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THE SCOTTISH ENLIGHTENMENT'S INFLUENCE ON THE LIBERALISM OF LUIGI EINAUDI

1. The Scottish Enlightenment, its leading figures, and its ideas

The Scottish Enlightenment, often recognized as one of the most significant intellectual movements in Western cultural history, was largely concerned with the development of ideals such as individuality and freedom; it favored the creation of a political order that limited the state's economic role, protecting individuals' private property rights, and in which the market economy was inherently stable, and individual economic freedom significantly contributed to national prosperity. Eighteenth-century Scottish intellectuals devised an economic model based on the «automatic equilibrium» mechanism and the natural liberty system (Trevor-Roper 1967; Porter-Teich 1981; Chitnis 1987; Omori 2003).

Francis Hutcheson, David Hume, Adam Smith, Thomas Reid, Adam Ferguson, and other lesser-known Scottish thinkers addressed topics ranging from politics and economics to philosophy, natural theology, anthropology, law, and the natural sciences and arts, resulting in intellectual diversity while maintaining the movement's underlying unity. The Enlightenment philosophical milieu was praised throughout Europe for its complex articulation and originality, with morality, history, law, and political economy serving as various components of the same investigation into the nature and causes of human not just economic action. However, it was the political-economic subject that united the thought of its most important interpreters, Hume and Smith, who believed that the economic system should operate freely and without outside interference. Therefore, despite the multiplicity of approaches and interests that defined it (Rutherford 2012; Broadie, Smith 2019), the Scottish Enlightenment was a movement that owed its reputation to an

economic-political dimension that later established itself as liberal in the Western political-cultural sphere.

Hutcheson, perhaps the founding father of the Scottish Enlightenment, argued that selfishness hampered socialization. His idea of moral sense was further expanded by authors of the «moderate» Enlightenment (Jensen 1971; Stewart 1990). Hume also contributed significantly to the political economy. He offered the first explanation of the idea of automatic balancing in classical liberal foreign trade theory, which stood in opposition to the mercantilist view: a foreign trade surplus does not profit the nation; rather, it destabilizes the economy by raising the general price level (Pupo 2020). Smith, considered the forefather of classical economics due to his influence on British economists in the nineteenth century, believed that a nation's wealth and success were primarily determined by output and labor. Smith was a «sympathy» theorist, like Hume and Hutcheson, and insisted on the harmony that would naturally arise in human communities when the individual is guided by an «invisible hand» toward his good that corresponds with the good of society. The point at which individual interests become incompatible due to the unravelling of selfishness has a marginal value in human communities and is therefore assigned to the sovereignty of law. Smith believed that a country's enrichment comes from the efficient use of labor and natural resources. He developed the concepts of «division of labour» as a source of individual and collective prosperity, as well as «economic freedom», according to which the state, to be understood not as an abstract entity superimposed on individuals but as a community of free and industrious people, must refrain from intervening in economic matters in order to maintain the spontaneous relationship that would be established between the individual actions (Danford 1980; Rothbard 1995; Leoni 2008: 75-78; Zanini 2014; Rasmussen 2018).

Undoubtedly, what would be a revolutionary concept in the philosophy of liberalism in the nineteenth and twentieth centuries is based on a systematic thought described in three well-known passages from Smith's *The Wealth of Nations* (1776). The first passage identifies «self-interest» or «self-love» (synonymous with «individualism») as the primary motivation driving econom-

ic conduct: «It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages» (Smith 1981: 26-27).

Smith saw self-love as part of a complicated, realistic, yet optimistic anthropology he shared with other Scottish authors. On the one hand, «sympathy», part of the man's raw tone, moderated the excesses of love; on the other hand, the law and the judiciary kept these excesses under control.

Smith's second passage justifies the superiority of a decentralized economic system: «What is the species of domestick industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him. The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it» (Smith 1981: 456).

The third passage describes how a complex of seemingly uncoordinated impulses and actions transforms into a harmonious whole that serves the general interest: «[Every individual] by direefing that industry in such a manner as its produce may be of the greatest value, 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» (Smith 1981: 456).

According to Smith, nature or God's will does not achieve the miracle of reconciling individual desires with the good of the community because hedonistic individualism is transformed into virtue only through the action of competition in the organization of the economic system. The image of the «invisible hand»

is so powerful that it has remained popular for nearly two and a half centuries after Smith articulated it¹.

