Economic Development in the Scottish Enlightenment: Ideas as Cause and Effect[1]

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Abstract

The purpose of this paper is to consider why Scottish Enlightenment thought should have generated a particular theory of economic development. We explore the particular context of the Scottish Enlightenment, focusing both on understandings of cultural difference within Scotland, and the particular content of Gaelic culture, as influencing the character of Scottish Enlightenment thought. The specific ideas about economic development in the Scottish Enlightenment period involve further circularity. One of the key arguments was that economic development encourages creativity and ideas, which promote productivity growth. The Enlightenment itself, as a set of ideas, can be seen in part as the outcome of earlier economic development in Scotland, particularly in the form of agricultural improvement. This process of innovation or 'art', encouraged by the division of labour, applies particularly to the fourth of the stages of economic development: commercialisation (the stages approach being a characteristic feature of Enlightenment thought).

Keywords: Economic development, Scottish enlightenment, stages theory

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> Man, it was postulated, not only *made himself* and his institutions: he and his institutions in an important sense *were themselves made* by the circumstances in which from time to time and from place to place he happened to find himself.
>
> Meek (1976: 1, emphasis in original)

INTRODUCTION

Dipak Ghosh was a friend and colleague to both of us, and an intellectual companion over many years. He was a true scholar, motivated by the scope for economic ideas to promote economic and social development. Given this long-held concern with development issues, as well as his fondness for Scotland, we offer the following analysis of a peculiarly Scottish contribution to ideas on development in the hope that he would approve.

In characterising the European Enlightenment, Ronald Meek, as quoted above, identifies as 'perhaps the most important' idea, that of adding 'a new dimension to the problem of man and society': the significance of context. In this paper we apply this insight to an analysis of the particular characteristics of Enlightenment thought as it developed in Scotland, and specifically to the theory of economic development. In particular we argue that both the existence of cultural mix in Scotland, and the nature of Gaelic thought as part of that mix, influenced Scottish Enlightenment thought.

While Scottish Enlightenment thought developed as part of a wider intellectual movement in Europe in the eighteenth century, it had distinctive features. It was arguably on account of these distinctive features that innovative ideas emerged within a range of disciplines. A notable contribution which arose from this distinctive intellectual environment was the seminal contribution to thinking about economic

growth and development in the form of Adam Smith's *Inquiry into the Nature and Causes of the Wealth of Nations*. Other Enlightenment figures, notably Sir James Steuart, David Hume, James Anderson and Adam Ferguson, contributed to the debate on issues of growth and economic development.

The contribution of Scottish Enlightenment figures to the later development of economics was substantial, and is thus the subject of a vast literature, with a range of interpretations. Here we focus on the particular ideas with respect to economic growth and development which refer to ideas themselves. One of his key contributions was to develop and apply the principle of the division of labour, which Smith elucidated as one of the key engines of growth. The concept was in fact first introduced in the context of division of labour in the generation of ideas, and only later extended to the mode of production. On this foundation was built the theory of trade-led growth in an expanded market, and hence a vent-for-surplus theory of economic development. Indeed this marked the idea of economic development itself as an object of study. But possible feedbacks of the division of labour in the form of diminishing moral sensitivities, and the consequence of this for economic development were also discussed in the period. There was considerable concern that economic growth and moral virtue would be incompatible. Another key idea was that economic development itself is a precondition for ideas conducive to economic development: consumption aspirations on the one hand and innovations to improve productivity in order to meet these aspirations on the other. To what extent, then, was the Scottish Enlightenment itself, as a set of ideas, the product of prior economic development?

The aim here, therefore, is to explore the interdependencies between the particular economic experience of Scotland and the ideas for economic development

which arose in the eighteenth century, focusing particularly on the role of ideas themselves in economic development. There has been disagreement in the literature on the Scottish Enlightenment as to the relative influences of civic humanism and natural law (between particularity and generality). Here we will find a circularity between the general forces which influenced the Scottish Enlightenment thinkers and the particularities of their circumstances. Indeed we will suggest that an absence of dualism, eg as between particularity and generality, was a central feature of Scottish thought. In the process we address an issue being given increasing attention in the literature: how far were these ideas for economic development a veiled analysis of 'improvements' in the Highlands and Islands? We extend the discussion by addressing the further question, as to how far the distinguishing characteristics of the Scottish Enlightenment were themselves a product of the particular cultural backdrop.

