

GMU Prelim Exam
Smithian Political Economy
Sample questions
January 2012

Here are possible questions that are about Smith. Some are redundant – just reworded.

1. The three functions of the sovereign: Smith set out three functions of the sovereign in a regime of natural liberty. List them. Compare and contrast it with the “general welfare” clause of the U.S. Constitution.
2. Adam Smith clearly was no anarchist; he affirmed the polity and said it was the responsibility of government to fulfill certain basic functions, including the “nightwatchman” functions. But did Smith view property and liberty as matters of political construction or social contract? In answering, refer to specific moments in Smith’s writings.
3. Do Smith’s invisible hands differ from Hayek’s spontaneous order? Justify your answer.
4. Is the thought of Friedrich Hayek closer to that of Adam Smith or that of Ludwig von Mises? Justify your answer. In what ways is Hayek more like Smith than like Mises? In what ways is Hayek more like Mises than like Smith?
5. Consider the following statement: “There is much consonance between Adam Smith and Friedrich Hayek on the primordial solidarity or sociability of human beings.” Elaborate on the statement, evaluate it, and justify your evaluation.
6. Ronald Coase wrote: “Smith would not have thought it sensible to treat man as a rational utility-maximiser” ([1976], 116). Evaluate Coase’s statement and justify your evaluation.
7. The seeming conflict between TMS and WN has been debated for 150 years and many solutions have been offered. What is your solution? Defend it briefly.
8. To what extent is TMS a political work?
9. Statement 1: “TMS does not much concern itself with political or policy judgment, it does not speak to what is good policy.”
10. Statement 2: “TMS expresses deep sensibilities that do have a political flavor and do indicate a view of what, generally, constitutes wise public policy.”
 - a. Discuss these contentions—what strength is there in each, what tensions lie between them? To what extent or in what ways is TMS a political work?
11. Adam Smith on usury: Adam Smith endorsed the restriction that set a maximum rate of interest. (A) What arguments did Smith give for his position? (B) Jeremy Bentham criticized Smith on the issue. What arguments did Bentham level against Smith’s position?
12. Distributive Justice: What did distributive justice mean to Adam Smith? Did he believe in it? Did Smith believe in what is nowadays called social justice?
13. Pursuing the honest dollar and Smithian distributive justice: Describe how Adam Smith characterized distributive justice in TMS. To what extent can it be said that pursuing the honest dollar is a way of practicing Smithian distributive justice? Where would such an incarnation of distributive justice leave the

virtues that Smith associated with distributive justice, notably, beneficence/benevolence? Also, how might these questions relate to the question of how WN relates to TMS?

14. Smith as an egalitarian: Discuss ways in which one might properly view Smith as highly egalitarian. Discuss ways in which one might properly view Smith as not an egalitarian.
15. Smith and the liberty principle:
 - a. In WN, Smith made numerous exceptions (or hedged, tentative exceptions) to the liberty principle (that is, he endorsed government intervention). Briefly identify five of the exceptions (you do not need to get into Smith's rationales for the exception).
 - b. Discuss the status of the liberty principle for Smith, in light of the fact of numerous exceptions. Do the exceptions imply that the liberty principle was not central in Smith's thought and teachings?
16. Did Smith ascribe an ethical trump to liberty? Briefly contrast Adam Smith and Murray Rothbard in relation to the claims they tended to make for liberty.
17. If one were to argue that Smith would disapprove of the modern redistributive state, list three different broad areas of textual evidence developed. (There is no need to delve into the argumentation within each area.)
18. Dugald Stewart, Dupont de Nemours and others seem to suggest that Smith quite likely supported the liberty principle more consistently than he let on. That is, that Smith understated the support he had for the liberty principle. Discuss this view of this matter, that is, (i) why Smith would understate his support for liberty, (ii) how Smith understated that support, and of (iii) the evidence for the proposition that Smith understated his support. Finally, give your assessment of the general claim: Do you think Smith understated his support for the liberty principle? Justify your answer.
19. Did Adam Smith believe in God, in the sense of an intelligent creator of the universe? (A) What most important evidence and reasons are there for thinking that Adam Smith believed in such a God? (B) What most important evidence and reasons are there for thinking that Adam Smith was rather more of an agnostic/atheist?
20. Adam Smith and God: Presuppose that Adam Smith believed in God with conviction. In that scenario, suggest how God might relate to two celebrated ideas in Smith's thought, namely, the impartial spectator and the invisible hand.
21. The Four Sources of moral approval and the invisible hand in esteem/approbation/culture: Smith (TMS, 326-27) summarized four sources of moral approval. The passage follows below. Discuss whether they are bound to be consonant with each other.
22. When we approve of any character or action, the sentiments which we feel, are, according to the foregoing system, derived from four sources, which are in some respects different from one another. First, we sympathize with the motives of the agent; secondly, we enter into the gratitude of those who receive the benefit of his actions; thirdly, we observe that his conduct has been agreeable to the general rules by which those two sympathies generally act; and, last of all, when we consider such actions as making a part of a system of behaviour which tends to promote the happiness either of the individual or of the society, they appear to derive a beauty from this utility, not unlike that which we ascribe to any well-contrived machine. After deducting, in any one particular case, all that must be acknowledged to proceed from some one or other of these four principles, I should be glad to know what remains, and I shall freely allow this overplus to be ascribed to a moral sense, or to any other peculiar faculty, provided any body will ascertain precisely

