



Adam Smith **Economist and Philosopher**

1723 - 1790

**“Virtue is more to be feared than vice,
because its excesses are not subject to
the regulation of conscience.”**

—Adam Smith

Adam Smith was born in Kirkcaldy, Fife, [Scotland](#). The exact date of his birth is unknown, however, he was baptized on June 5, 1723. Smith was the Scottish political economist and philosopher, who became famous for his influential book "The Wealth of Nations" written in 1776.

In 1751 Smith was appointed professor of logic at Glasgow university, transferring in 1752 to the chair of moral philosophy. His lectures covered the field of ethics, rhetoric, jurisprudence and political economy, or "police and revenue." In 1759 he published his Theory of Moral Sentiments, embodying some of his Glasgow lectures. This work was about those standards of ethical conduct that hold society together, with emphasis on the general harmony of human motives and activities under a beneficent Providence.

Smith moved to London in 1776, where he published "An Inquiry into the Nature and Causes of the Wealth of Nations," which examined in detail the consequences of economic freedom. It covered such concepts as the role of self-interest, the division of labor, the function of markets, and the international implications of a laissez-faire economy. "Wealth of Nations"

established economics as an autonomous subject and launched the economic doctrine of free enterprise.

Smith laid the intellectual framework that explained the free market and still holds true today. He is most often recognized for the expression "the invisible hand," which he used to demonstrate how self-interest guides the most efficient use of resources in a nation's economy, with public welfare coming as a by-product. To underscore his laissez-faire convictions, Smith argued that state and personal efforts, to promote social good are ineffectual compared to unbridled market forces.

In 1778 he was appointed to a post of commissioner of customs in Edinburgh, Scotland. He died there on July 17, 1790, after an illness. At the end it was discovered that Smith had devoted a considerable part of his income to numerous secret acts of charity.

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- **The Wealth of Nations: An Inquiry into the Nature and Causes - Author: Adam Smith**

The Wealth of Nations, first published in 1776, is Smith's classic treatise on economic liberalism.

formulating definitions. Lawyers will readily recognize these as authorless rules which they and the courts have used in statutory interpretation. The first is that when people use words we should expect others to interpret them in their ordinary sense, or dictionary meaning. The second rule -- given that some distinction is required -- is to adopt the meaning as used by the "most celebrated writers."

"In adverting to the terms and definitions of Adam Smith, in his *Wealth of Nations*, I think it will be found that he has less frequently and less strikingly deviated from the rules above laid down, and that he has more constantly and uniformly kept in view the paramount object of explaining in the most intelligible manner the causes of the wealth of nations, according to the ordinary acceptation of the expression, than any of the subsequent writers in the science, who have essentially differed from him."¹

If one is interested in the study of economics -- and one should certainly be if they are at all interested in governmental policy, then one should begin with a good dictionary and a copy

of Adam Smith's *Wealth of Nations* . This is likely all that one needs to do; and this is indeed fortunate. For, to go beyond Adam Smith, it is to go beyond into the writings of the thousands of economists that have written since; and, thus, to go into a thicket full of obscure, and for the most part, meaningless terms.

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"STUCK IN A FRAME"


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Adam Smith's Life:-

On the Firth of Forth just across and to the north of Edinburgh, in County Fife, will be found a town, Kirkcaldy; it is here, in the year 1723, Adam Smith was born. Adam Smith was to become the first political economist the world had ever known. He was to take his place at the head of the first school of economics, one that continues and is known as the "classical school."

Adam's father, who had died before Adam's birth, was a "comptroller of customs." In 1740, at the age of seventeen, Smith was sent off to Oxford on scholarship. It is here that he learned Greek and began a "sound accumulation of Greek learning." It is here, too, that he read Hume's *A Treatise of Human Nature*, a work written during the years 1734-5. (David Hume, from Edinburgh, born twelve years before Smith, was another of those Scottish "lights" which were so prominent in this age.) At any rate Smith's interest in Hume's work brought him into conflict with the authorities at Oxford.² On coming back home, Adam Smith joined in on "the brilliant circle in Edinburgh which included David Hume, John Home, Hugh Blair, Lord Hailes and Principal Robertson."³

In 1751, at age twenty-eight, Adam Smith became a professor of Logic at Glasgow, and then, the following year, took the Chair of Moral Philosophy. In 1759, he published his *Theory of*

Moral Sentiments , a work that spread to both Germany and France, a work that he

kept revising right up to his death in 1790.