If Hutcheson was concerned with theologically justifying free trade as the workings of divinity that lead individuals to pursue higher purposes unconsciously (Hutcheson 1993), Smith, influenced by Hume's skepticism, saw the invisible hand as an immanent phenomenon: market rivalry determines the process of spontaneous reorientation. Smith's revolution began with the separation of the old binomial between «expediency», namely what was useful (in which economic questions such as production, distribution, exchange, and taxation were dealt with before Smith), and the «moral philosophy», which was concerned with morality, to demonstrate that freedom of trade and exchange was by far the best tool for increasing the well-being of citizens and the state.

Smith's economic thought differed from free trade in that it included ethical requirements. His great teaching sought not only to describe the natural laws governing economic production, exchange, and distribution but also to establish the primacy of the market economy as superior to all other forms of economic organization. It was likewise based on the core premise of individual freedom coexisting. Individuals' free economic decision serves as the moral foundation for themselves and the regulations that determine the limitations of their freedom while respecting the freedom of others. The complementarity between the themes of ethics and economics, and thus between his major works, *The Wealth of Nations* and *The Theory of Moral Sentiments* (1759-90), is apparent in some ways, as evidenced by the content of Smith's moral philosophy courses held in Glasgow (1752-1764) and documented by student notes to his lectures (Smith 1978).

The authors that official historiography has inscribed in the tradition of the Scottish Enlightenment have demonstrated, well before nineteenth and twentieth centuries liberal thinkers, why liberalism may be understood as a doctrine favoring the reduc-

¹ This is not the appropriate place to discuss the ongoing debate over the so-called «Adam Smith Problem» and the well-known metaphor of the «invisible hand», on which a large body of recent literature is based. See, for example, Schliesser 2017 and Smith 2020.

tion of government power. Their most significant lesson is that everyone of us understands our local circumstances better than any legislative assembly, and so the latter cannot replace individuals. There is time and place knowledge that is broadly distributed across society and cannot be monopolized or centralized. It is feasible to argue that the sort of influencing decisions in economics is not scientific, i.e., universal rules, but rather idiosyncratic knowledge of specific events tied to time and place circumstances; yet, because this knowledge is spread throughout society, it cannot be brought together.

It should come as no surprise that the birthplace of so-called liberal modernity was eighteenth-century Scotland, a country that could have easily acted as a ballast for England rather than a propellant for the whole continent. The first five decades of the eighteenth century in Scotland were a laboratory for the persistent ties with the creation of practical science that resonated from civil society to educational institutions. This laboratory developed models of knowledge that were not confined to pure knowledge or subject to any contingency but rather intended to elevate the common practical knowledge that existed within the context of civil society itself.

One of the Scottish Enlightenment's distinguishing features was its reality-based approach, which allowed it to transcend John Locke's empiricism and become more attentive to the concrete mechanisms of human knowing. The Scots made a significant contribution by liberating state theory, in terms of its origins and functions, from all contractarian mythology. They addressed political science's demand for factual analysis to pragmatically achieve the objective of «good government». Above all, they taught European liberals in the early twentieth century that it is possible to avoid the temptation to see ideological principles as good in and of themselves and instead evaluate them in terms of national interest, which must always take precedence over political interests. As a result, Scottish intellectuals pushed the major problem of the relationship between individual and social usefulness into European cultural discourse via well-known liberal school exponents.

The Scots enlightened the entire Western liberal modernity and discovered the new philosophy of the bourgeoisie, which

abandoned the spiritual ideals of Platonism uncovered by the Renaissance and broke free from the theological conditioning of medieval philosophy's ideas. It is not unreasonable to assume that the founders of European liberalism in the twentieth century were worldly intellectuals who supported constructive activity and aimed to create a system that would grant humans dominion over the planet.

The arguments advanced by these thinkers are compelling enough to convince one that the Scottish Enlightenment was, in fact, the primary foundation of freedom and liberalism in the twentieth century.

2. Einaudi, Croce, and the liberalism

Since the publishing of *The Wealth of Nations* and the almost contemporaneous *The Theory of Moral Sentiments*, all liberal-inspired economists of the twentieth century, beginning with Luigi Einaudi, have held the link between economics and morality as dogma.

Einaudi praised Smith most for his ability to integrate «facts», particularly those that were «historically established and economically analyzed», with the «moralist so much alive in him» (Einaudi 1938: 60). Einaudi repeatedly drew the attention of Italian scholars to the significance of the Scots' work. He did so, for example, in *Dei libri italiani posseduti da Adam Smith e delle sue prime fortune in Italia* (1933) and *Di una prima stesura della "Ricchezza delle nazioni"* (1938), which were later collected in *Saggi bibliografici e storici intorno alle dottrine economiche* (1953) (Einaudi 1933a; Einaudi 1938; Einaudi 1953: 71-101).

