

How Adam Smith Learned to Bargain

Whilst this *Authentic Account* opens with a consideration of some early biographical material, it is not a biography of Adam Smith. However, some biographical material is central to the forming of Adam Smith's personal character that played such an important role in his contributions to the Scottish Enlightenment. Absent such knowledge of Adam Smith's background, much that is really important to our understanding of the man and his scholarship would be, and often is, missed. Mistaken modern commentaries and assessments of his life's work, as well as many monumental errors of attribution, persist even in public pronouncements about Adam Smith in both today's multimedia and, sadly, also in scholarly discourse.

Many readers disregard the paragraphs on bargaining in Adam Smith's *Wealth of Nations*, judging by the almost total absence of comments about them in the academic literature and in those lectures that I have attended, and on relevant websites and blogs that I read. I shall address here the very first ideas that Smith expressed on '*truck, barter*

and exchange' in *Wealth of Nations*, which behaviours are unique to the Human species.¹ Bargaining is not just a modern management technique; it has long been the essence of all inter-human contact; it is what made us Human and distinguishes us from all other species. Hence, Smith opens his major Work with bargaining as *the* subject, because all Humans were and are bargainers!

The fact is that young Adam Smith, because of his unique circumstances, had to learn how to bargain, when only four years into his nine-year Snell scholarship at Balliol. Those negotiations enabled him to leave Oxford physically in 1746, and then, later, to leave his Snell contractual obligations in 1748.

Towards the end of his Glasgow Professorship, his views on bargaining had matured from considerable practice as a professor whilst negotiating to facilitate his bargain with Charles Townsend to tutor his stepson, the Duke of Buccleugh, for three years for a life pension of £300 a year. This was a considerable sum at the time, though probably small change for the Duke, and enabled Smith the time and space to research and write the *Wealth of Nations*, between 1763 and 1776, and, in consequence, to enjoy relative affluence for life. Reportedly, he also gave much of his enhanced income away in charitable acts.

In *Wealth of Nations*, Smith elaborated on the consequences of the most profound and main creative differences between Humans and all other animals, namely the Human powers of reasoning and speech. It is with these faculties that Humans were able to '*truck, barter and exchange*', commonly described today as bargaining and by using these faculties, Humans achieved a far higher degree of co-ordinated actions that led eventually to the dominance of the Human species over all other animals.

Putting all this in the context of humanity's deep experience as a distinct species, we can see that which Smith had realised from his conjectural history, as Dugald Stewart described in his eulogy to Smith in his address to the Royal Society of Edinburgh in January and March 1793. The overarching fact in civilised societies is that Humans stand at all times in need of the co-operative assistance of 'great multitudes', even

though they only know of a comparatively few persons throughout their entire lives. It necessarily follows that bargaining exchanges are practised where people believe they can co-operate in mutually beneficial activity. This confirms that the universal Human exchange behaviour is of distinctive and crucial significance and is equally applicable if circumstances for exchange are present between complete strangers, who are not well-known to each other and, also of course, between neighbours who know each other quite, even too, well. The exchange propensity is uniquely Human. Smith mentioned these and associated assertions in *Wealth of Nations*.

Bargaining is what makes us distinctly Human. Hence, Smith's early concentration on the consequences of the Human ability to bargain at the very start of *Wealth of Nations* also played an important role in the first real test of his character whilst a student at Balliol. His direct bargaining experiences are reflected at the start of his account of Human behaviours in all five editions of his *Wealth of Nations*. Unfortunately, his larger unfinished manuscript of his intended third major book, *Jurisprudence*, was burned by his orders, just before he died in 1790. Thankfully, we have detailed student notes of his last *Lectures on Jurisprudence* delivered just before he resigned his Professorship.

On the basis of these circumstances, we are able to reconstruct Adam Smith's introduction to the realities of Human bargaining as a young student at Balliol, when he was bereft of any formal power to dictate what was most convenient to his interests in respect of the required obligatory consent of his academic and social superiors. That he chose to attempt to persuade senior members of Balliol's academic fraternity, whilst he was socially a mere junior scholar was, perhaps, foolhardy and overly ambitious on his part, to say the least. That he persisted and eventually achieved a measurable degree of success says much for his maturing character. That he generalised from his experiences of bargaining and included it in the opening chapters in *Wealth of Nations* is worthy of more notice than has traditionally been given to it by modern scholars.

When Adam Smith, aged 17, was a third-year undergraduate student at Glasgow University, he was nominated (4 March 1740) for a 'Snell Exhibition', which provided scholarships for up to 10 years, tenable at Balliol College, Oxford University.² Smith's nomination was supported by the Glasgow Faculty led by '*the never to be forgotten*', Prof. Francis Hutcheson, whose large signature dominates the centre of the memo, with his colleagues' signatures squeezed in around it. Smith's academic sponsors were confident that he would do well academically.

At the time, his widowed mother, Margaret Douglas Smith, must have been very pleased that her son had been nominated for a coveted £40 per year, Snell Exhibition, which would pay Adam's college accommodation, its associated domestic services and his daily, though somewhat basic, (oatmeal) subsistence, as supplied and charged for by the College. Her son's future surely was assured. Margaret Smith was widowed when Adam's father (also named Adam), a legal figure in Scottish public life during the negotiations to merge the formerly separate Scottish and English parliaments in 1707, had died three months into her pregnancy. Her husband left her comfortably well off. Her own family, mainly wealthy farmers, lived a few miles away at Strathendry in Fife. Her husband also left a sickly son by his first wife, who had predeceased him. Margaret Douglas brought up Adam and her stepson as Protestant Christians.