One, not familiar with his life, might well consider it surprising to learn that Adam Smith wrote his "economics" as part of his work as a philosopher. One must appreciate that in the days of Adam Smith, much of the study carried out at universities was history and philosophy; a course in philosophy would include a study of jurisprudence. A study of justice leads naturally to a study of the various legal systems, which of course, in turn, leads to the study of government, and, finally, to a study of political economy.

Smith was a curious human being. He treasured his library, and was continually absorbed in abstractions; he was notoriously absent minded. Smith led a quiet and sheltered life; he lived with his mother (she lived to be ninety) and remained a bachelor all his life. His students loved him, and people came from far to take him in (Boswell was one).

Though silent and awkward in social situations, Adam Smith possessed, in considerable perfection, the peculiarly Scotch gift of abstract oratory. Even in common conversation, when once moved, he expounded his favourite ideas very admirably. As a teacher in public he did even better; he wrote almost nothing, and though at the beginning of a lecture he often hesitated, we are told, and seemed 'not to be sufficiently possessed of the subject,' yet in a minute or two he became fluent, and poured out an interesting series of animated arguments. Commonly, indeed, the silent man, whose brain is loaded with unexpressed ideas, is more likely to be a successful public speaker than the brilliant talker who daily exhausts himself in sharp sayings. The point is that Adam Smith acquired a great reputation as a lecturer.⁴

Smith discussed matters with his friend David Hume; and went to London, there to discuss his ideas with the *literati* of the day, one of whom was Samuel Johnson. He met the charming and intelligent American, Benjamin Franklin (1706-90). Franklin must have made quite an impression on Smith; it is said that *The Wealth of Nations* was put together, specifically with the American colonies in mind.

France had a special attraction for Scottish people, for it was to France they had turned during the course of the wars with those to the south of them, the hated English.⁵ In the 1760s Smith traveled to France, met some of the "physocrats." It was in France that he met Voltaire; there, too, Adam Smith started to write his masterpiece, *An Inquiry into the Nature and Causes of the Wealth of Nations*, a work that was published in 1776.

For ten years, after returning from France, Smith "stayed quietly with his mother at his native town of Kirkcaldy ... He lived on the annuity from the Duke of Buccleugh, and occupied himself in study only."

In 1776, after the death of his illustrious friend, David Hume, Smith moved to London and clubbed around with "Gibbon, Burke, Sir Joshua Reynolds (1723-92), Dr. Johnson (with whom he was not on good terms), Boswell and Garrick."⁶ He met Benjamin Franklin, and, indeed, he read to him a draft of parts of *The Wealth of Nations*.⁷

Having been appointed, in 1778, as commissioner of customs for Edinburgh, Smith moved back to Scotland.

On July 17th, 1790, Adam Smith died at Edinburgh; he was buried in the Canongate

churchyard.

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The Spirit of the Age:-

Adam Smith's approach to his work was first to do a historical study of his subject, and then to advance the area, often building on the work of his contemporaries: he was well aware of the work done by Montesquieu and the French Physiocrats. Adam Smith, indeed was a friend of David Hume and watched over his friend's death in 1776, the same year Adam Smith's classic came out, *The Wealth of Nations*. After Hume's death Smith edited Hume's noncontroversial papers.

On travelling to Paris with his charge, a young Duke from an influential English family which had chosen him as a tutor, Smith met, among others, Quesnay and the French Ministers, Anne Robert Jacques Turgot (1727-81) and Jacques Necker (1732-1804). In Geneva, Adam Smith met Voltaire. Overall Smith was of the view that the French physiocrats had the best answer up to his time: "[The Physiocratic system] with all its imperfections is, perhaps, the nearest approximation to the truth that has yet been published upon the subject of political economy."