what this overplus is. It might be expected, perhaps, that if there was any such peculiar principle, such as this moral sense is supposed to be, we should feel it, in some particular cases, separated and detached from every other, as we often feel joy, sorrow, hope, and fear, pure and unmixed with any other emotion. This however, I imagine, cannot even be pretended. I have never heard any instance alleged in which this principle could be said to exert itself alone and unmixed with sympathy or antipathy, with gratitude or resentment, with the perception of the agreement or disagreement of any action to an established rule, or last of all with that general taste for beauty and order which is excited by inanimated as well as by animated objects. (TMS, 326-27)

23. George Stigler's article "Smith's Travels on the Ship of State:" Briefly state Stigler's primary criticism of Smith. Do you approve of Stigler's treatment? Justify your answer.
24. George Stigler (more specifically, the Stigler of his last 30 years, 1961-91) and Adam Smith: Explain some differences between their visions of economics and address whether the differences form contrasting characters.
25. Deirdre McCloskey dubs theorizing that is rooted in utility-maximizing agency "Max U" theorizing. McCloskey characterizes Max U theorizing as "prudence-only." By "prudence-only," she means that Max U theorizing treats of prudence but fails to treat of the other virtues. Thus, she says, an economics confined to Max U theorizing recognizes the virtue of prudence, and only the virtue of prudence. How well does McCloskey's characterization of Max U theorizing square with Adam Smith's thought? Explain your answer.
26. In TMS, Adam Smith repeatedly distinguished moral agency from passive experience. (A) State two illustrations that Smith provides of the distinction; (B) discuss the significance of the distinction in Smith's moral philosophy.
27. The substance of (commutative) justice in Smith: How does Smith characterize the substance of commutative justice? In what way does his characterization differ from how a modern libertarian such Murray Rothbard or David Friedman would characterize it?
28. Reputation and intellectual property as species of property: In several of his characterizations of (commutative) justice, Smith includes not only tangible property, one's own person, and voluntary agreement or contract, but also reputation and copyrights. Comment on how well the inclusion of intellectual property and copyright squares with the exclusion view of property.
29. Smith discussed the moral, cultural, and political effects of the spread of commerce and industry. Review what he had to say about those effects, positive and negative.
30. Viner's reading of Smith finds providentialism underpinning *TMS* but providentialism relatively infrequently in *WN*; his reading suggests that Smith underwent a change of attitude with respect to providentialism. This suggests that the changes which Smith made in the last edition of *TMS* will be terribly interesting. What are the changes or lack of changes which speak to Viner's reading?
31. Modern economists tend to focus on the prisoner's dilemma and the difficulty of co-operation for the benefit of the group. Smith is enormously worried about the problem of faction-- which group does one co-operate with? In what ways is Smith mis-interpreted when modern economists read Smith as though the prisoner's dilemma is the problem that engages him?

32. One of the connecting themes between *TMS* and *WN* is the role of religion in dissemination and inculcation of the imperatives of justice. What in Smith's argument ensures that it is to the interest of religious teachers to preach justice?
33. How is it that so many scholars find things to admire in Smith even if they are appalled by what other Smith admirers believe? You may assume that everyone has a respectable command of the texts.
34. True/false/uncertain. Explain your answer. Smith describes how trade develops through least cost travel routes, i.e., by sea travel. This means that as trade develop new sympathetic gradients will develop.
35. Consider an isolated language community. What happens to grammatical complexity, in Smith's account? How does this compare with the developments of a language of those who trade across language communities?
36. What evidence is there for the claim that Smith is a forerunner of behavioral economics?
37. In *TMS*, Smith writes: "Even the most ordinary degree of kindness or beneficence, however, cannot, among equals, be extorted by force." Can this be taken as a stricture against the welfare state? Explain.
38. There is disagreement over whether one can reconcile the three occurrences of "invisible hand" in Smith's writings. Explain some of the points of disagreement among different interpreters, and give and justify your own position.
39. Three-part question: How would Smith distinguish his ethical theory from that of Hume, from that of Hutcheson, from that of Mandeville?
40. Identify two English-language precursors of Adam Smith's ideas about economic liberty and economic growth. For each figure you identify, describe their work and thought as regards themes we associate with Smithian economics.
41. Cantillon and Smith: What, in your assessment, are the strengths of Cantillon that Smith could have taken up and developed more fully in his economics? Elaborate and defend your answer; be sure to explain why you see Smith as at least somewhat deficient in the strengths you identify in Cantillon.
42. Smith writes in *WN* II.ii.: "It is not by augmenting the capital of the country, but by rendering a greater part of that capital active and productive than would otherwise be so, that the most judicious operations of banking can increase the industry of the country." Specify the baseline system from which Smith proceeds to explore which operations of banking are most judicious (to use his words). Explain how he thinks banking operations boost the country's industry. Is his view defensible from a modern standpoint?
43. Smith endorsed a legislated ban on banknotes smaller than five pounds (which is more than \$100 in current dollars). What are his reasons? How does he justify what he acknowledges is "in some respects a violation of natural liberty"? Is his case paternalistic?
44. What is Smith's theory of how the quantity of banknotes is determined in an economy with competitive note-issue? Discuss its strengths and weaknesses.