Adam doted on his mother all his life and his love was returned fully, as several close family observers noted.

Adam never married, though reportedly he had a liaison from which nothing materialised.

The original Snell bequest required its beneficiaries at the end of their Exhibition to be Ordained into the Church of England and then to return to Scotland to serve in the Episcopalian Church of Scotland. On the basis of their solemn promise to do so, they faced a ludicrously high £500 fine if they did not fulfil their promise. This long-standing condition had been under challenge in the Courts for many years and had recently had been struck down. It was not applied by the time Smith left Balliol.³

So What Could Possibly Go Wrong?

The Balliol experience revealed aspects of Smith's maturing character that shaped his life thereafter. Balliol at the time was in a sorry state academically and financially. Its regrettable intellectual decline contrasted sharply with the flourishing success story that was Glasgow University, where Adam Smith had been an exceptional student from 1737 to 1740. The contrast between the two institutions in Smith's time at Balliol could not have been starker, and the consequences of Smith's exposure to these contrasting academic experiences and what he learned and eventually did about them are the central theme of this opening chapter. What Adam did was reported indirectly at the beginning of *Wealth of Nations*, though the significance of his account has been missed by most scholars even through to the twenty-first century.

When Smith was three years into his 10-year Snell Exhibition at Balliol College (1740–1743), he hints at his suffering periods of stress, usually presented by biographers as a form of mental illness, allegedly similar to the mental stress reported to have been suffered by David Hume at a similar age, 11 years before him. Mossner notes that David Hume '*for the first time in his life he now became acutely conscious of the precarious state of his health*' and when he consulted a physician he reported that '*he laughed at me & told me that I had fairly got the Disease of the Learned*'.⁴ Hume considered that his disease was a '*cruel Incumbrance*' that constituted a great disappointment during one of the most creative intellectual periods in his life whilst he wrote his pathbreaking, *A Treatise of Human Nature* (1739–1740), which is still in print and studied today.

Ian Ross, Smith's most authoritative biographer, noted that Smith's illness showed a resemblance to Hume's stress. However, from the evidence and the circumstances, I do not consider the experiences of the two men to be other than coincidental.⁵ Smith was not yet working on anything resembling the intensity of mental effort required by Hume

whilst writing his *Treatise* and working well beyond the existing frontiers of philosophy. Smith was still studying as an albeit experienced undergraduate, which was well within the boundaries of his academic competence.

Smith, like Hume, seems to have spent much time reading books, both those he purchased from nearby bookshops, or were sent to him from Edinburgh booksellers, and those he read in the few Balliol libraries to which he had limited access. Admission to the main Oxford University Libraries was restricted to senior scholars only. True, he also admitted, like David Hume, to be undertaking insufficient regular exercise, but it is all too easy to draw an unwarranted conclusion that he was afflicted by something similar to Hume's self-reported severe mental stress, sometimes described as a form of mental illness.

Smith's stress was not predominantly from an unfit mental affliction. It arose from the personal predicament when he found himself effectively marooned in Oxford, away from the supportive academic structures of Glasgow University and also from his mother in Kirkcaldy. In addition, he was fearful of not realising his ambitions for academic excellence, which were unlikely to be fulfilled if he stayed for the full ten years at Balliol, given his experience of his first four years. In short, his experience of quality teaching and invigorating learning at Glasgow from two-way contact with talented Faculty compared starkly to his sham academic experience at Balliol, where academic contact was minimal, except at prayers, and amounted to a serious sense of wasting his time.

What were the concerns causing him severe stress? Initially, they were in respect of his mother, of whom he hoped to prevent her learning of an unpleasant incident, in which he had been caught (perhaps from information the local Faculty had received from Smith's fellow students) by two Faculty members whilst he was reading David Hume's *Treatise*, then considered to be 'atheistic' and totally unsuitable when such reading was unsupervised by orthodox Christian Faculty. I suggest that worries over the possible consequences of that incident were a sufficient cause of Adam's early stress. His instinct was to protect his mother (a devout Christian) from any unsettling news that implied that he had religious doubts. The entire episode still rankled with young Adam for

some considerable time afterwards, as can be seen in his sharp criticism of Balliol in *Wealth of Nations*, published 30 years later. He certainly kept his religious doubts to himself and probably only shared them with trusted others in the last years of his life after his mother had died.

Whilst Glasgow students attended regular lectures and had direct contact with Faculty across their specialist subjects, Balliol students, in sharp contrast, were offered two nominal 'lectures' a week, which were a waste of time, and were left to private reading and the composing of essays that nobody read nor critiqued. Smith reported that Balliol's so-called lectures consisted of sitting in silence in a classroom with an occasional question from a professor, who might be in attendance, but usually wasn't. Alternatively, the professor would tell a student to read aloud to the class from a set book or, as commonly, say and do nothing at all.

Smith's academic problem could have been resolved if Balliol Faculty had listened to students sharing their current reading or discussed the essays that students wrote, offering critical feedback and encouragement. It is interesting to consider what the Balliol Faculty might have made of Smith's *History of Astronomy*, written mainly at Balliol, and which he kept locked in his bedroom until 1790. It was published after his death. Its quality testifies to what Balliol missed in virtually ignoring Smith as a student.

