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On Reclaiming Adam Smits's Method and Strengthening Post- Keynesian Thought

Mogens Ove Madsen



BUSINESS SCHOOL
AALBORG UNIVERSITY

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Abstract

This article reconstructs Adam Smith's method and argues that it belongs to the same open-system lineage as Post-Keynesian economics. Contrary to common portrayals of Smith as an equilibrium theorist, his work rests on a relational ontology, a fallibilist epistemology, and a historical-institutional method. This aligns with Post-Keynesian methodology, which rejects closed-system modeling in favor of historically grounded, institutionally rich, and uncertainty-based analysis. The article demonstrates that reading Smith from this perspective not only corrects a longstanding misinterpretation of classical political economy but also strengthens Post-Keynesian economics by providing it with a deeper social ontology of capitalism - one that explains not only why capitalism is unstable, but why it remains socially cohesive despite chronic crisis.

Reclaiming the Smithian method has three implications. First, it undermines the textbook narrative that neoclassical economics stands in unbroken continuity with classical political economy. Second, it provides Post-Keynesians with a deeper intellectual prehistory rooted in open-system reasoning, endogenous instability, and institutional realism. Third, Smith contains elements that can give Post-Keynesian thought greater rhetorical force.

1. Introduction

Adam Smith is often claimed as the intellectual forefather of opposing economic traditions. In mainstream economic accounts, he appears as the founder of a self-regulating market system governed by equilibrium forces and rational calculation (Arrow, Debreu, 1954 and Milton Friedman, 1962), while heterodox traditions often approach him with ambivalence due to his association with laissez-faire. Both readings rest on selective interpretations.

Drawing on the shared background of the Scottish Enlightenment, Sheila Dow (2002, 2002a, 2009, 2020) advances strong arguments that Adam Smith's original method has been misunderstood. In his general orientation, Smith was inspired not least by Newton

(Cremaschi, 2009). Rather than offering a precursor to the mathematically deductive “closed system” method of modern neoclassical economics, Dow (2009) argues that Smith worked with open, historical, and fallibilist modes of reasoning. According to Dow, this places Smith closer to Keynes and Post-Keynesian methodology than to contemporary mainstream economics.

Read in this way, Smith appears in a different light. His political economy rests on historical explanation, institutional realism, moral psychology, and a fallibilist understanding of knowledge - features closely aligned with Post-Keynesian methodology (Dow 2002; Lawson 2003). Smith can thus be situated within an open-system tradition running through Keynes, Kalecki, and Minsky rather than along a line culminating in modern equilibrium theory (Lavoie 2014).

The point of departure here is main features of Post-Keynesianism (King 2015, Lavoie 2022, Hein 2023) that highlights the postulates and principles shared by all strands of Post-Keynesian thought, as well as their ontological and epistemological opposition to the neoclassical conception of economics.

The central claim of this article is that Smith and Post-Keynesians share three methodological commitments: (1) the economy is understood as a historically evolving open system; (2) theory is regarded as contextual and provisional rather than as the formulation of universal laws; and (3) uncertainty and social coordination through conventions and shared beliefs occupy a central role (Keynes 1936; Minsky 1986).

This reconstruction has two implications. Historically, it challenges the idea of an unbroken continuity from classical political economy to neoclassical equilibrium economics (Mirowski 1989; Lawson 2003). Analytically, it strengthens Post-Keynesian economics by providing a deeper social ontology of capitalism - one that illuminates both the system’s endogenous instability and its social reproduction (Rothschild 2001; Herzog 2013).

Methodologically, the article begins with identifying Adam Smith's early writings that make a recovery of Smith’s method possible, presenting him as a thinker concerned with socially embedded individuals, institutionally constituted markets, morally grounded knowledge, and historically oriented inquiry. That includes Smith’s philosophical point of departure, namely *The History of Astronomy* and the *Lectures on Rhetoric and Belles Lettres*. Here, an epistemology is identified in which knowledge consists in constructing coherent systems of explanation, and a social ontology in which reality - especially economic and moral life - is constituted through shared meanings, persuasive narratives, and communicative relations.

These two readings of Smith’s philosophical background provide the framework for an interpretation of *The Wealth of Nations*, where his method can be described as historical, institutional, and mechanism oriented. With this recovery of Smith's method,

a deep connection to Post-Keynesian economics is shown. It is an affinity that may enrich the further development of economic thinking and, just as importantly, enhance its rhetorical force.