Already in the early twentieth century, Einaudi demonstrated a predilection for Smith's general philosophy, referring to him as a «friend» and «whose bust he always wanted to have by his side, both in his study at the San Giacomo estate and in his office as President of the Republic»² (Martino 1962: 13). Einaudi's library also included the original first edition of *The Wealth of Nations*, as well as seven more English-language editions published between 1778 and 1863. He explicitly claimed

² This and all subsequent quoted passages are my translations of works in Italian for which the relative English edition is not indicated.

in an article published in «Corriere della Sera» (1923) that he had «the 1863 edition under his eye» (Einaudi 1965: VII, 256). According to Einaudi, Smith was the archetype of the attentive liberal to the ethical-political presuppositions of the economic system, advocating for a policy that is not at all indulgent toward the inadequacies of the market mechanism of which he was the greatest prophet.

Einaudi has constantly backed Smith, whom he regarded as «the greatest teacher of his generation and the dominator of Scottish philosophical thought» (Einaudi 1917: 564), when his opinions were misinterpreted or attempted to be diminished in significance. He did so for the first time in 1923 to defend Smith against the insulting accusation of writing under the dictation and pay of Manchester cotton workers, which was levelled at him during a parliamentary debate. Einaudi wrote that Smith not only dealt very little with the cotton industry but «he never did any allusion in his printed works to the manufacture of cotton» (Einaudi 1965: VII, 255-257) on that occasion, demonstrating an in-depth knowledge of Smith's work and of the Anglo-Saxon critical literature that had concerned him up to that point. In a 1938 study evaluating multiple versions of *The Wealth of Nations*, Einaudi declared Smith the inventor of modern economics: «Without abandoning the completeness of his judgment, which is moral, historical, and economic, Adam Smith investigates the facts from an increasingly sophisticated perspective of the exact aim of the science that he was about to build. The dominant reality is that wealth distribution is no longer unfair, and the new distribution has greatly enhanced the well-being of the poorest individuals. He resolves the apparent quandary by turning to a historical observation of the fruits of the division of work» (Einaudi 1938: 60). Even in 1940, Einaudi distanced himself from the mercantilists' attempts to accuse Smith of ignoring the state's desires for greatness and power. In fact, he claimed: «Adam Smith does not ignore the state; rather, he wants it to be powerful and robust. But his opinion is not that of the mercantilists, who are now on the verge of degeneration, but of another state, which derives its greatness from the power, conscience, and strong, educated, vibrant personalities of the men who make up its membership».

Furthermore, according to Einaudi, Smith believed that «the state is not a creation separated from the men who compose it»; the great state is «made up of men, and only aware, educated, hardworking men who are proud of their spiritual and economic sovereignty can form it» (Einaudi 1940: 145-146).

The Scottish Enlightenment's free trade ideals naturally entered the discussion that Einaudi had with Benedetto Croce from 1927 to 1943, which was ultimately gathered in *Liberismo e Liberalismo* (1958). This work was to have a significant impact in Italy on the growth of liberal thought as well as its political, legal, and economic lexicon. We began to distinguish between the ethical, intellectual, and political parts of liberalism and the purely economic ones, which are summed up under the term *liberism* as a result of this differentiation (Croce, Einaudi 1958).

Liberism is an Italian neologism that corresponds to what is commonly referred to as «free trade» or «*laissez-faire*» (Keynes 1926), a type of economic policy that predates the humanistic deepening of the Scottish vocabulary inspired by Hume and followed by the very foundation of modern liberal thought, which has its origins in Smith's writings. Einaudi, in disagreement with Croce, listed the various meanings of the term *liberism*, identifying an «abstract liberism» founded on hypotheses that do not reflect concrete reality; a «liberism for reasons of convenience» interested in the causal relations between individual initiatives and their success; a «historical liberism» prevailing in Western society both in economic and political terms; and a «religious liberalism» that prioritizes the preferability of individual initiative. Einaudi contrasts these types of liberism with a «practical liberalism» based on free trade, which acts as «a reminder to the tyranny of politicians, as a spur to the action of individuals, to the shaking off of the natural laziness and neglect of the many who would like to renounce solving their problems by themselves and invoke the more or less providential action of a dictator or tyrant» (Leoni 2008: 313-314).

It should be highlighted, however, that the concept of *free trade* does not define a theory or even a component of a theory but rather a rule of thumb designed to reduce government intrusion in citizens' private lives. Free trade initially appeared in Benjamin Franklin and George Whatley's *Principles of Trade*

(1774), which had a considerable impact on the diffusion of knowledge about its benefits. However, it conveyed a pragmatic prescription that was not always consistent with the later intellectual and political philosophy of liberalism.