Were these experiences sufficient to cause the stress that he endured at Balliol? Looking at the scanty evidence, there may have been other contributory causes in Smith's case, quite different to the experiences of David Hume when he had been an undergraduate student at Edinburgh University, a short horse ride to his home in the Scottish borders, where his elder brother lived with his widowed mother on the family's estate.

Smith had deep concerns for his widowed mother, living alone in far-off Kirkcaldy, whom he had not seen since he arrived in Oxford in 1740. Moreover, because the journey to and from Kirkcaldy could not be completed within Balliol's two weeks annual holidays, this added to his anxieties. Balliol's attendance records, based on the always reliable data of when students drew their daily 'Battell's' subsistence, show Smith to have been absent only twice from Balliol within the

official annual two-week August holidays: once when he visited nearby Adderbury and once when he visited London. On both occasions, he had been escorted by his cousin, William Smith, who had also escorted him during his horse ride to enrol at Balliol in 1740. William was employed by the Duke of Argyle and had access to the Duke's properties in Adderbury and London. Smith was present in Balliol at all other holiday times during 1740–1746.

His letters home describe the consequences of his symptoms but not their causes. Young Smith still faced his quandary about what to tell his mother if news of his reading Hume's *Treatise* and its lasting affects on his thinking reached her. Had Hume's book unsettled or confirmed Smith's independent views about revealed religion? Clearly, Smith's stress was not necessarily associated with his over-studying—surely a problem for all diligent students, then and now?

Scott suggests that Smith had an additional worry over a long-standing court case challenging John Snell's Will that imposed on Exhibitioners the obligation to pay a ludicrously high £500 bond if on completion of their Exhibition they did not present themselves for Ordination into the Church of England. However, that liability had been successfully challenged legally and thereby was unenforceable, except morally, though the slow legal process probably meant its implications were not yet widely shared whilst Smith was at Balliol.⁶

At some point, Smith decided to avoid any hints of a decline in his religious faith which would have caused his mother untold but unavoidable grief by revealing to her any doubts he had about revealed biblical Christianity. Given his love for his mother, the thought of directly misleading her on such matters would have stressed him. Later on though, in his *Lectures on Jurisprudence* at Glasgow, he deliberately omitted the usual references to revealed theology, which some sharp-minded Christian students picked up on but apparently, nothing was done publically about any complaints they may have made to the authorities. The three previous professors of Philosophy to Smith at Glasgow

had been chastised by the overbearing Calvinist religious authorities, but the, by-then, Prof. Smith escaped both their notice and apparently their formal chastisements. All Smith's biographers noted his emotional stress at Oxford though they apportion its causes differently. John Rae reports that Smith's life at Oxford seemed '*not to have been a happy one*', asserting that '*he was in poor health and spirits a considerable part of the time*'.⁷ Rae concluded, more realistically, that '*low health was one of the miseries of [Smith's] estate at Oxford*'. He links Smith's disorders to the '*unfair and discriminating harshness of the College authorities themselves*' and reports that of '*the hundred students then residing at Balliol, eight at least were Scotch, four on the Snell foundation and four on the £8 Warner*'. Smith was on both bequests, adding that '*The Scotch eight seem to have been always treated as an alien and intrusive faction*'.

Not surprisingly, the Snell Exhibitioners were continually complaining to the Glasgow Senatus on the subject. In 1744, for example, '*when Smith was still a Balliol student, the Snell Exhibitioners wrote an account of their grievances to the Glasgow Senatus, and stated what they wanted to be done towards making their residence more easy and advantageous*'.⁸

Such evident Scottish student unrest at Balliol, unless it could be contained by Faculty, threatened a significant loss of annual income for the college at a time when it was struggling financially. Events moved to a confrontation between Smith's academic aspirations and his Snell obligations. Such was the lasting effect of his experiences at Oxford that thirty-two years later in *Wealth of Nations*, he still severely criticised what he regarded as the morally corrupt Balliol regime, which he alleged was not an uncommon experience in English universities.

To his stresses over his alleged religious doubts were added his concerns for his mother's physical safety during 1745–1746, particularly as there were no obvious early means of relief from them. Charles Edward Stewart, the son of the deposed Jacobite 'king', raised his standard at Glenfinnan in Scotland on 19 August 1745 to recruit an army, with the (overly?) ambitious goal of overthrowing the 'Hanoverian usurpers' of the throne of the United Kingdom of England and Scotland. Charles Stewart's venture was not about restoring Scotland's independence by, for example, recalling Scotland's parliament; it was and remained a violent contest for the British throne and all that went with it, including

its colonies and the Royal Navy that protected them and their trading relationships.

The events of 1745–1746 had direct repercussions on Smith's concerns for his mother, living alone in Kirkcaldy. This became seriously unsettling, especially after the news that rebel troops had entered Kirkcaldy in 1745 and demanded payment of the fines they had imposed on it. His concern about these events reopened Smith's doubts about his remaining at Balliol 300 miles away in England. Thirty years later, Smith's attitude towards the Jacobite armies had lost none of its sharpness. He was dismissive of the military prowess of Highland Scottish Jacobite clans when faced by a professional army, recently returned from large-scale modern battles in Europe involving battle scarred infantry, disciplined cavalry and accurate artillery.⁹

The Jacobite uprising and its bloody aftermath made it unsafe for a lone, young Scotsman travelling across England's countryside, close to local populations, who were not necessarily of a friendly disposition towards Scotch travellers in general. Prudently, Smith awaited calmer times before he set off for Kirkcaldy. Most importantly, he also had to settle the terms of his absence from Balliol, of which his private agenda probably included the possibility that he would resign his Exhibition in due course. This was the central issue that he had to resolve with the College before he could leave, and whether or when he should notify Oxford and Glasgow universities of his resignation from his Snell Exhibition. Balliol also had interests too, including finding a credible means of continuing to receive Smith's annual Exhibition for as long as possible, in view of the College's parlous finances, which objective was compatible in principle with Smith's.