2. A New Era in the Interpretation of Adam Smith

Several subsequent Adam Smith scholars are often read separately yet taken together they form a coherent intellectual movement. What unites them is their dismantling of the neoliberal Adam Smith and their recovery of a moral-political Smith whose thought is incompatible with market fundamentalism.

The conventional view of Adam Smith as the founder of free-market economics is challenged by Francesco Luna (1993) and Vivienne Brown (1994), who interpret Smith's authorship as a complex, discursive philosophical project deeply shaped by the moral and rhetorical concerns of the Enlightenment rather than by a straightforward economic program. Smith thus appears as a moral philosopher of modernity, acutely aware that commercial society generates both prosperity and moral danger. Brown's major contribution is to show that Smith's legacy is not a doctrine of markets, but a complex discourse on how human beings can live well together in a world organized by trade.

In *Economic Sentiments: Adam Smith, Condorcet, and the Enlightenment*, Emma Rothschild (2001) argues that economic ideas were deeply embedded in moral, political, and philosophical debates about liberty, human sentiments, and society during the Enlightenment. The book restores the Enlightenment's complex engagement with markets, freedom, and human emotions, demonstrating that early political economy was inherently normative and philosophically rich.

There have also been attempts to reconstruct the authentic Adam Smith (Gavin Kennedy, 2005), and this effort shows that Smith was first and foremost a moral philosopher whose political economy was embedded in moral and historical reasoning. Smith's economic thought thus only makes sense as part of his broader moral and philosophical project - a humanistic, historically grounded inquiry into how moral sentiments, social behavior, and institutions shape economic life.

In Lisa Herzog's (2005) *Inventing the Market: Smith, Hegel, and Political Theory*, markets are not natural, self-evident economic mechanisms, but constructed ideas shaped by deeper philosophical commitments concerning human identity, freedom, justice, community, and history. Herzog's book is both intellectual history and normative critique, demonstrating that markets are invented concepts with moral and political consequences, not self-explanatory economic forces. It reframes debates about capitalism, justice, freedom, and autonomy by returning to foundational thinkers and thereby retrieving deeper philosophical resources for thinking about markets today.

Heinz D. Kurz (2016) offers a reading of Adam Smith that sharply contrasts with neoliberal and neoclassical appropriations. His interpretation is characterized in three main ways: Smith as classical political economist, Smith as institutional realist, and Smith as critic of capitalist power. Kurz emphasizes that Smith analyzed capitalism as a class system. Capitalism tends to undermine its own conditions unless regulated. Smith thus believed that unrestrained markets generate monopolies, conspiracies, and political capture that destroy competition and freedom. Kurz presents Adam Smith as a classical political economist who saw capitalism as a historically specific system of power, production, and class conflict - not as a natural, self-regulating market order. Smith was a critic of monopoly, land rent, and capitalist domination, not a prophet of laissez-faire.

These recent contributions make a resurrection of Smith possible. Together, these scholars show that Smith did not regard markets as natural, self-justifying, or morally sufficient. He saw them as fragile social institutions capable of serving human freedom - but only when constrained by justice, sympathy, and political design.

These authors thus do more than reinterpret Smith's writings - they collectively reconstruct his ontology, epistemology, and methodology. And this reconstruction is radically different from the Smith imagined by neoliberal or neoclassical economics. This difference will be elaborated in what follows.

Taken together, these scholars reveal Adam Smith as a thinker focused on socially embedded individuals, institutionally constituted markets, morally grounded knowledge, and historically oriented inquiry - a philosophical framework fundamentally incompatible with the atomistic ontology, technocratic epistemology, and formalist methodology characteristic of neoliberal economics.

3. The History of Astronomy and the Epistemological Foundations

The following two sections seek to decode Smith's underlying methodological foundations as developed in *The History of Astronomy* (written in the 1750s) (Smith, 1795) and the *Lectures on Rhetoric and Belles Lettres* (student notes from 1762–63) (Smith, 1762–63).

In *The History of Astronomy*, Smith develops a general theory of knowledge that underpins both *The Theory of Moral Sentiments* and *The Wealth of Nations*. The point of departure is psychological: human beings react to disorder and surprise with unease and seek explanatory systems that restore mental coherence. Theories therefore function not primarily as mirrors of an objective order, but as organizing systems that render experience intelligible (Smith 1795 [1980]; Brown 1994). Theories are not chiefly tools for discovering objective truth; they are tools for restoring mental tranquility.