On the other hand, Einaudi described Hume as a subtle metaphysician and one of the most outstanding public economics writers and was well-versed in all of Scot's works, particularly the economic-political writings collected in 1752 in the *Political Discourses*, to the point that some of the pages devoted to Hume are undeniably among his best (Giordano 2006: 54-68). He also discussed Italian scholars who believed Hume and Smith were the final Englishmen to write «philosophical works that could be called genius» (Einaudi 1953: 85).

In his debate with Einaudi over the distinction between political and economic liberalism, Croce intended to distinguish the moral aspect of liberalism from the more trivial features of commerce and business, claiming that it was a «nominalistic» dispute between two authors considered the true «fathers of Italian liberalism» (Ocone 2016: 227). In this, Croce was most likely influenced by Hume, who was more concerned with a moral, rather than a political, view of economics. He was the only author to insist on a first-century Italian translation of Hume's work, which was entrusted to Giuseppe Prezzolini. Croce was so charmed with Hume's writing that he insisted on performing it alongside Prezzolini, even though the latter was struggling to exert himself and was «completely exhausted». However, Croce persuaded Prezzolini with a large offer, as indicated by their exchange of letters from Christmas Day 1909 to 3 January 1910, which demonstrates Croce's keen interest in Hume (Croce, Prezzolini 1990: I, 220-223). Croce chose to publish *An Enquiry Concerning Human Understanding* (1748) and *An Enquiry Concerning the Principles of Morals* (1751) in a single release in 1910 as part of the Laterza series «Modern Philosophy Classics» (Hume 1910).

This was one of the rare times Croce chose a British author over a German or French one, as he usually did. Croce saw the system method, thorough research, and clarity in identifying principles and concepts in German science, whereas he admired the impassioned pursuit of conversation in French works

(Corsi 1951: 5-6). That of the Scots was clearly an empirical method, even skeptical in Hume's case, and unsuitable for metaphysical study to be considered reliable. In addition, unlike Einaudi, Croce, according to a generally held belief, became a liberal later in life after being inspired by other political views (Bedeschi 1990: 263-72). In reality, Croce saw the asymmetry between a practical affirmation of liberalism, which occurred historically in the Anglo-Saxon area, and a theoretical affirmation of liberalism, which could be found in German and French philosophy.

3. *Free and good government: commerce, luxury, and freedom*

Free government is a concept that appears as a major nexus of early twentieth-century liberalism, representing an ideal political community formed for the common welfare that was acknowledged and revised in later generations.

Smith asserted a peculiar application of the ideal of free government as if it were a rediscovery. He admitted that Hume made it feasible by associating free governance with the rise of the middle class. Hume's observations on the link between public and economic policy prompted him to investigate modern government reform, whether democratic or dictatorial. In this sense, Hume stated: «It has become an established opinion, that commerce can never flourish but in a free government» (Hume 1987: 92).

Hume broke from the «vulgar Whig» approach by saying that if the French monarchy in Europe was falling under an oppressive tax system, it could be restored through tax reform implemented by a wise prince or minister with enough judgment to know his own and the public good. He wrote in *Of Civil Liberty* (1741): «If a prince or minister, therefore, should arise, endowed with sufficient discernment to know his own and the public interest, and with sufficient force of mind to break through ancient customs, we might expect to see these abuses remedied; in which case, the difference between that absolute government and our free one, would not appear so considerable as at present» (Hume 1987: 95).

Hume's *Political Discourses* sparked widespread interest, establishing the Scot as a significant figure in political economy. His commerce research included not just monetary and market mechanisms but also human behavior, the role of reason and passion, etiquette, and social mores. Hume sought both broad principles and specific applications when dealing with issues such as economic development, arguments over luxury consumption, and the mounting national debt. He addressed a basic question: what factors drive nations to thrive or fail? This is the basic starting point for Hume's inquiry into trade as an engine of economic progress, with money, interest, taxes, and the public serving as both tools and luxury. The latter, when not detrimental and does not consume all of a human being's spending, is critical for a nation's growth since it drives the invention of new ideas and things that can be exchanged for money, thereby increasing competitiveness and cultural interchange.