45. In what respects does Smith set forth a "Real Bills Doctrine"? How does his version differ from later versions?
46. What policies does Smith favor with regard to the production of silver and gold coins? How are these consistent or inconsistent with the policies he favors with regard to the production of banknotes?
47. Smith's story of the woolen coat is about the role of implicit cooperation in commercial society via specialization and trade. How does Hayek's "Use of Knowledge in Society" enrich the vision?
48. Deirdre McCloskey has argued that the growth of the West was mainly jump-started by a change in the respectability of commercial life. Some scholars say that Smith gave moral authorization to the pursuit of honest profit. Yet *The Theory of Moral Sentiments* has strong anti-materialist passages. Is Smith a supporter of the bourgeois virtues or an antagonist?
49. Adam Smith offered a distinction between two kinds of rules. Some, like those of commutative justice and of grammar, are precise and necessary. Some, like the rules of the other social virtues and of elegant or sublime writing, are loose vague and indeterminate. If we were to think of economic efficiency as a sort of policy criterion, would that criterion be better seen as a rule of the first type, precise and accurate, like grammar, or of the second type, loose, vague, and indeterminate, like the rules of sublime writing? Make clear your own view, and justify your view. Also, make clear what you think Adam Smith's view of the matter would be, and justify why you say what you think would be Smith's view.
50. *Das Adam Smith Problem*: The seeming conflict between TMS and WN has been debated for 150 years and many solutions have been offered. Do you see a conflict? A tension? What do you make of *Das Adam Smith Problem*?
51. What sorts of visions of the statesmen are offered in *The Theory of Moral Sentiments*? Are they consistent with or contradictory to those offered by modern theories of public choice?
52. Smith on the schooling of children (not colleges and universities): Describe Smith's thoughts on schooling. In your description, address each of the following: Smith's reasons for being concerned with the topic; his views on public funding; his views on making schooling compulsory; his views on imposing requirements on entry into certain occupations, requirements involving an examination (or "probation").
53. James Buchanan and Yong Yoon, among others, have set out two different understandings of how trade augments wealth, the Smithian and the Ricardian. Compare and contrast the two understandings, including how they speak to issues of trade and globalization in discourse today.
54. Two of the more celebrated expressions in Smith's work are "the impartial spectator" and "the invisible hand." Either defend or denounce the following: Smith's works can be read such that one sees the impartial spectator and the being in TMS and WN whose hand is invisible to be one and the same being.
55. Several scholars such as Spencer Pack, Samuel Fleischacker, Emma Rothschild, Iain McLean, Dennis C. Rasmussen, and Amartya Sen, have advanced a "left" reading of Smith – that is, a reading that suggests that Adam Smith's sensibilities would today be compatible with social democracy (in particular, the welfare state, but also the mixed economy as is now the status quo). In other words, they suggest that it is inappropriate for libertarians or classical liberals to claim Smith as a voice today for a program of general libertarian reform. Describe at least five of the aspects of or moments in Smith's writings – including mention of key passages – that the left reading plays up. Note: This question is *not* asking you to diminish the left reading, nor is it asking you to challenge it; rather it is asking you to describe the most important and most frequently given evidence for the left reading of Smith.

56. Seeking honest profits as distributive justice: Smith said that distributive justice was making the becoming use of what is one's own. Does it make sense in Smith's system to view the pursuit of honest income as the becoming use of what is one's own? In relation to Smith's thought, discuss and assess the sense and limitations of viewing the pursuit honest income as distributive justice.
57. Smith's "social distance" theory of sympathy and benevolence: Explain Smith's "social distance" theory of sympathy, ranging from the self to "universal benevolence." What does Smith say about why nature ordered our attention and sympathy to be as they are?
58. In WN there is a tension between two views of the economy. One is more static, blind to the entrepreneur and what Schumpeter called "creative destruction," and tends to suggest a natural limit to economic growth. The other is more dynamic, more aware of tendencies toward discovery and innovation, and tends to see economic growth as ongoing and even self-feeding, not stationary. First, identify some aspects of the text that suggest the first view. Second, identify some aspects of the text that suggest the second view. Third, what do you make of tension? Do you see a way to resolve it, in interpreting Smith?
59. How do Adam Smith's judgment relate to debates over free banking? In what ways can Smith be invoked on the pro-free-banking side? In what ways can he be invoked in criticizing or opposing free banking?
60. In TMS, is propriety a species of virtue (like, say, courage or prudence)? Explain how Smith uses the term *propriety*.
61. What is the role of self-deception in Smith? Relate the idea to either modern theories of behavioral economics or public choice.