authoritative character which is felt to be inherent in our sense of right and wrong—for what Butler calls the “supremacy of conscience.”

It is on the *Wealth of Nations* that Smith’s fame rests. But it must at once be said that it is plainly contrary to fact to represent him, as some have done, as the creator of political economy. The subject of social wealth had always in some degree, and increasingly in recent times, engaged the attention of philosophic minds. The study had even indisputably assumed a systematic character, and, from being an assemblage of frag­mentary disquisitions on particular questions of national interest, had taken the form, notably in Turgot’s *Réflexions,* of an organ­ized body of doctrine. The truth is that Smith took up the science when it was already considerably advanced; and it was this very circumstance which enabled him, by the production of a classical treatise, to render most of his predecessors obsolete.

Even those who do not fall into the error of making Smith the creator of the science, often separate him too broadly from Quesnay and his followers, and represent the history of modern economics as consisting of the successive rise and reign of three doctrines—the mercantile, the physiocratic and the Smithian. The last two are, it is true, at variance in some even important respects. But it is evident, and Smith himself felt, that their agreements were much more fundamental than their differences; and, if we regard them as historical forces, they must be con­sidered as working towards identical ends. They both urged society towards the abolition of the previously prevailing in­dustrial policy of European governments; and their arguments against that policy rested essentially on the same grounds.

The history of economic opinion in modern times, down to the third decade of the 19th century, is, in fact, strictly bipartite. The first stage is filled with the mercantile system, which was rather a practical policy than a speculative doctrine, and which came into existence as the spontaneous growth of social condi­tions acting on minds not trained to scientific habits. The second stage is occupied with the gradual rise and ultimate ascendancy of another system founded on the idea of the right of the individual to an unimpeded sphere for the exercise of his economic activity. With the latter, which is best designated as the "system of natural liberty,” we ought to associate the memory of the physiocrats as well as that of Smith, without, however, maintaining their services to have been equal to his.

The teaching of political ecomomy was associated in the Scottish universities with that of moral philosophy. Smith conceived the entire subject he had to treat in his public lectures as divisible into four heads, the first of which was natural theo­logy, the second ethics, the third jurisprudence; whilst in the fourth “he examined those political regulations which are founded upon expediency, and which are calculated to increase the riches, the power, and the prosperity of a state.” The last two branches of inquiry are regarded as forming but a single body of doctrine in the well-known passage of the *Theory of Moral Sentiments* in which the author promises to give in another discourse “ an account of the general principles of law and government, and of the different revolutions they have undergone in the different ages and periods of society, not only in what concerns justice, but in what concerns police, revenue and arms, and whatever else is the subject of law.” This shows how little it was Smith’s habit to separate (except provisionally), in his conceptions or his researches, the economic phenomena of society from all the rest. The words above quoted have, indeed, been not unjustly described as containing "an anticipation, wonderful for his period, of general sociology.”

There has been much discussion on the question—What is the scientific method followed by Smith in his great work? By some it is considered to have been purely deductive, a view which Buckle has perhaps carried to the greatest extreme. He asserts that in Scotland the inductive method was unknown, and that although Smith spent some of the most important years of his youth in England, where the inductive method was supreme, he yet adopted the deductive method because it was habitually followed in Scotland. That the inductive spirit exercised no influence on Scottish philosophers is certainly not true; Montesquieu, whose method is essentially inductive, was in Smith’s time closely studied by Smith’s fellow-countrymen. What may justly be said of Smith is that the deductive bent was not the predominant character of his mind, nor did his great excellence lie in the "dialectic skill ” which Buckle ascribes to him. What strikes us most in his book is his wide and keen observation of social facts, and his perpetual tendency to dwell on these and elicit their significance, instead of drawing conclu­sions from abstract principles by elaborate chains of reasoning.

That Smith does, however, largely employ the deductive method is certain; and that method is legitimate when the premises from which the deduction sets out are known universal facts of human nature and properties of external objects. But there is another species of deduction which, as Cliffe Leslie fias shown, seriously tainted the philosophy of Smith—in which the premises are not facts ascertained by observation, but the a priori assumptions which we found in the physiocrats. In his view, Nature has made provision for social wellbeing by the principle of the human constitution which prompts every man to better his condition: the individual aims only at his private gain, but is “ led by an invisible hand ” to promote the public good; human institutions, by interfering with this principle in the name of the public interest, defeat their own end; but, when all systems of preference or restraint are taken away, "the obvious and simple system of natural liberty establishes itself of its own accord.” This theory is, of course, not explicitly presented by Smith as a foundation of his economic doctrines, but it is really the secret substratum on which they rest. Yet, whilst such latent postulates warped his view of things, they did not entirely determine his method. His native bent towards the study of things as they are preserved him from extravagances into which many of his followers have fallen. But besides this, as Leslie has pointed out, the influence of Montesquieu tended to counterbalance the theoretic prepos­sessions produced by the doctrine of the *jus naturae.* We are even informed that Smith himself in his later years was occupied in preparing a commentary on the *Esprit des lois.* He was thus affected by two different and incongruous systems of thought—one setting out from an imaginary code of nature intended for the benefit of man, and leading to an optimistic view of the economic constitution founded on enlightened self­interest; the other following inductive processes, and seeking to explain the several states in which the human societies are found existing, as results of circumstances or institutions which have been in actual operation. And we find accordingly in his great work a combination of inductive inquiry with a priori specu­lation founded on the "Nature ” hypothesis.

Some have represented Smith’s work as of so loose a texture and so defective in arrangement that it may be justly described as consisting of a series of monographs. But this is certainly an exaggeration. The book, it is true, is not framed on a rigid mould, nor is there any parade of systematic divisions and subdivisions. But, as a body of exposition, it has the real unity which results from a mode of thinking homogeneous throughout and the general absence of such contradictions as would arise from an imperfect digestion of the subject.

Smith sets out from the thought that the annual labour of a nation is the source from which it derives its supply of the necessaries and conveniences of life. He does not of course contemplate labour as the only factor in production; but it has been supposed that by empha­sizing it at the outset he at once strikes the note of difference between himself on the one hand, and both the mercantilists and the physiocrats on the other. The improvement in the productiveness of labour depends largely on its division ; and he proceeds accordingly to give his unrivalled exposition of that principle, of the grounds on which it rests, and of its greater applicability to manufactures than to agri­culture, in consequence of which the latter relatively lags behind in the course of economic development. The origin of the division of labour he finds in the propensity of human nature “ to truck, barter or exchange one thing for another.” He shows that a certain accumulation of capital is a condition precedent of this division, and that the degree to which it can be carried is dependent on the extent of the market. When the division of labour has been established, each member of the society must have recourse to the others for the supply of most of his wants; a medium of exchange is thus found to be necessary, and money comes into use. The exchange of goods