We start by considering some of the distinctive characteristics of Scottish Enlightenment thought, where theories of economic development arose out of moral philosophy. In the following section we focus on the particular ideas as to economic development which relate to the importance of ideas as a mechanism for productivity growth. We then provide some background to these ideas in the form of the socio-economic conditions leading up to the Scottish Enlightenment, paying particular attention to the Highland-Lowland distinction. This focus is in line with a renewed attention in intellectual history on the Highlands in relation to the rest of eighteenth-century Scotland (see eg Shields 2009). In the process, we address the debate as to how far economic development was instrumental in facilitating the Enlightenment itself. Finally, we consider the extent to which the form the ideas of the Scottish Enlightenment took, on economic development as well as on knowledge more generally, were influenced by the cultural composition of Scotland at that time. We

are therefore considering ideas, not as something independent of material reality, nor as fully determined by material reality. Rather we consider the important mutual influences between ideas and reality, mediated by moral philosophy (and thus culture).

The theme that runs through the discussion is first the interplay between ideas and context, so that we consider how the Scottish experience (including its cultural diversity) served to spawn the particular set of ideas of the Scottish Enlightenment, which included ideas about the interplay between development and ideas. Second this discussion follows the theme of the interplay between particularity and generality – between general trends in ideas and economic reality on the one hand and the particularity of the Scottish reality and of the ideas of the Scottish Enlightenment – which included ideas about generality and specificity.

THE DISTINCTIVE CHARACTERISTICS OF THE SCOTTISH ENLIGHTENMENT

The eighteenth century Enlightenment was a general European intellectual movement which took the form of a challenge to the authority of the Church in matters of science (or knowledge more generally), and established alternative foundations for knowledge, most particularly in reason and evidence. Just as in other emerging fields of enquiry, this approach to knowledge was applied to the functioning of the economy. The origins of this intellectual movement are complex, and the currents of thought within Europe spread from one country to another.

But this movement took a range of forms, such that the Scottish Enlightenment differed in several important respects from the Enlightenment

elsewhere, most notably in France.[2] This occurred in spite of the strong influence from Continental thought through a variety of channels, not least from direct, extended, contacts in France on the part of Hume, Steuart and Smith. Indeed it could be argued that it was Hume's (ultimately unsuccessful) attempts to grapple with French Enlightenment rationalism which encouraged him to develop an alternative approach to knowledge. Under the influence of Descartes, the French Enlightenment prioritised reason as the foundation for knowledge. Hume eventually concluded that reason could not provide the proof of existence which was necessary for science applied to the real world; this was the pinnacle of his scepticism (see S. Dow 2001).

Hume therefore turned to his project of developing a science of human nature to provide the alternative basis for knowledge in conventional belief, based on generations of experience. In contrast to Descartes's pure reason, conventional belief was not the outcome of demonstrable truth. Loasby (2003: 287) refers to this as 'Hume's Impossibility Theorem: "It is impossible . . . that any arguments from experience can prove this resemblance of the past to the future; since all these arguments are formulated on the supposition of that resemblance"'. Experience itself was subject to the problem of induction. In Hume's hands, this problem was not simply a matter of unobserved instances, but the more profound problem that reality is too complex, and underlying causal mechanisms too deeply hidden, for any knowledge of them to be held with certainty (see S. Dow 2002).

Using the Newtonian 'experimental' method, knowledge could be built using systematic study of experience (detailed historical study) combined with reason (see

[2] The character of the Enlightenment was complex, with differences within national traditions, and as these traditions evolved, and with interactions between thought in different traditions; the Scottish Enlightenment in particular was influenced by various strands of Continental European thought as well as English thought. Here we draw out the main distinctive features of Scottish Enlightenment, cf Hayek (1967).

Montes 2006; Comim 2006).[3] Where reason was combined with imagination to identify patterns and fill in evidential gaps, the outcome was conjectural history. But prior to experience and reason were conventional belief, the imagination required to conceive of cause in the first place, and then to engage in abstract reasoning, and, as Smith explained in the *History of Astronomy* (1759), the sentiment to motivate the search for knowledge. Then, as Smith explained in his *Lectures on Rhetoric and Belles Lettres* (1762-3), this knowledge had to be communicated in such a way as to persuade different audiences, appealing to their prior knowledge and to the imagination. This was far removed from French rationalism, which consisted of applying classical logic to axioms held to be true, as well as from the empiricism without abstract theory more characteristic of the English Enlightenment.

This approach to knowledge was both influenced and reinforced by the system of higher education (Davie 1961). Students entered higher education in their mid-teens, and were provided a structured approach to knowledge built on early teaching of moral philosophy. This philosophy emphasised the absence of a single rationalist truth, but rather took a historical approach to explain the different possible ways of building knowledge. This carried forward into other subjects, which were also taught historically, exposing students to the idea that knowledge can be built in different ways best suited to problems at hand. It is this approach, arguably, which underpinned the inventiveness of this period.