Smith wished to return to Kirkcaldy to comfort his mother in the context of the violent rebellion, and such circumstances may have had high moral credibility with some of Balliol's Faculty at that time, especially if they genuinely expected that Smith would return in the near future and then continue his Exhibition. These considerations created a potential bargaining opportunity that could meet the main interests of both sides, if they both realised that they could and should co-operate over his departure. Given the wide gap in the felt status of the Faculty and that of a mere student only, the realisation on both sides that they

could benefit from such an arrangement was a necessary pre-condition for an agreement to be reached. Such agreements are not always easy whilst either or both sides remain unconvinced of the need to find a workable solution. In the initial discussions, each party could make intemperate judgements and threats of doom if either party ‘walked away’. Smith’s academic future was at stake; Balliol’s financial stress loomed in the minds of some of the more conciliatory Faculty.

I contend that by the conclusion of his agreed departure in 1746, he had also formed a clearer understanding of the practical nature and widespread practise of bargaining exchanges from his participation in the prolonged and difficult negotiations with Balliol’s high-minded Faculty over his compassionate leave. Bargainers who realise the mutual compatibility of their differing interests are well on the way towards reaching an agreement.

Apart from occasional and mandatory references by Smithian scholars to ‘*truck, barter, and exchange*’, the significance of these paragraphs has not been widely discussed amongst modern readers.

Smith’s thoughts on the central significance of exchange in Human relationships remain valid in the twenty-first century. Some modern economists, however, favour purely mathematical presentations of the so-called economics of bargaining, which unfortunately are also largely quite redundant with near zero relevance as guides to actual bargaining.¹⁰ There are, of course, several welcome exceptions to this assessment amongst some modern economists and the new behavioural sciences generally.

Smith’s Bargaining Experiences at Balliol (1744–1746)

Adam Smith, lecturing on Jurisprudence at Glasgow from 1753 to 1763 some 7 years after Balliol, clearly stated the format of the bargaining proposition [featured in Chap. 1 of *Wealth of Nations* (1776).] as a long-standing disposition amongst and between Humans: ‘*give me what*

I want and you shall have this this what you want; see also *Wealth of Nations*. Most readers, including academic writers on bargaining behaviours in modern times, ignore the significance of Adam Smith's clear and early statements of the bargainer's 'IF-THEN' conditional proposition, still widely used when bargaining in modern times: 'IF you give me this that I want, THEN I shall give you that which you want'.¹¹

It is from Smith's clear statement of the bargainer's conditional proposition that I shall discuss bargaining behaviour by referring to Smith's problems as a Balliol student that illustrate how he discovered that a bargained exchange made it possible for him to obtain, if not all, at least sufficient of what he wanted, and which he clearly stated as the essence of promoting the bargaining exchange when negotiating. Voluntary exchange certainly can resolve some of the initial difficulties experienced by the parties searching for resolving a bargaining problem. Smith's experiences constituted a life class in those bargaining processes that enable Humans to manage their mutual dependencies upon each other through exchanging sufficient of what they each wanted from the other to produce and sustain what today is an ever more complex production and consumption market system for maintaining and improving Human living standards.

For clarity, I shall divide Smith's education in the practice of behaviour into three sections, starting with his clash with Faculty over his earlier choice of reading matter.

When the angry Faculty, acting perhaps on information received from other students, intruded into Smith's room at Balliol and seized his copy of David Hume's *Treatise of Human Nature*, Smith was left bereft of an effective response.

The Faculty chastised him for what he was reading, to which Smith could say and do nothing that could modify the indignant true believers in religious superstition, who angrily chastised him, in the confident belief that they were doing the Lord's work. Any answers that Smith offered most likely fell on deaf ears and provoked further recriminations and punishment threats in this and the next world, disgraceful as their

conduct may be regarded today. Having confiscated his copy of Hume's *Treatise* they left, no doubt feeling morally triumphant.

Dreadful precedents for the actions of the angry Balliol Faculty abound in the bloody history of Christianity, including those between Catholics and Protestants (similarly within Islam and its schisms). Two major systems of Christian religious observance have angrily coexisted amongst their followers. One, represented by Adam Smith's mother, was the Christ of love, gentle in every way and forgiving; the other was the Christ of anger, harsh and unforgiving, as, for example, Christ angrily driving the money changers from the Temple's forecourts. The Faculty who chastised Adam were of the latter kind, mocking Hume's presumptions to know more than God and an imaginary world that only faith said that existed. Unbeknown to them, apparently, this was one of the assertions laid against contemporary philosophy in Hume's *Treatise* about Human understanding of reality being products of the Human imagination.

Smith must have been saddened, to say the least, if not quite angry at being chastised for actually reading a book whilst reading for his degree as a student in a university. This illustrates the problem everybody has when accused of an offence that is not counter-balanced by the power of the chastised to resist whatever sanctions others design to impose on them. In such circumstances, there was no prospect of any negotiation to abate their anger. Smith, aged 17, therefore, had to submit to the will of the bullying Faculty members. He also had the additional concern that the College might notify Glasgow of their displeasure, from which, indirectly, the news may leak of their actions and their reasons for them, to his very religious mother. Beyond fuming in private, Smith could do nothing, except review the merits of remaining on his Exhibition. Well, remain he did, albeit temporally. His lack of leverage with the College also remained evident for him to think about as a general problem in all one-sided power relationships.