Luxury promoted the growth of «freedom and has a natural tendency to maintain, if not to bring about, free government». Hume wrote in *Of Refinement in the Arts* (1752): «Wherever luxury ceases to be innocent, it also ceases to be beneficial; and when carried a degree farther, begins to be a quality pernicious, though, perhaps, not the most pernicious, to political society» (Hume 1987: 278-79). Hume considered luxury as a potent deterrent to political absolutism: as an ally of business and social progress, persons who enjoy sufficient luxury can only limit the sovereign's ambition. He stated: «As the ambition of the sovereign must entrench on the luxury of individuals; so the luxury of individuals must diminish the force, and check the ambition of the sovereign» (Hume 1987: 257). Merchants, as the «middling rank of men», provided the most solid foundation for public freedom: «Where luxury nourishes commerce and industry, the peasants, by proper cultivation of the land, become rich and independent; while the tradesmen and merchants acquire a share of the property, and draw authority and consideration to that middling rank of men, who are the best and firmest basis of public liberty. These submit not to slavery, like the peasants, from poverty and meanness of spirit; and having no hopes of tyrannizing over others, like the barons, they are not tempt-

ed, for the sake of that gratification, to submit to the tyranny of their sovereign» (Hume 1987: 277-78).

However, regardless of its significance, the relationship between freedom and equality before the law, which Hume refers to as «true liberty», was a prerogative of commercial countries: «A progress in the arts is rather favourable to liberty, and has a natural tendency to preserve, if not produce a free government» (Hume 1987: 277). As a result, being «free» is a prerequisite for the pleasure of citizens in such countries.

Smith owed his intellectual debt solely to Hume, even though the issue of the relationship between commerce and freedom was prevalent among Scottish Enlightenment authors such as James Steuart, Adam Ferguson, Lord Kames, John Millar, and William Robertson, as historiography has shown for many years (Hont, Ignatieff 1983; Pocock 1985).

Borrowing from Britain's «rational system of liberty», the Smithian vision of free government was founded on a harmonious union of republicanism and monarchism. Beyond the rational system, it combined the old concern for constitutional protection against arbitrariness with a new political science aimed at taming legislators' oppressive tendencies. Smith frequently used free government as a criterion of order to lead the historical reconstruction of the link between commerce and liberty in modern Europe. He traced the history of modern Europe in this regard by deftly intertwining economic, social, legal, and political aspects. The evolution of the balance of power between kings, lords, and the bourgeoisie led to the emergence of what Smith called «independent republics». In this regard, he wrote: «Mutual interest, therefore, disposed them [the burghers] to support the king, and the king to support 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» (Smith 1981: 15).

As a result, the bourgeoisie increasingly assimilated into the assembly of the States-General. In Smith's words: «Commerce and manufactures gradually introduced order and good government, and with them, the liberty and security of individuals, among the inhabitants of the country, who had before lived almost in a continual state of war with their neighbors and of

servile dependency upon their superiors. This, though it has been the least observed, is by far the most important of all their effects. Mr. Hume is the only writer who, so far as I know, has hitherto taken notice of it» (Smith 1981: 412).

Smith understood the concept of free government as a result of the middle class's mediating role in society and the public sphere, as well as the prospective «government of the passions» that might bring it about. His emphasis was on the «common people» of the middle class as the embodiment of the virtue of prudence as a counterbalance to the perils of factionalism. He took «Hume's reflections to a higher level of abstraction and synthesis» (Silvestri 2008). With the rise of the middle class, Smith saw the realization of Hume's ideals of mixed government, free government, and government by law, as well as government for the common good (or «good government») and an ideal model of society as the result of the spontaneous decree, to be pursued through careful legislative administration. The spontaneous order that developed from people's free trade of goods, ideas, affections, and knowledge has nothing providentialistic about it, but when carried out under the flag of rules, it delivers more effective and just results than a top-down intervention³. In other words, Smith defined free governance as a descriptive and prescriptive concept of social order, a *telos*, and a just method of regulating the common good. According to a thorough examination of Smith's works, the third book of *The Wealth of Nations* is the «*locus classicus* of the theme of commerce and liberty» (Forbes 1975: 193), and the entire work «can be accurately, if not very fully, described as an extended treatise on the reciprocal relationship between commerce and liberty» (Winch 1978: 70).

Einaudi, along with Carlo Cattaneo, Guido De Ruggiero, Gaetano Mosca, and Ernesto Rossi, tackled the issue of free government in a variety of ways at the start of the twentieth century (see Forte 1982, 2016; Faucci, 1986; Heritier, Silvestri 2012; Cadeddu 2018). Einaudi's most fitting Italian derivation of free government was «good government», to which Norberto

³ For an in-depth discussion of the relationship between the Scottish Enlightenment and spontaneous order theorists, particularly in the twentieth century, which is not covered here, see Petsoulas 2001.