In his *Lectures on Jurisprudence*, Smith (1766: 493) developed the idea of the division of labour in terms of knowledge: 'Genius is more the effect of the division of labour than the latter is of it. The difference between a porter and a philosopher in the first four or five years of their life is, properly speaking, none at all'. While anyone

[3] We thus emphasise the origins of ideas about system in experience, rather than the deductive reasoning then applied for further reference to experience as emphasised by Kim (2009).

was capable of becoming a philosopher, this activity was facilitated by education. Further it appealed more to the sentiments of some than to others, who then went on to specialise in pursuing particular lines of enquiry with a higher input of reason. The difference between philosophers and others then became an issue for rhetoric: how to persuade different types of audience, with different experience, different familiar knowledge, and different inclinations to apply reason, to accept particular ideas.

The key characteristics which Scottish Enlightenment thinkers brought to economic questions followed from this overall approach to knowledge. First, knowledge was provisional since it could not be demonstrated to be true. In particular, principles could be teased out of detailed study of societies in different times and places, but these might require adaptation in the light of new circumstances and when applied to new cases. Second, the focus on society ensured that economic questions were approached from the standpoint of moral philosophy; and indeed for Hutcheson and Smith their economic ideas developed as applications for moral philosophy teaching. The focus on society also meant that economic questions were also integrated with social, psychological and political questions. It was only later that these lines of enquiry emerged as separate disciplines.

Finally, the methodological approach differed not only from the French deductivism characteristic of the Cartesian approach, but also from English empiricism based on a different understanding of Newton (Montes 2006). Knowledge was derived from experience, but with the aid of imagination and reason it could be systematised and communicated for more general, albeit provisional, application. Hume and Smith were thus able to develop a theory of human nature which drew out what they identified as common features of humanity, while demonstrating how these features were manifest in different ways in different societies. But Smith argued in

the *History of Astronomy* that aesthetically-pleasing systems drawn from first principles, and connecting with what is already understood, would be most persuasive to audiences. But persuasion was distinct from the process of theory formulation itself. However, the provisional nature of theory emerging from the Scottish Enlightenment arguably became communicated in a more deterministic manner than was intended, because that was aesthetically appealing. We shall consider this possibility in terms of the theory of economic development.

THEORIES OF ECONOMIC DEVELOPMENT

The first idea on which we focus is the idea of economic development itself, which arguably was the first contribution from the Scottish Enlightenment thinkers. (Indeed, we could argue that the notion of an economy as such only emerged during the Enlightenment, as something distinct relative to the polity; see Schabas 2005.) Before Smith, indeed with origins dating back to ancient times, there had been discussion of change in the means of subsistence and associated modes of organisation by means of stages of development (Meek, 1976). But the eighteenth century saw a much greater focus on understanding economic history in terms of advance from one stage of development (one mode of economic organisation) to another: the hunting and gathering, pastoral and agricultural stages, leading to the final stage of commercialisation. Indeed this discussion emerged within a new discourse, on economic development (Brewer 1999). In the French stadial approach, notably Turgot, the emphasis was on agriculture (Meek 1976; Schabas 2005: chapter 3). But Smith changed the focus from agriculture to one of growth in prosperity once the fourth stage, commercialisation, had been reached. He introduced the idea, drawing

on natural law philosophy, that such growth might be the normal condition for commercial societies.

There were differences of opinion as to whether such growth was indeed sustainable, and Smith himself considered a range of moderating factors. A key feature of this discourse followed from Scottish Enlightenment thought, that it emerged out of moral philosophy. Economic development was not discussed in isolation, but in conjunction with an emphasis on moral sensibilities as a practical question of norms and conventions. Thus Hume and Smith both aimed to encourage debate as to the best way to secure both virtue and prosperity, their mentor Hutcheson having expressed concerns that commercial society was incompatible with virtue (Wennerlind 2006; Montes 2004). There was debate as to whether prosperity would support, or even promote, moral sensibilities, or whether it would erode them (Brown 1988: chapter 5). It was therefore seen as necessary that appropriate social institutions be developed in parallel to economic development. This debate resurfaced much later as the Adam Smith Problem (Montes 2004: chapter 2), referring to the apparent incompatibility of Smith's moral philosophy and his economics.[4] The sustainability of the commercial economic process is now primarily discussed in the economic literature in terms of how far market forces can be relied on to generate socially optimal outcomes. Would the unintended consequences of self-interested behaviour produce a good outcome for society, without reference to moral values? But in the eighteenth century the focus was at least as much on production and whether the emergent specialised mode of production in commercial society was independent of social institutions and moral concerns.

[4] In the meantime, the *Wealth of Nations* had been interpreted as an advocacy of capitalism, drawing a range of critiques from, for example, Sismondi and Marx.