In *The History of Astronomy*, Smith presents an epistemology in which knowledge consists in constructing coherent explanatory systems that reduce mental discomfort, gain social acceptance, and remain historically provisional rather than revealing final, objective laws.

Scientific development is described as a historical process in which explanatory frameworks are replaced when they lose the capacity to integrate new phenomena. Progress does not consist in approaching final truth, but in constructing more comprehensive and coherent systems. This understanding implies explicit fallibilism: knowledge is provisional, and theories are historically situated (Dow 2002).

Smith uses the history of astronomy - from the ancient Greeks to Copernicus and Newton - to illustrate this process. Astronomical systems (Ptolemaic, Copernican, Newtonian) are not merely descriptions of objects; they are ways of relating phenomena into a coherent whole. Each system is more elegant and comprehensive than its predecessor, yet none is final. Progress does not mean approaching absolute truth but developing increasingly coherent explanatory frameworks. Reality is open-ended and historically unfolding, not a finished mechanism.

The history of astronomy also explains why flawed ideas persist. People cling to familiar systems because they are reassuring. Even when a theory no longer fits reality well, abandoning it generates anxiety. This helps explain why failed economic doctrines endure and why elites struggle to preserve dominant narratives.

Transferred to the social sciences, this epistemology implies that economic theories are part of the social reality they analyze. They organize expectations, legitimize institutions, and shape action. Smith's political economy therefore cannot be read as the formulation of timeless laws, but as an interpretive analysis of historically specific institutional orders.

4. Rhetoric, Knowledge, and Ontological Foundations

Smith's *Lectures on Rhetoric and Belles Lettres* form an important component of his theory of knowledge and social order. Here he shows that persuasion does not rest on logic alone, but on clarity, narrative coherence, and emotional resonance. Theories are accepted because they organize experience in ways that feel coherent and intelligible.

In the *Lectures on Rhetoric*, Smith presents a social ontology in which reality - especially economic and moral life - is constituted through shared meanings, persuasive narratives, and communicative relations rather than through mechanical laws or isolated individual actions.

He also presents an epistemology in which knowledge is not merely discovered, but rendered intelligible through language, coherence, and persuasion within shared social frameworks.

Smith distinguishes between philosophical and rhetorical discourse yet emphasizes that even science has a rhetorical dimension: theories succeed when they provide simple and convincing representations of complex reality. Knowledge thus appears as socially mediated. Concepts, metaphors, and classifications structure are perceived as natural, legitimate, and problematic. Economic models, in this sense, are not neutral descriptions, but interpretive frameworks that shape expectations and political possibilities.

These insights connect directly to *The Theory of Moral Sentiments*. Moral judgment develops through social communication and imaginative identification with others; the “impartial spectator” is a product of discursive and social practice (Smith 1759 [1982]; Sen 1987). Likewise, markets in *The Wealth of Nations* presuppose shared understandings of value, trust, and legitimacy sustained through language and narrative.

Smith’s lectures on rhetoric thus suggest that economic order rests not only on prices and incentives, but also on shared narratives of success, merit, and progress. Theories and ideas function as coordinating mechanisms because they stabilize expectations and legitimize institutional arrangements (Smith 1762–63 [1983]; Rothschild 2001).

Smith’s ontology differs fundamentally from the atomistic and timeless conception of reality underlying modern equilibrium economics. In *The Theory of Moral Sentiments*, individuals are not portrayed as isolated decision-makers, but as socially constituted through sympathy, recognition, and mutual evaluation (Smith 1759 [1982]). The “impartial spectator” expresses an ontological point: the self is formed through imagined social evaluation. Identity, motivation, and judgment are therefore relational rather than given (Rothschild 2001; Sen 1987).

In *The Wealth of Nations*, institutions are granted a corresponding ontological status. Law, property rights, money, firms, banking, and the state are treated as causal structures that constitute economic relations, not merely as external constraints (Smith 1776 [1976]). Markets thus appear as institutionally produced processes dependent on rules, enforcement, and trust. Money does not function as a neutral veil, but as a social institution grounded in belief and legitimacy (Dow 2002). Prices, wages, and profits are consequently historical and institutionally determined rather than universal magnitudes (Herzog 2013).