Bobbio, among others, devoted serious attention (Bobbio 1974). It referred to good government as a «mixed constitution», which Smith used in the third book of *The Wealth of Nations*, emphasizing the importance of the middle class in maintaining social balance. Einaudi never systematized the issue of good governance in a comprehensive and systematic work. A volume now collects part of his interventions on this topic, which proves to be one of his most frequent means of communication in public life (Einaudi 2012). Nonetheless, he regularly referred to Smith when analyzing the relationship between the market and legal-political institutions. For example, he wrote in 1933, alluding to the ethos and modus agenda of the middle class, that it was a great fortune in the pre-war period that «the truly representative classes of Italy, made up of medium and small industrialists, tenant farmers, merchants, hard-working artisans, and [...] of upright professionals and bureaucrats devoted to the public good, still provided the state with a good number of men of government. Probable and hardworking, they summed up the art of state in “govern well” the public thing, which meant “good government”, the intelligent and judicious style of governing that they practiced in private» (Einaudi 1933b: 400).

The answer to misgovernment, recognized as societal division, faction discord, or vast economic disparities, all of which were antechambers of tyranny, was identified in good government as a hybrid constitution established by the Scots through the mediation of the newly proposed metaphor of power balance.

Hume derived the concept of balance of power from the progressive formation of the modern public sphere, given the tighter relationship between the governed and the governing people. The middle class was supposed to play a significant role in the ideal of mixed governance (Hume 1987: 332-341). Smith recognized how, in modern European society, the development of commerce and the relative expansion of the market, as well as the resulting growth in the division of labor, increased the possibilities of conquest, particularly for the middle class, which gained a position of relative autonomy and independence through their work. Not coincidentally in *The Wealth of Nations* Smith stated that «each tradesman or artificer derives his sub-

sistence from the employment, not of one, but of a hundred or a thousand different customers. Though in some measure obliged to them all, therefore, he is not absolutely dependent upon any one of them» (Smith 1981: 420). Faced with the problem of concentration of economic and political power in the hands of lords and barons waned over time, as did their ability to disrupt the country's peace, Smith referred to the power redistribution that resulted from the spread and fragmentation of private property as a «revolution of the greatest importance to the public happiness» (Smith 1981: 422). The emergence of the middle class to positions of power was viewed as a reactivation of the old ideal of mixed government: «Commerce and manufactures gradually introduced order and good government, and with them, the liberty and security of individuals» (Smith 1981: 412).

More than Hume, Einaudi echoed Smith's plea for economy and moderation in wealth accumulation. He demonstrated the importance of preserving the «right middle», or correct measure, which is synonymous with self-control associated with «prudence», a moral and social order and advancement principle (Silvestri 2008: 77-78). However, Einaudi, like Smith and Hume, believed that a large middle class could put a check on the government's undue intrusion into people's lives. Indeed, certain characteristics of the middle class made it suitable for a sociologically significant role. In his book *Gli affari buoni fanno la moneta buona* (1925), Einaudi described the middle class as «the salt of the earth, the inexhaustible source of savings» (Einaudi 1965: VIII, 381). His thought was informed by a reconsideration of the nature of the middle class and the non-economic elements that bond people to a particular social organization. Einaudi issued a shrill cry of alarm in a 1939 article about the progressive impoverishment of the middle class, or independents, concluding with an invitation to the state's legislative power to eliminate «the causes of degradation of the independents», who would be the only «great purveyors of soldiers, of fathers of families, of creators of material and moral values» (Einaudi 1939: 240).

What appears to be a utopia is realized, but it is, in fact, the true reality, thanks to the intellectual elevation of the social body's members and the fundamental function of the middle

class, which is ready to enable and control the rise of the people while also acting as a bank against the arrogance of the plutocrats. Einaudi assigned the burden of holding high the banner of liberalism to the bourgeoisie, which is «the highest embodiment of labor in the present society», as he wrote in *Classe dirigente e proletariato* (1924), on the condition that it does not dig «its own grave», because «it was nothing but the flower of the most active, most intelligent, most morally sound men who organize, save, and rise daily from the ranks of labor» (Einaudi 1965: VII, 907-908).

Einaudi and Smith agreed on this axiological viewpoint, arguing that the market economy will always be the only tool for ensuring fragmentation and power balance in civil society because the solitary person has only ever lived in the idyllic pictures of a poetic golden age. «The primitive good man perverted by society – Einaudi said – was a figment of Rousseau’s imagination while only men who are united in society with other men live» (Junius [Einaudi] 1918).