The key principle applied to thinking on economic development, referring to production, was the principle of the division of labour. This principle was present in others' thinking before Smith (notably his teacher, Hutcheson; see Skinner 2006). But it was Smith who developed the principle, drawing on a wide range of evidence from different societies in order to establish how generally it could be applied. The division of labour allowed division of tasks and thus specialisation and productivity growth. The surplus thus generated could then be used for investment in order to specialise productive functions further, yielding ever more surpluses. This process was facilitated by commercialisation, which extended markets, and Smith focused on the market process. If markets could be extended overseas, then exports would provide even more latitude for division of labour. Economies then could reap the benefits of economies of scale at a macro level and experience growth in prosperity at an aggregate level. From this theory emerged the emphasis on vent-for-surplus and capital accumulation which proceeded to underpin classical economics. There is a difference of opinion as to whether priority should be given to the division of labour in Smith's theory of economic development, or capital accumulation (see Campbell and Skinner 1976, and Brewer 1999, respectively). Here we focus on the division of labour; this follows from a focus on the connections between Smith's economics and his epistemology, and is reinforced by the fact that Smith gave such prominence to the division of labour, placing it right at the start of the *Wealth of Nations*. Nevertheless, accumulation prior to the Scottish Enlightenment (albeit brought about by the division of labour) played a key role in providing the conditions for the Enlightenment.

It is through the exercise of practical reason that particular innovations in the division of labour emerged. New connections were conceived by the imagination,

within a learning-by-doing process. The resulting innovations required a process of persuasion in order for them to be applied (Jeffrey Young 1997), leading to increasing returns at economy-wide level (as Allyn Young 1928, later explained). John Rae (1834) was later to take this up, developing a theory of invention, chastising Smith for, as he saw it, prioritising capital accumulation instead as the cause of the division of labour (Mair 2006). But the foundations are there in Smith's recourse to the human capacities for imagination and persuasion in explaining the division of labour.

Hume and Smith had identified human capacities as being held in common in different societies, though manifest in different ways. At a basic level these capacities included imagination, sentiment and reason. According to Hume and Smith, the imagination is crucial to developing a moral sense, through sympathy (Raphael 1985), and it is only through moral sensibility that society can function. While Hutcheson had argued that moral sensibility is innate (Skinner 2006), Hume and Smith were concerned about the consequences of changing economic organisation for moral sense. Indeed appropriate social norms which relied on moral sense were necessary for a successful system of market exchange. (This is the normal resolution of the Adam Smith Problem, ie social behaviour and self-interest are generally complementary rather than conflicting.) While imagination is essential to the development of moral sense, imagination can also be applied to self-interest, even if it involves self-deception, and the wish for self-improvement. Thus Smith (1759) offers the account of the poor man's son who strives for riches, imagining that these will bring him happiness. Whether he does achieve happiness or not, he is led, as by an invisible hand, to promote economic improvement (see further Schabas 2005: 95). This aspiration for self-improvement is activated by exposure to luxury goods. Thus, as societies develop and international trade expands, the process is fuelled by

increasing aspirations encouraging efforts to improve productivity, an argument developed by Steuart, Hume and Smith (see Eagly 1961, Brewer 1998).

The emergence of commercialisation itself is promoted by the human propensity, which Smith (1776: I.ii.1) identified, to 'truck, barter and exchange one thing for another'. But Hume identified particular social and economic benefits from the changes in mode of production brought about by the division of labour. He saw the social discipline of employment itself as being a civilising force, and that work itself, rather than a burden, was a source of feelings of self-worth. Employment in turn would encourage what he referred to as 'arts', by which was meant such things as knowledge, inventiveness, skill, technique and technology. Trade in turn would increase communication between societies, spreading the benefits of this civilising force, and thus the capacity further to increase productivity (Wennerlind 2006). In his essay 'On Money', Hume (1742) emphasised the stimulating effects of a trade surplus in terms of spurring on further industry; money inflows were the sign of productivity improvements which had led to increased sales abroad rather than themselves the causal force behind increased expenditure.[5]

Hume was in fact less sanguine about the sustainability of economic development than Smith. Success in international trade meant that foreign societies were aspiring to the imports to which they were increasingly exposed, so that they too would employ the division of labour to improve the competitiveness of domestic production, and thus substitute for imports (Hont 1983). Steuart (1767) was particularly concerned that markets, and thus scope for further growth, could be lost. Indeed Hume and Steuart saw economic development as a catching-up process, rather

[5] This interpretation differs from the conventional monetarist interpretations of Hume, where it is money itself, rather than the process of increasing productivity, which is causal; see further Skinner (1993).

than Smith's ongoing process. While Hume emphasised the need for government to promote stability and security to underpin commercial activity, he was also concerned about the scope for government unduly to exercise its power to tax and to issue debt. But commercial activity itself he saw as promoting social responsibility.

Others however raised concerns as to the wisdom of taking the division of labour too far, not just in terms of potential conflict between prosperity and virtue, but also in terms of prosperity itself. Smith himself qualified the role for specialisation, foreseeing that agricultural improvement would go hand-in-hand with manufacturing growth. Others, such as James Anderson (1777, 1785), argued for even more balance so that each sector provided a market for the others' products, particularly between different activities within agricultural improvement, and within smaller, regional, geographical areas (A. Dow 2004). This focus on the particularity of local context as throwing up exceptions to the general argument for specialisation was also a feature of Steuart's *Principles*, from which Smith purported to distance himself in the *Wealth of Nations*. But, while Smith himself aimed to set out an aesthetically pleasing system, he too took pains to point out exceptions to his (provisional) general principles according to context.

