on it." (Smith 1984, 234)

² The benefits of a favourable approach to the issue of social order and the development proposed by Scottish moral philosophers were highlighted by Friedrich Hayek. While developing his epistemological argument for the market economy, Hayek emphasized that Smith showed how the problem of limited human knowledge is solved thanks to the market mechanism and competition; additionally, by using the example of the market mechanism he illustrated Adam Ferguson's thesis of a discrepancy between human plans and the results of their actions (Hayek 1978a, p. 267).

³ It is worth paying attention to the following words from the famous quote: “*nor is it always and frequently*”. Smith writes: “(...) he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. **Nor is it always** the worse for the society that it was no part of it. By pursuing his own interest he **frequently** promotes that of society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good.” (Smith 2007, p. 349)

⁴ Adam Smith saw that a policy which has the glorious goal of national development creates favourable conditions for some areas of the economy at the expense of other areas, in addition to the fact that this preferential policy, which was justified by the economic beliefs prevailing at that time, was frequently the result of collusion and behind-the-scenes activities of affluent entrepreneurs. The reason why he attached so much importance to limiting the interference of the state, was because he rejected the coalitions of emerging economic powers and the state as immoral and not favourable to economic progress (Coker, 1990, p. 139). Recognizing the symbiotic relationship between political and economic institutions, Smith emphasized that the way in which power is exercised and abused is of key importance in this relationship (Edwards 2011, p. 103).

⁵ The term “the prisoner’s dilemma,” and a story about two criminals which illustrates this problem, was invented by Albert Tucker, a promoter of J. Nash. The police arrest two men in a stolen car, suspecting them of a robbery. Detained in separate cells, the men can testify against one another or remain silent. If they both remain silent, they will be sentenced to one year in prison for the theft of the car. If one of them testifies, he is treated as a crown witness, which allows him to avoid punishment and the other is sentenced to six years. Such rules make it so that, irrespective of the accomplice’s actions, testifying against him is rational from the point of view of both the men. The reasoning of each of them is as follows: if he does not testify, I can testify as a witness and avoid punishment; if he testifies, I must also testify, otherwise I will be given the highest sentence as a consequence of not pleading guilty. Testimony is therefore the dominant strategy. The problem is that applying this strategy means a sentence of four years in prison, and if they both remained silent, the sentence would be much smaller (1 year) (Nasar, 2002, pp. 117–118).

⁶ Apart from game and management theories, an example of using the term “coordination” in this context is the literature in which liberal and coordinated market economies are juxtaposed against one another (Thelen, Kume, 2006, p. 11).

⁷ The term “spontaneous order” was consistently used by Michael Polanyi, who described an unplanned polycentric social system in this way (Klein, 1997, Jacobs 1999). Hayek emphasized that the market system is not a consciously organized system (*taxis*), but a system that develops spontaneously (*cosmos*). The nature of the market system is best reflected by the term *catallaxy*, which comes from the Greek word *katallein* meaning not only “to exchange,” but also to “welcome into society” and “turn an enemy into a friend” in ancient Greece (Hayek, 1978b, p. 60).

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