Here we can see analogies between Einaudi’s words and those used by Hume in connection with his sharp criticism of fantasies about the existence of a «state of nature» assimilated to the «golden age», which is a mere fiction of political thinkers ranging from Locke to Rousseau who claimed to have established society and the origins of government. Hume, in *A Treatise of Human Nature* (1739-40), declared unequivocally that the state of nature «is to be regarded as a mere fiction, not unlike that of the “golden age”, which poets have invented» (Hume 2007: I, 317).

The critique of the social contract device’s methodological futility, which influenced Hume, Smith, Ferguson, and other Scottish thinkers, demonstrated the theoretical autonomy of the Scottish Enlightenment in the eighteenth-century European context, separating nineteenth-century liberalism from its contractarian premises.

4. Indirect influence: the Scottish ordoliberal matrix and appreciation for Röpke

What attracted Einaudi's attention at a certain stage of his intellectual career were the findings of ordoliberalism, which formed beneficial research contacts with like-minded intellectuals from all over the world, notably Einaudi himself in Italy, Frank H. Knight and Ludwig von Mises in the United States, Lionel Robbins in the United Kingdom, and Jacques Rueff in France. Ordoliberalism arose in the mid-1930s from a group of professors at the University of Freiburg and extended far beyond the market economy to include the moral domain (Peacock, Willgerodt 1936; Sally 1994). Ordoliberalism, unlike nineteenth-century Austrian «process liberalism», saw the market as a means to an end rather than a method of achieving «liberal end-state» outcomes since it advocates decentralization of the social, political, and economic domains of human existence.

The Freiburgians used the guiding principles of the Scottish Enlightenment as the foundation for developing a liberal policy design for a modern industrial democracy. They highlighted the importance of underlying institutional and legal structures in preserving freedom and prosperity and distinguished between competitive market processes and institutional order within market functioning. The ordoliberal position held that the state should help form and preserve the social and economic order, but market processes should be left to competing people. To counteract the influence of political party opportunism, organized groups, and bureaucratic selfishness, ordoliberals advocated for the government to actively defend competition in addition to the key institutions identified by the Scottish Enlightenment, namely private property, freedom of contract, and the rule of law. They also pushed for policies that establish clear expectations and move away from stop-and-go approaches.

Walter Eucken, Wilhelm Röpke, Hans Grossmann-Doerth, and Franz Böhm were among the most influential scholars of this school. They sought the desired order, which, unlike historically developed ones, was based on individual freedom and limited power formations in the public and private spheres exercised by the state, monopolies, and trade unions. Above all,

citizens' independence must be protected by private state power groups (Kasper, Streit 1993; Hien, Joerges 2017; Biebricher, Bonefeld, Nedergaard 2022).

According to Eucken, *ordnungs politik* (politics of order) was a free order based on an open and competitive market, established by a general political decision he refers to as an «economic constitution», which serves as a «guiding mechanism» for the economic process and is then regulated and enforced by the government. Eucken's analysis in *The Foundations of Economics* (1940-50) began with the following assumptions: «If we were looking down on the world and its amazing swarm of human beings, on the variety of employments, the different patterns of related activities, and on the streams of goods, the first question we would ask is what is the order or system underlying all this? [...] Does one central authority direct everyday life, or do countless single individuals make their own decisions? If many individual economic units thought they make their plans independently, [but] are dependent on and exchange with one another [...], then the question arises as to the form of the system of exchange relationships. What are the rules of the game?» (Eucken 1992: 80-81).

In other words, the state must establish and maintain the institutional framework of a free economic order while staying neutral in the competitive economic process. Some of the eight fundamental and regulatory concepts for *ordnungs politik*, including open markets, private property, freedom of association, and accountability, were developed by Scottish Enlighteners. Eucken added the «primacy of currency policy» to ensure the defense of competition as a public good against monopoly power, as well as the «steadiness of economic policy» to the state, allowing it to intervene experimentally and *ad hoc*. After all, constructing a competitive economic order in isolation from its sociopolitical context needed the development of a complementary and interconnected political, social, and legal framework (Eucken 1989 and 1990; Sally 1994: 463).

Röpke, whom Einaudi admired, was undeniably sympathetic to the ordoliberal imperative to reconcile liberalism with the ethical and solidaristic objectives of the Catholic Church's social theory.