Smith’s social world is moreover dynamic. Specialization, market expansion, and productivity growth are described as cumulative processes in which structures evolve through historical interaction (Young 1928; Kaldor 1972). This implies an emergent

ontology in Lawson's sense: economic forms arise and transform over time rather than following timeless laws (Lawson 2003).

Taken together, Smith presupposes a relational, institutionally structured, and historically evolving social reality - an ontology incompatible with closed-system micro foundations, yet closely aligned with the open-system perspective underlying Post-Keynesian and critical realist economics.

5. Smith's Method in *The Wealth of Nations*

At the outset, it can be observed that in *The History of Astronomy*, Smith describes an open, relational, and emergent world in which order is constructed rather than given. In *The Wealth of Nations*, this becomes a vision of the economy as a historically evolving, institutionally structured system whose stability depends on social relations rather than equilibrium laws.

Similarly, in Smith's *Lectures on Rhetoric*, we encounter a world in which social order arises through shared meanings, persuasion, and communicative coordination. In *The Wealth of Nations*, this develops into a conception of markets as systems of trust, conventions, and institutionalized expectations rather than as equilibrium mechanisms.

These early writings thus lay the foundation for reconstructing Smith's method.

The *Wealth of Nations* is often read as a precursor to modern equilibrium theory, yet such an interpretation projects later methodological ideals back onto a work that operates differently. Smith's method is neither deductive, mathematical, nor equilibrium oriented. It is historical, institutional, and causal, corresponding to a classical political economy in which economic structures are explained as evolving social processes (Smith 1776 [1976]; Dow 2002; Lawson 2003).

A central feature of Smith's approach is historical explanation. The emergence of the division of labor, the development of money, the rise of commercial towns, the dissolution of feudalism, and the growth of credit institutions are presented as historical sequences rather than as expressions of universal market laws (Smith 1776 [1976], Books I-III). Economic structures are not treated as given, but as institutionally and historically produced arrangements, thereby undermining the idea of a single timeless model of "market economy" (Rothschild 2001; Herzog 2013).

Closely related is Smith's institutional realism. Markets are not portrayed as autonomous mechanisms, but as dependent on property rights, contract enforcement, trust, and public authority. The legal system, the state, monopoly arrangements, colonial regimes, and banking institutions are analyzed as causal determinants of

prices, wages, and profits (Smith 1776 [1976], Book V). Economic relations are thus constituted by legal and political structures rather than merely constrained by them.

Smith's explanations take the form of causal narratives rather than axiomatic deduction. The argument that the division of labor is limited by the extent of the market illustrates a process of cumulative causation: market expansion enables specialization, which increases productivity, which in turn expands the market (Smith 1776 [1976], I.3; Young 1928; Kaldor 1972). This is a dynamic process, not an equilibrium adjustment.

Even concepts such as "natural prices" function as tendency concepts rather than as determinate solutions. Smith emphasizes that monopolies, regulation, and power relations may prevent such tendencies from being realized (Smith 1776 [1976], I.7; I.10). His abstractions are therefore contextual and conditional - characteristic of reasoning in open systems (Lawson 2003).

Power and distribution are integral to the analysis. Smith distinguishes between workers, capitalists, and landlords, highlighting their conflicting interests and the political influence of merchants (Smith 1776 [1976], I.8 and I.11). Economic outcomes appear as politically and institutionally shaped rather than as neutral market results (Rothschild 2001).

Finally, the analysis is grounded in the moral-psychological understanding of actors developed in *The Theory of Moral Sentiments*. Economic behavior is socially embedded and influenced by status, reputation, and norms, linking economic processes to moral and social evaluation (Smith 1759 [1982]; Sen 1987).

Taken together, the method of *The Wealth of Nations* emerges as historical, institutional, and mechanism oriented. Markets are embedded in social relations, and economic outcomes are contingent rather than law governed. Rather than anticipating equilibrium economics, Smith offers an open-system political economy in which economic life is analyzed as part of a broader social and historical process.

6. Adam Smith and Post-Keynesian Economics

The interpretation of Smith's method has changed significantly in recent decades. Whereas he previously occupied an ambivalent position within Post-Keynesian economics, neoclassical readings had portrayed *The Wealth of Nations* as a precursor to equilibrium theory, isolating the metaphor of the "invisible hand" from Smith's broader philosophical framework. More recent scholarship, by contrast, has emphasized the continuity between Smith's moral philosophy, theory of knowledge, and political economy, demonstrating that his work stands methodologically opposed to modern equilibrium methodology (Brown 1994; Rothschild 2001; Dow 2002).