His first major bargaining opportunity came over the vexed question of his changing from the Ordination path to graduation via a subject more

relevant to his interests and his academic future. His discussions with Faculty made clear their concerns if he reflected calmly on what they said. This latter requirement to listen plays an essential role in pre-bargaining discussions. Not listening and only talking is a common mistake by would-be negotiators.

If Smith merely demanded to switch his courses, he would have to resign his Exhibition and personally fund the £40 a year sent from the Snell administrators of the Exhibition. However, if he refrained from resigning his Exhibition, and could transfer from Ordination to another subject, his £40 a year could continue to pay his University fees. Hence, he had to persuade Faculty to agree to his proposal. And because Faculty preferred him to stay at Balliol and collect the Snell £40, they would be more inclined to go along with it than lose it altogether. This is what gave Adam a slight room for some sort of positive outcome that he did not have when he had been severely chastised over his reading Hume's *Treatise*, but only if he realised the advisability of listening, and not just shouting at Faculty.

In his discussions, Smith had his first glimpse of how bargaining processes were structured by Human parties. Balliol Faculty saw Adam Smith as a supplicant student, who should know, or be taught, his proper low place in the pecking order. However, his low place also involved his Exhibition fees that contributed to the cash-strapped College. Some Faculty members would likely caution their more aggressive colleagues against jeopardising the College's interests. Hence, both parties could engage in conversations commonly associated with the opening phases of most bargaining processes, including the making of initial high demands matched by firm rejections of each other's opening responses. There would have been not a little argument, with early dismissals of whatever Smith framed as his opening goal, if only to diminish his expectations, and probably also not a little sign of Smith's youthful impatience.

Transfers between courses are seldom an automatic process but where there were precedents, no doubt known to older students, Smith would have been advised to consult older hands to look for and listen for relevant historical precedents. The University had to agree to a formal transfer between its courses but Faculty would have been indifferent to

any possible consequences for Smith from his quitting the Ordination course. Smith, not the College, would have been liable to pay any bond, if it had still remained applicable. As ever, because legal processes moved slowly, so did news of recent court decisions, which were subject as ever, to slow moving appeals by litigants. In the event, the £500 bond ceased to be legally enforceable.

The opening discussions alerted Smith to Balliol's specific interests in his remaining enrolled as a fee-paying student, which knowledge gave him some limited degree of leverage. Realising that a compromise option was beneficial to both parties constituted, albeit for different reasons, the basis for the discussions moving towards an eventual bargain. It also demonstrated to Smith how bargained exchange processes enabled Humans to resolve differences in place of bad-tempered deadlocks, and the usual resultant sometimes bloody mayhem.

Balliol eventually agreed to his request for a transfer from Ordination to *'jurista'* (civil law) on 18 January 1744, six months short of his twenty-first birthday. Simon Bailey, Keeper of the Balliol Archives, supplied copies of the relevant college documents and commented upon them at an exhibition at an international week of seminars on Adam Smith that I attended at Balliol College in 2009.¹² Simon Bailey papers Balliol College Archives:

This entry is of particular interest as it seems to have been missed by his many biographers, who have been puzzled by his status at Oxford (1744–1746) and some of whom have conjectured that he took the BA, which he could have done. He never took any degree at Oxford, but men of his standing in Balliol were given the courtesy title of a 'BA, Dominus', and placed in Balliol's social hierarchy as if they had graduated BA. The term *Jurista* indicates that he [became] a student of civil law: Adam Smith e Collegio Ball' Commensalis admissus fuit in facultate Juris Civilis, Licentia sub Chirographo Praefecti Collegii sui prius significata.

He paid the same College fee in 1744 as those graduating BA, and from this time he appears in all College lists as 'Ds Smith' without distinction from those who were BA.

Simon Bailey also offered his thoughts on what was agreed by Smith and Balliol:

This may be an indicator of what he was studying; or it may have been a device to evade being drawn along the path towards Ordination; or he may have quibbled at the Oath of Allegiance required on graduating BA. On the side it was no doubt a matter of not allowing any potential fee-payer to escape.

The transfer indicates an apparent flexibility amongst the Balliol Faculty, driven mainly by considering the College's financial interests and, possibly, also a matching flexibility from Adam Smith, driven by his avoidance of resigning too abruptly without having a credible explanation and an alternative that may be needed to satisfy other institutions in future, let alone the overseers of the Snell bequest at Glasgow University.

Smith probably noticed from disputes of others and ordinary gossip that the eventual outcomes were either indecisive without agreement or they were resolved by some form of compromise. Such compromises when they occurred were commonly affected through each party exchanging mutual movement from their initial entrenched positions by exploring mutually acceptable alternatives. Ironically, the more trenchant another party is about why they cannot compromise, the more clues they inadvertently supply of the possibility of the potential content of an eventual resolution. For would-be bargainers, listening is often more productive than always talking. Smith had considerable leverage when calmly proposing specific changes, rather than merely shouting at Faculty, particularly if he listened closely to what they said in their replies. Listening is always a more productive bargaining activity than shouting.