There was a more fundamental objection to the division of labour on social grounds, put most forcefully by Adam Ferguson (1767) (Pittock 2003). He argued that the division of labour threatened to erode moral sensibilities and the social fabric in such a way as to threaten the security necessary for commercial society to function effectively. Indeed he raised the possibility of developed societies reverting to barbarous despotism.

> It is here indeed, if ever, that man is sometimes found a detached and a solitary being: he has found an object which sets him in competition with his fellow-creatures, and he deals with them as he does with his cattle and his soil, for the sake of the profits they bring.
>
> (Ferguson 1767: 19)

This was relevant to the contemporary issue of how to organise military defence. Ferguson argues that economic advance would be threatened by greater risk of military attack in the case of a standing army (Sher 1989).[6] He focused on the need for a militia, which would retain a balanced moral sense, while Smith argued for a specialist standing army (Montes 2004: chapter 3). Ferguson did not regard corruption as the inevitable consequence of commercialisation, but rather emphasised the need for institution-building to counteract its damaging effects on society; like Hume, Ferguson saw the role of government as central to providing a secure backdrop for commerce. Smith certainly appreciated the danger of specialist production work being alienating, and the need for education to counteract this (Fitzgibbons 1995: chapter 11). But Ferguson's argument is a more general one. Smith (1759) had argued that the social aspects of behaviour are necessary for the functioning of markets. But Ferguson was raising questions as to the sustainability of these social aspects of behaviour under the division of labour, with more relevance for production than exchange. For him there was a long-term trade-off between prosperity and virtue, and indeed the erosion of virtue could eventually undermine prosperity. On balance nevertheless, Ferguson viewed that the division of labour would bring about progress (Meek 1976: 150).

[6] Ferguson argued from personal experience, first from his upbringing in the Highlands characterised by militias, and then as a chaplain to the Black Watch regiment.

How far were these ideas influenced by the local context? There is a large literature now on the particular background in Scotland to the Enlightenment, emphasising such influences as the different philosophical traditions and the removal of the political action to London following the Act of union in 1707 (see for example Allan 1993, Broadie 1990, Broadie ed. 2003). But here we focus on the particular cultural history behind the apparent Highland-Lowland divide as a possible influence. There is a clue to this cultural influence in that the thinkers who most emphasised concerns over the division of labour, and also the scope for variety of development experience (Ferguson, and Anderson) had Highland connections to varying degrees. In fact, if we enquire more closely into how social and economic organisation in the Highlands was organised, it becomes hard to sustain the interpretation of stages as a natural and inevitable linear progression. Indeed Macinnes (1996) offers an illuminating account of the shift from feudalism to capitalism in the Highlands and Islands from the perspective of Gaeldom, as a 'convulsive rather than evolutionary or revolutionary' process (Macinnes 1996: x).

Here perhaps we have a reflexive case study for variety of epistemology, due to particular circumstances, which was a feature of the Scottish approach itself. In what follows, we consider the ideas for economic development again against the backdrop of the particular Scottish context, in terms of ontological and epistemological differences within Scotland. But first we provide a brief account of the background to that context.

THE SCOTTISH ECONOMY UP TO THE ENLIGHTENMENT

As with all history, there are conflicting accounts, but it would be a fair characterisation to describe the Scottish economy as poor relative to England in the

period before the Enlightenment (Campbell 1982, Emerson 2003, Devine 1982). There was limited experience of luxury goods, but commercialisation was emerging alongside agricultural innovation, facilitated by changing institutional arrangements with respect to land ownership and tenancy, and an indigenous banking system which had emerged in response to the needs of a growing economy with relatively poor stocks of specie (Checkland 1975). The changes in land tenure were particularly significant, dating back to the sale of church property following the Reformation. But more recently, improvement in the form of division, consolidation and enclosure followed from a series of Acts during the second half of the seventeenth century. The tenancy relationship became one of pecuniary rent, rather than payment in kind and (mutual) feudal obligation, and landowners came to see their property as a means of accumulating wealth rather than social standing. Until early in the 18th century land was still often divided into strips (runrigs), held by multiple or joint tenancies which were periodically reallocated to ensure equality within the community. But movement of landowners to London encouraged a drive for higher rents, and higher efficiency, and tenancies were increasingly held on an individual pecuniary basis.