Brown (1994) shows that Smith's economic reasoning is inseparable from his rhetorical and narrative form: theory functions as an interpretive system, not as axiomatic deduction. Rothschild (2001), like Sheila Dow, situates Smith within the Scottish Enlightenment and stresses that his analysis of markets presupposes socially embedded actors guided by sympathy, status, and norms - thereby undermining atomistic behavioral assumptions. Dow (2002) explicitly connects Smith to open-system thinking by reading *The History of Astronomy* as an expression of a fallibilist and constructivist theory of knowledge in which economic regularities are historically conditioned tendencies rather than universal laws.

Lawson's (2003) critical realism provides an ontological framework for these insights. His distinction between open and closed systems illuminates the gap between Smith's historically and institutionally grounded mode of explanation and the axiomatic-deductive method of equilibrium economics. Herzog (2013) deepens this argument by demonstrating that Smith's markets presuppose legal and moral institutions and therefore cannot be understood as abstractions detached from social structures.

Taken together, this literature supports a reading of Smith as an open-system theorist who integrates historical explanation, institutional analysis, and moral psychology in the study of economic coordination under uncertainty and power. This stands in contrast to the closed-system approach of modern equilibrium economics (Mirowski 1989; Lawson 2003).

In mainstream economics, Smith is portrayed as an advocate of self-regulating markets. Read without neoclassical filters, however, he appears rather as an early theorist of capitalism as a historically evolving, institutionally embedded, and structurally unstable system.

Drawing on Smith's *Lectures on Rhetoric* - where knowledge is socially mediated, persuasive, and provisional - Post-Keynesian methodology likewise understands economics as an open-system science in which expectations, institutions, and theory itself are shaped by shared narratives rather than objective equilibrium laws.

Smith's epistemology in the *Lectures on Rhetoric and Belles Lettres* flows almost directly into what later becomes Post-Keynesian method. The connection runs through the formation of knowledge under uncertainty, the stabilization of expectations, and the role of theory itself.

Post-Keynesians thus share Smith's rejection of equilibrium as a naturally organizing principle (Harcourt 2006). In *The Wealth of Nations*, prices, wages, and profits are shaped by custom, monopoly, law, and power, and Smith emphasizes that merchants and landlords systematically restrict competition and influence the state for their own benefit. Market outcomes therefore appear institutionally and politically shaped rather than as optimal equilibria.

Post-Keynesians can learn from Adam Smith that markets are social institutions shaped by power, history, justice, and demand - not self-equilibrating mechanisms.

Smith also anticipates the Post-Keynesian emphasis on effective demand and cumulative causation. His claim that the division of labor is limited by the extent of the market points toward a demand-driven dynamic later developed by Young and Kaldor, placing Smith in a tradition culminating in Keynes rather than in supply-side logic.

His analysis of financial conditions further strengthens this connection. Smith warned against speculative credit, supported interest rate regulation, and viewed financial arrangements as institutions that could both promote development and generate instability - a position consistent with Keynes's critique of rentier capitalism and Minsky's theory of financial fragility.

Finally, Smith contributes a social dimension often underdeveloped in Post-Keynesian macroeconomics. In *The Theory of Moral Sentiments*, he analyzes how admiration for wealth and status legitimizes inequality and risk-taking. Whereas Kalecki (1971) and Minsky (1986) explain political resistance to full employment and financial instability respectively, Smith illuminates the moral and social mechanisms that render such structures legitimate.

Taken together, Smith can be understood as part of the same open-system political economy as Keynes, Kalecki, and Minsky—a tradition that views capitalism as demand-driven, institutionally structured, and endogenously unstable.

7. How Adam Smith can complete Post-Keynesian Macroeconomics

Recent Post-Keynesian literature has made the methodological continuity with Adam Smith more explicit (Lavoie 2014; Davidson 2015). This includes a shared rejection of timeless laws, an emphasis on uncertainty and conventions, and a focus on institutions and power. Smith thus appears not as a precursor of equilibrium economics, but as part of the political-economic tradition running through Keynes, Kalecki, and Minsky.