The 1743–1744 *Juris* compromise agreement kept Smith physically at Balliol for another two years (1746) and his Exhibition running for a further two years (1748) beyond that, during which he was on compassionate leave, and Balliol continued to receive and thereby benefit from the annual £40 payments. Balliol College made a better deal than they might have expected and Smith likewise did much better than he had cause to expect in 1744.

One factor in Smith's favour in his request to switch to Jurisprudence was his acknowledged competence in Latin. When he first joined

Glasgow University as a 14-year-old school-boy, his Latin was good enough for him to go straight to the third-level (final) Latin class, unlike other new entrants who had to first go through and pass Glasgow's levels 1 and 2.

Jurisprudence as a subject required fluency in Latin, as can be seen in the surviving student notes of his *Lectures in Jurisprudence* (1762–1763), many pages of which are sprinkled with Latin phrases, names and legal terms. It was from something like these notes that Smith, long after his teaching career ended, began to compose what would have been his third major book, *Jurisprudence*. Many verbatim extracts from his *Lectures* reappear in his *Wealth of Nations*, enhancing our confidence in the accuracy of the students' notes.

What then were the possible terms of the University's eventual bargain negotiated with Adam Smith for his leave to return to Kirkcaldy on 'temporary' compassionate grounds? In the event, of course, his temporary departure became permanent. The circumstances to allow him compassionate leave and eventual withdrawal have not been explored by his biographers. We must rely on various clues in their accounts for what most probably happened.

Scott reports that Smith told Callander of Craigforth that 'he did not like Balliol and left in disgust'.¹³ Scott comes close to the likely truth of what happened by asserting that '*Something more than becoming weary with the place and the conditions is required to account for breaking away from such prospects other than the Church, as Oxford might have offered him, and also the possible sacrifice of the remainder of his exhibition*'.

The exact order by which the negotiations for compassionate leave were conducted remains speculative. Neither the Balliol authorities nor Adam Smith had any reason to disclose to third parties what they had agreed and both had their reasons for silence. Therefore, we must judge what they agreed by what they did.

Smith's approach was more realistic in a practical sense. From my own studies and the practice of negotiation behaviours and processes whilst a professor at Heriot-Watt's Edinburgh Business School

(1985–2005), I recognise the special validity of what Smith wrote (briefly) about bargaining in *Wealth of Nations*, and I believe we can fill in the gaps, and also learn of his early bargaining experience and of the originality of his thinking.

Unforeseen circumstances, however, had intruded in 1745 that potentially had serious consequences for Adam Smith and his relations with Balliol. Briefly, events in Scotland unfolded in the violent form in the 1745–1746 Scottish Jacobite rebellion of some of the Highland clans. Despite the initial success of the rebellion—the rebel ‘army’ captured Edinburgh by a ruse and invaded England and got as far south as Derby—the Jacobites were mercilessly crushed by battle-hardened Hanoverian troops at Culloden, recently returned from a serious continental war between professional armies to face the rapidly assembled, part-time, less-disciplined ‘soldiers’ from some of the Highland clans, who had rallied behind the Pretender’s standard. The Hanoverian army with its field artillery and discipline decisively won the battle and followed up with a ruthless and bloody suppression of suspected Jacobites amongst the Scottish population throughout 1746, which bloodily purged the Highlands politically of Jacobites for generations to come.

Balliol expected the Scotch students to knuckle down and get on with their unsupervised studies, such as they were; Smith, on the other hand, had pressing personal reasons to persuade Balliol to agree to his compassionate leave. Faculty also knew that if Smith chose unilaterally to resign his Exhibition, it would be at some financial cost to Balliol, though I doubt they regarded Smith as a serious loss academically. This possibility may have strained inter-faculty relationships over an avoidable consequential loss of Snell fee income if too extreme a reaction was taken to Smith’s request. This opened the road to thinking about the avoidable risks of him quitting in frustration and causing a divided Faculty to search for a response that minimised the risks of their internal disagreements getting out of hand, and, of course, the college suffering an otherwise avoidable financial loss.

Smith and Faculty no doubt still made speeches, outlining their initial demands and dismissing each other’s arguments through emphatically restating their own. I once heard these episodes in bargaining described as ‘dialogues of the deaf’. In short, both parties *argued*!

discussed whilst debating the merits, or lack thereof, in each other's arguments. Such behaviour is fairly typical of the opening phases of difficult negotiations, especially between inexperienced participants.

As time went by in multiple sessions, each side could have asked questions, summarised their demands, made tentative offers, repeated important objections, sought clarifications and suggested possible further amendments. Most probably, these exchanges were poorly conducted with too many arguments, traded accusations and general hostility. Whilst there are a host of *signalling* behaviours possible in these *argumentative* exchanges, if the negotiators are looking for signs of bad faith, they will miss opportunities for amending old *proposals* or even for submitting completely new proposals. In *bargaining* terms, the parties need to ask questions not simply repeat their current positions. Some things may have been attractive to the other party whilst other things may have remained abhorrent. This is the crucial stage in a negotiation, portending moves towards a *joint* decision to settle on final terms. We may conclude that Smith learned that bargaining was an often messy, multistep process (Kennedy 1998). It is most significant that Smith identified in *Wealth of Nations* that the defining characteristic of bargaining exchanges can be summarised by what is called appropriately the golden rule of negotiating an exchange by using the IF-THEN *conditional propositions*:

IF you give me this which I want, **THEN** I shall give you that which you want.

Smith presents the '**IF-THEN**' conditional proposition in recognisable form:

Give me that which I want, and you shall have this which you want.