Beyond the *laissez-faire* ideas of bourgeois origin, Röpke, who was fascinated by the sociological vision of the «Scottish philosophers», advocated for an economic constitution capable of ensuring the development and protection of the market economy through interventionist but not dirigiste state power. After advocating for radical liberalism, he later developed a «Third Way» to address the crisis without relying on either socialism or liberalism. He maintained in his first work, *The Social Crisis of Our Time* (1942): «We are trying to solve the problem of reconstructing the world economy by a “Third Way”, too, i.e., by an economic and social structure that releases us from the sterile “either-of” of collectivism and *laissez-faire* and which seems to us the only possible way out, both domestically and internationally. We get a clearer idea of what this “Third Way” looks like in the world economic order if we remember that there are two chief obstacles in the way of the establishment of free and multilateral world trade: the ambitious aims and the collectivist methods of present-day domestic economic policies (the decay of the market economy) in every country, and, very closely linked to these, international political anarchy» (Röpke 1992: 242).

Einaudi demonstrated his interest in this position, which he made his own by re-elaborating it precisely based on Röpke's influence on him with his distinction between «compliant intervention», which does not alter the mechanism of price formation, and «non-compliant intervention». In contrast to collectivism, Einaudi rejects the notion of the state as a pure neutral arbiter and instead emphasizes the liberal contribution of civil society institutions: limited government, intermediate bodies, and, most importantly, the role of property and entrepreneurship in the general sense of creativity as a social leaven. Röpke confirms Einaudi's underlying ideas about some bad aspects of modernity, such as mass levelling and conformity, which he learned from Smith's speech. Furthermore, Röpke's thinking allows Einaudi to clarify for himself a distinction that he can finally make explicit, between pure market economy, which «realizes economic democracy and strengthens the system of freedoms, and historical capitalism, which is a kind of degenerate branch of the former, developed because of wrong institutions»

(Bini 2010: 131). It is no coincidence that Einaudi had Röpke's work translated by his son Giulio, the Einaudi publisher (1946). But he did even more. In a 1942 article, Einaudi directly addresses Röpke's point about the importance of distinguishing between capitalism, defined as a mode of production based on the accumulation of capital independent of political government, and the market economy, which revolves around the mechanism of price formation, as opposed to the planned economy, in which prices are centrally set (Einaudi 1942).

Even in that situation, Einaudi aimed to save Smith's liberal system, which already included the need for the state to oversee the essential fields of justice administration, defense, and public works advantageous to commerce. Undeniable, as much as indirect, that is, filtered through the vision of the ordoliberals *à la* Röpke, is the influence of the Scottish Enlightenment on the Italian author.

5. *Concluding remarks*

Previous pages have illustrated the influence of the most representative authors of the Scottish Enlightenment, Hume and Smith, on Einaudi's liberalism to motivate the reader to pursue additional research into the history of Italian and European liberalism using written material, safe from the risk of anachronisms or uncritical assimilation. As there has never been an analytical and organic study, this article claims to fill a historiographical gap.

In political historiography, the study of the relationship between Einaudi and the Scottish economic-political paradigm has been strangely undervalued both in Italy and abroad, even by those who have conducted a systematic examination of both Einaudi's writings and the production of the Scots in the eighteenth century. Yet Einaudi's preference for the latter, consistent throughout his intellectual work, contributes significantly not only to a better understanding of his philosophy but also to a more comprehensive explanation of the fundamental reasons for his break from other liberal authors of his day.

When we examine, for example, that Einaudi's sources are mostly economic and political of Scottish provenance, we may

better understand the fundamental characteristics of his famous diatribe with Croce, who, as is well known, preferred materials from the German and French traditions. It is no surprise that Einaudi's perspective is similar to that of other European liberal authors who, unlike Croce, prefer Scottish sources and approaches.

However, this research aims to encourage, more broadly, the resumption of studies on the Scottish Enlightenment that consider its impact on European political thought not only in the eighteenth century but also in subsequent centuries, particularly the liberal twentieth century and its most authoritative representatives.

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Abstract

THE SCOTTISH ENLIGHTENMENT'S INFLUENCE ON THE LIBERALISM OF LUIGI EINAUDI

Keywords: Scottish Enlightenment, Hume, Smith, Einaudi, Liberalism.

The article focuses on the understudied topic of the Scottish Enlightenment's impact on European liberal economic-political thought in the first half of the twentieth century as interpreted principally by Luigi Einaudi. It demonstrates that the Scottish Enlightenment, primarily represented by Hume and Smith, with its original ideas on self-love, self-interest, the motivations of people's economic behavior, and free government laid the groundwork for the development of Einaudi's economic-political theses in his ongoing confrontation with the main liberal authors of his time, from Croce to Freiburg ordoliberalists.

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