What, then, can Post-Keynesians further learn from Adam Smith? First, demand-driven productivity and cumulative growth have deep classical roots. Second, distribution and market power are political and institutional phenomena, not the result of natural laws. Third, that financial relations require oversight, since speculation and rentiers threaten productive investment. And finally, those markets are sustained by justice, norms, and the state - not by invisible, self-correcting forces.

Although Adam Smith is often read through a neoclassical lens, a rich literature presents him as a theorist concerned with institutions, justice, market power, and historical time - terrain well suited to Post-Keynesian concerns. This review synthesizes

key passages in *The Wealth of Nations* and *The Theory of Moral Sentiments*, along with secondary research that repositions Smith alongside Post-Keynesian themes.

The following examples illustrate how such a repositioning of Smith may contribute to the further development of Post-Keynesian thought:

Knowledge, uncertainty, and method. Smith rejects omniscience; economic actors reason based on partial knowledge, habits, and norms. His historical method treats economies as evolving systems. This resonates directly with Post-Keynesian theory, where fundamental uncertainty, non-ergodicity, and historical time are defining features.

Markets, institutions, and justice. In *The Wealth of Nations*, Book V (“the duties of the sovereign”), the state’s provision of justice, public works, and education is framed as a precondition for commercial society. In *The Theory of Moral Sentiments* (1759), Smith develops the normative scaffolding - the impartial spectator and standards of propriety - that make market exchange possible. This aligns with Post-Keynesian institutionalism, which emphasizes that markets are constituted by legal-political arrangements rather than self-organizing equilibria.

Competition, monopoly, and power. In *The Wealth of Nations*, I.x.c, Smith famously warns that “people of the same trade” conspire against the public, and in Book IV he criticizes mercantilist privileges and chartered monopolies. This relates closely to Kaleckian price-setting and Post-Keynesian analyses of administered prices and mark-ups, which presuppose imperfect competition and political power over the rules of the game.

Finance, interest, and rentier income. In *The Wealth of Nations*, II.iv, Smith supports moderate usury ceilings and expresses concern about speculative financing. He also distinguishes between productive and unproductive labor/income, often classifying landlords as extractors of rent. This has clear relevance for Minsky’s financial instability hypothesis and Post-Keynesian critiques of rentier dominance, consistent with Smith’s suspicion of speculative credit and rent-seeking.

Policy and pragmatism. In *The Wealth of Nations*, Book V, Smith legitimizes public goods, education, infrastructure, and regulation against monopoly and fraud. In Book IV, he criticizes trade restrictions but allows pragmatic exceptions. This is highly relevant for Post-Keynesian policy recommendations - active fiscal policy, industrial strategy, and financial regulation—reflecting Smith’s pragmatic and context-sensitive statecraft rather than dogmatism.

Post-Keynesian macroeconomics is generally strong in its analysis of monetary flows, debt dynamics, and financial fragility. Through stock-flow consistent models, it demonstrates how investment, profit, and credit generate booms and crises (Godley & Lavoie 2006). Less developed, however, is the explanation of why such an unstable and unequal system is socially reproduced: why actors continue to trust financial structures, accept uncertainty, and legitimize recurring crises.

Here Smith contributes a social dimension that extends Post-Keynesian analysis from economic dynamics to social coordination. In *The Theory of Moral Sentiments*, actors are portrayed as driven by the need for recognition, respect, and status. Economic success becomes morally coded as merit, and wealth as admirable. Risk-taking, speculation, and accumulation thus become not merely economically rational, but socially legitimate.

This moral-psychological dimension illuminates mechanisms that complement Minsky's financial instability hypothesis. Whereas Minsky shows how stability encourages rising leverage and fragility, Smith explains why this development is experienced as normal and justified: success generates imitation, and profit serves as moral validation. Crises therefore involve not only economic collapse, but breakdowns in legitimacy and shared narratives.

Smith also helps explain why crises do not automatically lead to structural change. Societies seek explanatory systems that restore cognitive and moral order. Simple economic narratives can survive empirical failure because they stabilize expectations and justify existing hierarchies.

Taken together, Smith can expand Post-Keynesian macroeconomics from an analysis of money, debt, and income flows to a theory of social coordination under uncertainty. The reproduction of capitalism appears not as the result of equilibrium, but of legitimacy, conventions, and narratives that stabilize a structurally unstable system.