The clarity of his understanding of bargained exchanges from his using the conditional proposition format, which he learned from direct experience, is quite remarkable. He recognised independently the significance of the conditional proposition from his negotiation experiences around the youthful age of 23, and with no practical experience of serious bargaining in the wider commercial world.

Perhaps Smith presented his conditional offer in the form:

If the College authorities allow me to return to Kirkcaldy on compassionate leave, Then I shall continue on my Snell Exhibition.

This could lead to Balliol responding with their version of the conditional proposition:

If you remain as a Snell Exhibitioner and a Warner student, Then Balliol will grant you compassionate leave from the College until further notice.

In all versions of the conditional proposition, the details of what is to be exchanged are specified. The parties see what they are going to have to give to get what they want in exchange. Negotiations beyond this stage may continue as the parties introduce related 'If-Then' amended propositions.

Of course, there can be a fair amount of mutual verbal grief inflicted on each other by often angry participants before they turn to plausibly acceptable conditional bargaining propositions. No doubt, young Smith was occasionally disrespectful of the older, more self-confident, Faculty, who could be irritatingly off-hand both as self-confident worldly adults with long experience of coping with irritatingly bright students, who had less than worldly experience. But because both parties needed to receive enough of what they wanted in exchange for agreeing to enough of what the other party wants and stood in need of the other, they both had to move perceptively. Both parties had to accommodate to some extent to what the other wanted and to accept that what they currently demanded was not likely to be agreed in full. This may have taken more than one short-tempered meeting when, in the intervals between meetings, each side reflected on what is really at stake for themselves modified what was realistically possible in the circumstances.

Balliol's interests largely were about maintaining their basic solidarity with the High Church of England and the governance of England and Scotland as favoured by their politics, neither of which Adam Smith actually threatened. In the background, there remained, of course, the income stream from their eight Scottish students who

were Snell Exhibitions, plus some £8 a year ‘Warners’, which together were and remained a major concern for the Faculty in Balliol’s recently strained financial circumstances. Young Smith wanted to leave Oxford to comfort his mother and attend to her circumstances as a young adult of 22–23. It is not known and is now unknowable, if his private agenda already included his intention never to return to Balliol. When he finally resigned his Snell Exhibition in 1748, he was an adult approaching 25 and had been under the influence and protection of his appointed legal Guardians for two years in Kirkcaldy. Once he was 300 miles away in Scotland, he could initiate his private quest via his socially prominent Guardians for his academic future, knowing that his Snell Exhibition in this mix was potentially a powerful trump card to get what he wanted from Balliol, but only if he played this sensitive card skilfully. Smith had already been allowed to leave the normal Ordination course, apparently without needing to inform the Snell administrators in Glasgow.

Once again, the parties eventually came to a settlement, despite the overlays of mutual distrust and their recent experience of their negotiations to change Smith’s course to Jurisprudence. Both parties were probably at least resigned to the inevitable, judging by subsequent events. Because Snell Exhibitions were paid directly to the College, and not directly to the student, the total remittance mainly benefitted Balliol in Smith’s absence, and thereby excluded the possibility of any financial impropriety on Smith’s part. Smith’s actions during the late summer–early winter of 1745–1746 showed him practising what he published on bargaining 30 years later in *Wealth of Nations* in 1776. In practice, the exchange propensity is not universally adopted on all occasions even where it could prove viable, including when a party expresses an interest in negotiating and the other party may consider it not to be appropriate to do so. In bargaining, it takes two to tango. Indeed, the use of violent force, theft and deceit have also been (and remain) common features of discordant Human relationships since time immemorial.

Putting all this in the context of humanity's deep experience as a distinct species, we can see what Smith had realised from his conjectural history, as Dugald Stewart described in his eulogy to Smith in his address to the Royal Society of Edinburgh in 1793.¹⁴ The overarching fact in civilised societies is that Humans stand at all times in need of the co-operative assistance of multitudes of other people, most of whom have no direct knowledge of other people in the connecting chains that link them together, let alone engage them in friendship. It necessarily follows that bargaining exchanges are practised where people believe they can arrange to co-operate in beneficial activity for their mutual benefit. This confirms that the universal Human exchange behaviour is of distinctive and crucial significance and can be equally applicable if circumstances for exchange are present between complete strangers, who are not well-known to each other and, also of course, between neighbours who know each other quite, even too, well.

The exchange propensity, noted Smith, is a uniquely Human experience, and in Smith's considered opinion, an inevitable consequence of their capacities for reasoning and speech not found in any other animal.

Bargaining is what makes us Human. Hence, Smith's early concentration on the consequences of the Human ability to bargain at the very start of his *Wealth of Nations* and the role it played in his first real test of his character, whilst a student at Balliol, of which direct bargaining experiences he reflected at the start of his account of Human behaviours in all editions of *Wealth of Nations*.

On the basis of these circumstances, we were able to reconstruct Adam Smith's introduction to the realities of Human bargaining as a young student at Balliol, bereft of any formal power to dictate what was most convenient to his interests in respect of the required obligatory consent of his academic and social superiors to allow what he required of them. That he chose to attempt to persuade senior members of Balliol's academic fraternity, whilst a mere junior scholar was, perhaps, foolhardy and ambitious on his part, to say the least. That he persisted and eventually achieved a measurable degree of success says much for his maturing character. That he generalised from his experiences of bargaining and included it in the opening chapters in *Wealth of Nations* is

remarkable and worthy of more notice than has traditionally been given to it by modern scholars.