Natural resource endowments were significant for general relative poverty, but also for the pattern of economic activity. There was in particular a physical difference between central Scotland, which was more suitable for arable cultivation, and the more mountainous north and south, which were more suitable for stock rearing, such that the central Lowlands could be thought of as progressing towards the third stage of economic development more readily than the north. Further, the presence of urban development in the Lowlands became associated with more commercial activity (the fourth stage) than the more rural areas. It became common for Scotland to be thought of more generally in dualistic terms (see for example

Cregeen, 1970), with a contrast between the more developed Lowlands and the less developed Highlands, and for this difference to correspond to a cultural difference allegedly between Presbyterian Scots speakers and Roman Catholic or Episcopalian Gaelic speakers, which reached its nadir in the rebellions of 1715 and 1745. To the extent that this was the understanding in the eighteenth century, it is highly relevant to the emergence of Enlightenment thought. But it is debatable how dualistic the Highland-Lowland divide was, or was perceived to be, even in the Enlightenment.

The understanding of pre-Enlightenment history in terms of a Highland-Lowland divide has been challenged, suggesting that the distinction (such as it existed) was a creation of the seventeenth and eighteenth centuries, imposed on a less divided national society. As Newton (2000: 14) puts it: 'It is possible to see the conscious recognition in earlier times of the features of a common Scottish tradition springing from Gaelic, and wider Celtic, roots'. Some, notably John Campbell, Roy Campbell and Devine, have argued variously that a dualistic account of Scottish culture only emerged as a result of suppression of the Highlands and Islands, with attempts to limit the power of the clan system, and in particular the changes in land tenure. But even then the hill country in the south of Scotland had much in common with the physical conditions in the Highlands, and the rebellions did not in fact follow a strict Highland-Lowland divide.

Devine (1999) also challenges the view that the Highlands and Islands were backward in terms of economic development. He notes the improving efforts of entrepreneurial Highland landowners (notably the Campbells), with their early engagement in cattle trade, and thus in commerce more generally, in order to satisfy the demand for imported goods, such that commercialisation (eg pecuniary rents rather than rent in kind) reached rural areas of the Highlands before the rural areas of

the Lowlands. Indeed, as part of the efforts of 'improvement' there were clearances of population from the Lowland rural areas as well as the Highlands. Nevertheless it could be argued that traditional social structures were more enduring in the Highlands and Islands (for a variety of reasons), and that there was therefore more resistance to new technology in the Highlands if it disrupted existing social structures (Newton 2000: chapter 9).

But these social structures themselves were changing. The erosion of the traditional system of justice and conflict resolution in the Highlands and Islands meant that, during the dearth of 1695-1700, Highland marauding resumed without adequate checks. The resulting impression of Highlanders as warlike was reinforced by the rebellions, which were exercises in resistance to suppression of a way of life (Saville, 1999). These rebellions (the second of which at the time did have the potential to succeed) confronted Lowland society with the direct experience of the potential for armed conflict. The resulting determination further to suppress Highland and Island culture brought about further structural change in the Highlands and Islands, with direct implications both for culture and the economy**.**

By then, Union with England and Wales had removed political power from Scotland as a whole, diverting energies to such matters as economic improvement, and the Union opened up new markets which also acted as a spur to increased output and innovation, as the theory of development would predict. But there had been significant improvement before then, according to Devine (1982) in that significant agricultural surpluses had been achieved already during 1680-1740. Various societies were formed to promote ideas for agricultural improvement, starting with the Honourables the Society of Improvers during 1723-45. Hume and Smith were involved in the Edinburgh Society for Encouraging Arts, Sciences, Manufactures, and

Agriculture in Scotland, which had grown out of the Select Society founded in 1754 (by the portraitist, Allan Ramsey). Campbell (1982) emphasises the importance of intellectual input as helping Scotland overcome its relatively poor resource endowment. But both he and Devine (1982) emphasise innovation prior to the Enlightenment, such that surpluses and commercialisation had already advanced significantly by the mid-eighteenth century. They therefore come to the conclusion that, rather than the Enlightenment being the cause of Scotland's rapid economic advance from the eighteenth century, it was on balance the effect. But, to the extent that the Enlightenment proceeded to provide the basis for further advance, (eg in generating ideas for Highland 'Improvement') we see an interplay between the two. This conclusion would itself be consistent with the theory of economic development which emerged in the Scottish Enlightenment.

In the next section we come back to the special characteristics of the Scottish Enlightenment generally, and the theories of economic development it spawned, to consider how far these special characteristics reflected the particular circumstances in Scotland.

ECONOMIC IMPROVEMENT AND THE HIGHLANDS AND ISLANDS

The consensus which appears to have been arrived at in the economic history literature, that economic development predated and facilitated the Enlightenment in Scotland, is consistent with the content of Enlightenment thought: that the process of economic development, with its spur to the imagination, generates new connections in thought. But in the Enlightenment, Scottish epistemology evolved in a way which was particularly helpful for addressing practical problems. As Campbell (1985: 11) argues,

> The Scottish intellectual tradition's contribution to industry lies less in a series of specific inventions which had some industrial application and more in the emergence of a new methodology, a scientific method, which could perceive the advantages of new methods of production even when it was not always possible to provide convincing explanations of why that should be so.