There is also another obvious theme where Smith offers inspiration which is the following:

As Smith's early philosophical writings emphasize, persuasion depends on clarity, coherence, and emotional intelligibility (Smith 1762–63 [1983]). In *The History of Astronomy*, he further argues that explanatory systems succeed when they connect phenomena smoothly and reduce cognitive discomfort (Smith 1795 [1980]). Knowledge - especially in social contexts - spreads not merely because it is logically correct, but because it organizes experience into intelligible patterns.

Post-Keynesian economics provides highly realistic accounts of capitalist dynamics and emphasizes effective demand, income distribution, financial instability, and institutional structure. Yet its public and political influence remains limited relative to

mainstream equilibrium economics. This does not necessarily reflect analytical weakness, but rhetorical underdevelopment.

Drawing on insights from Smith's rhetoric and Keynes's account of conventions, one may argue that economic theories gain authority when they offer simple, causal, and morally intelligible narratives that resonate with lived experience. Post-Keynesian economics can become rhetorically powerful when it explains everyday economic life - consumption, debt, employment, instability - through clear causal stories without sacrificing analytical depth. Rhetoric, properly understood, is not opposed to rigor; it is the communicative dimension of social explanation.

This means that Post-Keynesian theory must frame its core mechanisms through simple, causal, and morally intelligible stories grounded in everyday economic experience. Framing unemployment as wasted human capacity or financial crises as preventable institutional failures connects economic analysis with widely shared ethical intuitions. This does not politicize theory; it clarifies its social meaning.

Rhetorical clarity does not require theoretical simplification to the point of distortion. It requires accessible mental models. The circular flow of income, endogenous money creation, and the financial instability cycle are powerful conceptual images. They condense complex dynamics into memorable representations.

In line with Smith's insight that persuasion is an integral part of social knowledge, Post-Keynesian economics can enhance its public and political relevance by presenting its open-system analysis as coherent stories about how economies function. In doing so, it fulfills not only its analytical mission, but also its communicative responsibility as a social science.

8. Conclusion

Reclaiming Smith in the manner described above strengthens Post-Keynesian political economy in two ways. First it situates Post-Keynesian thought historically as a continuation of the classical tradition rather than as an anomaly opposed to it. Second, it provides a richer foundation for contemporary debates on inequality, industrial policy, and financial regulation. For both Smith and the Post-Keynesians, capitalism is a system of social relations - dynamic, conflictual, historically conditioned, and dependent on institutions. In this sense, Smith is not an opponent of Post-Keynesianism, but a neglected ally whose insights remain relevant for understanding modern capitalism.

For Post-Keynesian economics, the engagement with Adam Smith is constructive. Dow's interpretation provides an older intellectual lineage for Keynes, Minsky, and modern heterodox macroeconomics, showing that realism, uncertainty, and

institutional complexity were present at the creation of the discipline. Rather than appearing as a twentieth-century deviation, Post-Keynesianism emerges as a recovery of the classical method itself. In policy terms, this reinforces a pragmatic orientation in which macroeconomic management cannot rely on automatic stabilizing forces that do not exist in open, uncertain systems.

More broadly, Dow's argument invites economists to recognize the limits of knowledge and the incompleteness of models. It suggests that economics remains most useful when it combines empirical observation, historical narrative, institutional detail, and ethical reflection - the very tools Smith employed. In this sense, reclaiming Smith is not merely a correction of intellectual history, but a call for a different kind of economic science: one that treats the economy as a dynamic social system embedded in law, politics, and morality, and therefore best understood through open, context-sensitive analysis.

Smith's method is neither proto-neoclassical nor a program for laissez-faire, but a historical, institutional, and fallibilist political economy. Read within an open-system framework, he stands in methodological continuity with Keynes, Kalecki, and Minsky, all of whom analyze capitalism as demand-driven, institutionally structured, and endogenously unstable.

Reclaiming Smith in this way not only corrects a misreading in intellectual history but also strengthens Post-Keynesian economics by providing a deeper social ontology of how legitimacy, conventions, and shared beliefs contribute to the reproduction of a structurally unstable system.

Post-Keynesian economics already possesses considerable analytical strength. Its limited influence in public debate does not reflect theoretical inadequacy, but rather a weak communicative strategy. When Post-Keynesian economics explains everyday economic life through simple, causal, and morally intelligible narratives grounded in lived experience, it can become rhetorically powerful without sacrificing rigor.

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