The bargaining propensity is universally tried by Humans on most occasions, even where it may difficult to do so. Indeed, the use of and even threats of violent force, theft and deceit also remain features of Human relationships since time immemorial, illustrated by the early voyages between European cultures and those between Europeans visiting previously unknown people in unknown cultures. For example, this was the case in the Pacific voyages of discovery by Captains James Cook, William Bligh, Vancouver and many others in the eighteenth century. Their reports to the Admiralty and their published accounts show many instances of the reliance of the Europeans and the various inhabitants of the Pacific islands they discovered, on forms of bargaining, as well as many unfortunate instances of both parties resorting to violence or theft (Kennedy 1978, 1989).

Smith went on to define how Humans used bargaining behaviour to obtain what they wanted from other Humans by linking what they offered to what they wanted in return. Remember that the vast majority of Humans do not have control over their fellows from whom they want what is in the power of such fellows to oblige them with for whatever they are offered in exchange. However, they cannot rely on the generosity of strangers, nor can strangers rely on the benevolence of foreign visitors to obtain what they need from them. This is not to argue that there is no role for benevolence, but no Human is so wealthy that she can feed and clothe the whole town every day of the year from her benevolence alone.

Smith demonstrated his understanding of the Human proclivity to practise exchange within and between societies. Far from the unrealistic folly of one-sided reliance on the permanent practise of one-sided benevolence, Humans instead can practise a two-sided reliance on each other. The bargainer, argued Smith in conversation with a potential partner, would be more likely to meet some of his own interests if he can convince them of what they could gain if they co-operated with him in a mutually beneficial exchange.

Such propositions constituted the universally offered bargain throughout Human history, and thereby each bargaining party in

Balliol enjoyed a two-way exchange: *'Give me that which I want and you shall have this which you want'*. This is the clearest statement by Adam Smith of what is involved in bargaining behaviour. Certainly, Smith's clear statement of the format of the bargaining proposition in the conditional proposition of 'If-Then' remains as true today as it was when he identified it in his eighteenth-century world. Untold generations before Smith practised the same search for bargained outcomes using essentially some form of conditional propositions.

Yet formal workshops and courses in negotiating only became prominent in the world's Business Schools and Colleges from the 1970s and are now part of many business degrees and diplomas. It is poignant to reflect that Adam Smith had faced and successfully grappled with his personal bargaining problem from scratch nearly three centuries ago, using insights and methods he learned independently from his experiences at Balliol College in 1746, which are now taught to bargainers everywhere. Though to be frank, I regularly receive from publishers manuscripts of new books on business negotiations that, to my surprise and disappointment, do not even mention the conditional proposition, as stated in *Wealth of Nations* in 1776, thus revealing that their authors have little experience of practical negotiation.

William Scott (1937) reports that *'Adam Smith left Balliol on or about the 15th of August 1746'*. He also reported that Smith *'left in disgust' and did not return*.¹⁵ On 4 February 1748, Smith wrote to Dr. Theophilus Leigh, Balliol College, resigning *'all right and title to his Snell Exhibition'*.

By this action, Smith terminated his unhappy association with Balliol, though years later, ever polite, he graciously acknowledged a measure of satisfaction with his experiences of Balliol from 1740 to 1746. After all, it was at Balliol that he learned to bargain even in the least propitious of circumstances and no thanks to his academic tutors.

The Balliol authorities, who ignored what he was learning in his reading course (except for his reading of David Hume), also who refrained from engaging with him intellectually, such as by reading the early draft of his Astronomy Essay. Oxford finally woke up to the intellectual significance of the man from Kirkcaldy years later, and awarded him,

somewhat belatedly, his degree, thus claiming Adam Smith as one of their own, though they had ignored him whilst he was with them.

Notes

1. WN 1.ii. 1–5 pp. 25–27.
2. Addison, W. L. (1901). Smith's nomination, signed by the Glasgow Faculty, is held at Balliol College. Simon Bailey, Keeper of the Balliol Archives.
3. Ross (2010, pp. 73–74); Phillipson (2010, p. 25).
4. Mossner (2001, pp. 67–70); Scott, J. (1895, pp. 19–21).
5. Ross (2010, pp. 63–66, 70).
6. Ross (2010, p. 73).
7. Rae (1895, pp. 24–27).
8. Rae (1895, p. 26).
9. LJ (B), pp. 540–541.
10. Kennedy et al. (1980; 1982; 1988, p. 10); Kennedy, G. (2017, pp. 61–77).
11. Kennedy, Benson, Mcmillan, 1980, Managing Negotiations, Hutchinson Business Books.
12. Simon Bailey papers Balliol College Archives:
University Archives ref. SP 70, 18 January 1743/4(1.a) Admissions and Degrees Book (1686–1833), Adam Smith's admission entry, 4 July 1740 (1.b) Smith's entry among graduation records, 5 May 1744: Com. Smith admissus est Jurista.
13. Scott, p. 43.
14. Dugald Stewart: Account of the Life and Writings of Adam Smith LLD from the Transactions of the Royal Society of Edinburgh (Read by Mr Stewart, January 21 and March 18, 1793) in Adam Smith *Essays on Philosophical Subjects*. Editor I. S. Ross, Edited by D. D. Raphael and A. S. Skinner, Glasgow, Edition of the Works and Correspondence of Adam Smith, OUP 1980, pp. 265–351.
15. Scott (1937, p. 43).

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