But what we want to consider here is how far the particular socio-economic background in Scotland coloured the particular ideas which emerged. As we have noted above, the Scottish approach to knowledge was to derive general principles (albeit provisionally) from a range of experiences. There was a disparity of economic experience across Europe, between Scotland and England, and in the new colonies which influenced their thinking, as well as over time. Hume and Smith in particular drew on their extensive familiarity with the classical period. Meek (1976) draws attention to the particular focus at the time on the experience of North American Indians as providing insights into the organisation of subsistence in the first of the four stages which could previously only be imputed from ancient literature. Indeed Meek (1976: 127) argues that experience of contemporary differences, combined with the speed of economic change in eighteenth century Europe help explain the development of the stadial approach in Europe more generally.

But we are concerned to understand the particularity of Scottish Enlightenment ideas, and so focus on the particularly Scottish experience. It is increasingly argued that the Scots ideas of economic improvement were implicitly directed at the particular question of improvement of the Scottish Highlands (Hont

1983, n.7, Caffentzis 2001, Emerson 2007). Caffentzis (2001), for example, points out that Hume's *Political Discourses* were written while he was in Edinburgh at the time of the Annexing Act of 1752, whereby thirteen estates were annexed to the Crown, and the rents and profits from Highland estates were to be used for 'civilizing' the inhabitants. When reference was made to 'rude' and 'civilized' societies, they had in mind the Highlands and Lowlands respectively, within a more general categorisation of societies. It could be argued therefore that the Highlands were understood in terms of an earlier stage of development than the Lowlands (within the stadial approach).

The argument that the focus of theorising about development was on the Highlands can be overstated. Nevertheless, while the sweep of evidence drawn on for formulating a theory of development was wide, immediate experience (as Smith's epistemology attests) must have been the greatest influence on their thinking about economic development. Several of the key thinkers (Smith, Hume and Anderson) were actively engaged in policy-making for Highland improvement. The Scottish Enlightenment took much of its character from the spur to its epistemology from the need to address practical problems.

But, while the expression 'civilizing' the Highlands was current in some circles, consistent with the policy of suppressing Highland culture (outlawing Highland language, dress etc), this is not the sense we get from Hume (albeit in defensive mode, responding to Samuel Johnson's criticism of the Highlands):

> I shall be sorry to be suspected of saying any thing against the manners of the present Highlanders. I really believe that, besides their signal bravery, there is not any people in Europe, not even excepting the Swiss, who have

> more plain honesty and fidelity, are more capable of gratitude and attachment, than that race of men. (quoted from Hume's unpublished *Of the Authenticity of Ossian's Poems* by Mossner 1943: 96)

Given that Hume's family was involved in introducing improvements to their farm at Ninewells in the Borders (south of the Lowlands), he had direct knowledge of the process, and also of a context where commercialisation had only recently developed, ie where economic advance was ahead of some parts of the Highlands, but only by recent developments.

Similarly, Adam Ferguson discussed North American Indian society as being at an earlier stage of development, but not in terms of identifying the stages with degrees of progress **(**Meek 1976: 43 n.46; 154-5). John Miller argued further (contra Rousseau) that the stages of development should not be analysed in terms of moral judgement (Meek 1976: 172). This indicates a less materialist, determinist interpretation of the stages than later emerged, in line with the natural law approach, with Marx (Meek 1977). Taking instead the civic humanism approach, Philipson (1981: 21-2) advocates instead a moderate interpretation of the stages approach: 'It was clear to them that savages, living in pre-political, tribal societies were capable of experiencing a sense of moral autonomy'. He argues that the Enlightenment figures were trying to make sense of intellectual life in Scotland, which was now remote from politics; the science of man implied that we can learn from 'savage' society. There was for example a concern that commercialisation would threaten individual liberty by shifting power to the state. Movement through the stages should therefore not be seen as a simple matter of progress.

This was relevant to the interventionist approach to Highland Improvement, particularly following the 1745 Rebellion. Gray (1957: 246) concludes his study of the Highland economy by referring to the damaging effects of the encroachment of emerging capitalism as being uncontroversial:

> That the old way of life held much that was valuable and that many of the policies that helped to break it were mistaken and short-sighted, even greedy, need not be challenged.

Hume, with his deep understanding of the importance of social custom, advocated a more cautious approach to the imposition of 'improvement' policies in the Highlands, which respected particularities of context. As Philipson (1981: 30-1) puts it:

> No commercial society could be stable, Hume thought, whose government did not recognise and respect the variety of its social and regional structure. No citizen could possibly think of himself as virtuous unless he acknowledged that his own happiness and that of society at large were interconnected, unless he realized the importance of pursuing political stability in respecting the regional integrity of the different communities of the kingdom.

Smith and Hume's advocacy of the benefits of commercialisation cannot be interpreted as Whiggism, in the sense of belief in the inevitable progress of society, tempered as such progress was by concerns about social estrangement, and threats to competition, morality and security. By comparing the Highlands and Lowlands they

could see at first hand the problems with commercialisation within a particular context: the breakdown of clan-based mechanisms for social control in the Highlands, the breakdown of traditional society in towns, and so on. Even although agricultural improvement, entrepreneurship and commercialisation arguably were as advanced in some parts of the Highlands as in the Lowlands before the suppression following the 1745 rebellion, traditional Scottish culture had been preserved longer in the Highlands. They could witness the disruptive, and sometimes self-defeating (social and economic) effects of attempts to apply the principle of the division of labour in unqualified form.

Davis (2003: chapter 2) draws attention to different Enlightenment approaches to understanding the individual. On the one hand, Descartes and Locke posed the self and ideas in dualistic distinction from reality: the inner and outer worlds. On the other hand, Davis characterises Smith's thought as an attempt to bring the two together, with the concept of the invisible hand as a process of the unintended consequences of subjective interest. Indeed we see in Scottish philosophy more generally a resistance to dualistic distinction and an avoidance of absolutist conclusions, both of which arguably reflects the influence of Scotland's cultural background.

This background, as we have suggested, is one of cultural difference, encouraging a sceptical epistemology. But the content of Highland culture itself may also have been influential. Foucault (1972) identifies Hume and Smith as being on the cusp of the emerging modern episteme, at the end of the age of resemblance. The former is characterised, among other things, by categorisation, and means/end separation, compared to the more organic approach to life of the latter, where resemblances and connections are emphasised (de Lima 2010). The Highland Improvement movement involved attempts to introduce modernism in a non-

modernist society, and, where new technologies threatened the traditional way of life, they were resisted (Newton 2000). Being on the cusp, Hume and Smith had privileged knowledge of both epistemes. And belonging to a society within which both epistemes were represented, and where there was active discussion of policy with respect to Highland society, must have had some impact on their thought. It is hard therefore to understand them as out-and-out modernists. Yet the modernism which subsequently developed may account for the interpretation of their economics in modernist terms (something which Smith himself would have understood, from his analysis of rhetoric). In particular, the provisionality of principles, the importance of context and the resistance to thinking in dualistic terms, all came to be disregarded.

There are many particular features of the context which can explain the characteristics of the Scottish Enlightenment, and the resulting theory of economic development. But this set of cultural-socio-economic factors relating to the regional make-up of Scotland would help to explain the particular combination of uses of natural law philosophy and civic humanism, such that general principles were sought for, but always understood as being provisional in the face of particular circumstances (in space and time). While the focus was on economic advance with a view to increasing prosperity, the difficulties that this advance would create, and the benefits of prior forms of organisation lost, were also given prominence. There was a modesty about the principles, and more generally about the scope for demonstrable knowledge, reflecting an understanding of the complexity of reality and our understanding of it. At the same time there was an emphasis on the socio-psychological foundations for knowledge, which were necessary in the absence of scope for demonstrable truth.

CONCLUSION

Scottish Enlightenment thought is distinctive (within the broad movement known as the Enlightenment) in a way which can be understood against the particular context. Here we have focused on the argument that the experience of the main Enlightenment figures of the socio-economic differences within Scotland at a time of remarkable change (social, institutional, political and economic) helps us to understand that distinctiveness. In particular it helps us understand the provisional nature of the principles employed and the attention to context. It was Smith's systematising of theory which proved most influential for subsequent modernist thought, at the expense of attention to the concerns about commercialisation which he shared with his contemporaries, among whom were key figures with more experience than Smith of the different conditions in different parts of the country. Similarly, in contrast to the attitude of Hume and Smith, the Whig interpretation of the Scottish theories of economic development distracted from the respect shown for societal difference in the face of the social repression which followed the rebellions.

It is increasingly conventional in intellectual history more generally, and the history of economic thought in particular, to explore the context within which ideas were developed. In considering the ideas of the Scottish Enlightenment we have explored a neglected aspect of that context: the cultural mix in Scotland, particularly with respect to the Highlands and Lowlands. We have also drawn attention to the significance, as well as the sometimes misleading nature, of the construction of a Highland-Lowland divide in some portrayals of the eighteenth century.

We have concentrated on the aspects of the Scottish theory of development which focused on knowledge above resource endowments, so it is not surprising to find connections between their theory of knowledge and their theory of economic

development. Perhaps the greatest contribution was to steer a path between general principle on the one hand and particularity on the other, and we have tried to follow that path in our interpretation of their ideas.

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