"They [the French Économistes] delighted in proving that the whole structure of the French laws upon industry was utterly wrong; that the prohibitions ought not to be imposed on the import of foreign manufacturers; that bounties ought not to be given to native ones; that the exportation of corn ought to be free; that the whole country ought to be a fiscal unit; that there should be no duty between any province; and so on in other cases. No one could state the abstract doctrines on which they rested everything more clearly. '*Acheter, c'est vendre*,' said Quesnay, the founder of the school, '*vendre, c'est acheter*.' You cannot better express the doctrine of modern political economy that 'trade is barter.' 'Do not attempt,' Quesnay continues, 'to fix the price of your products, goods, or services; they will escape your rules. Competition alone can regulate prices with equity; it alone restricts them to a moderation which varies little; it alone attracts with certainty provisions where they are wanted or labour where it is required.' 'That which we call dearness is the only remedy of dearness: dearness causes plenty.'"⁸

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The Wealth of Nations:-

Adam Smith was not the first to express the ideas as found in *The Wealth of Nations*, for example: see both works of Sir William Petty's *A Treatise on Tax* (1662) and *Political Arithmetic* (1691); and see, Sir Dudley North's *Discourses upon Trade* (1691). Also, see Turgot's *Réflexions sur la formation et la distribution des richesses* (1766) which, it is thought, anticipated Adam Smith.⁹

Before dealing with Adam Smith's *The Wealth of Nations*, a few words would be in order on his earlier work, *Theory of Moral Sentiments*, published in 1759. It was Smith's view that the essence of moral sensibility was that which came about through sympathy, but sympathy as

an impartial and well informed spectator. He became part of the school known as the "moral sense thinkers," a school which the utilitarians were to attack.

Though it has been shown that he was a most curious human being, Adam Smith displayed, in the writing of *The Wealth of Nations*, a "profound knowledge of the real occupations of mankind."¹⁰ How did he come across this knowledge? Undoubtedly it was because -- to the good fortune of the rest of us through the ages -- he left the environment of the university in 1764 to become the tutor to the young Duke of Buccleuch, which resulted in a leisurely tour of France during the years 1764-1766. England and France had just finished their *Seven Years War* with one another, so unmolested travel was presumably possible: and so to Paris he and his charge went.

"Paris was then queen of two worlds: of that of politics by a tradition from the past, and of literature by a force and life vigorously evidenced in the present. France therefore thus attracted the main attention of all travellers who cared for the existing life of the time; Adam Smith and his pupil spent the greater part of their stay abroad there. And as a preparation for writing the 'Wealth of Nations' he could nowhere else have been placed so well. Macaulay says that 'ancient abuses and new theories' flourished together in France just before the meeting of the States-General in greater vigour than they had been seen to be combined before or since. And the description is quite as true economically as politically; on all economical matters the France of that time as a sort of museum stocked with the most important errors.

By nature, then, as now, France was fitted to be a great agricultural country, a great producer and exporter of corn and wine; but her legislators for several generations had endeavoured to counteract the aim of nature, and had tried to make her a manufacturing country and an exporter of her manufacturers. Like most persons in those times, they had been prodigiously impressed by the high position which the maritime powers, as they were then called (the comparatively little powers of England and Holland), were able to take in the politics of Europe. They saw that this influence came from wealth, that this wealth was made in trade and manufacture, and therefore they determined that France should not be behindhand, but should have as much trade and manufacture as possible. Accordingly, they imposed prohibitive or deterring duties on the importation of foreign manufacturers; they gave bounties to the corresponding home manufactures."¹¹

It was in France that Adam Smith observed the results of "both the restraints upon the interior commerce of the country and the number of the revenue officers ..." ¹² The situation which Smith observed in France was one that was essentially brought on by taxation, a system that made the people "exceedingly miserable," a system, which, in years to come, would bring on the bloody French Revolution; and, to bring, in its wake, Napoleon.

Thus, Adam Smith, steeped in history and philosophy, is exposed to both the English and French political-economic systems of the day: "And side by side with this museum of economical errors there was a most vigorous political economy which exposed them."¹³ His experiences were capped as he met, as we have seen, the great French thinkers of the day, such as: Voltaire, Quesnay, Turgot, and Necker. And, so, it was during 1766, in France that Adam Smith began to write his great work, which he continued to write on his return to Kirkcaldy and Edinburgh, and right on to his time in London, when in 1776, he saw it through the press.

The Wealth of Nations, "the principia of politick operations," opens with a description of the specialization of labour in the manufacture of pins; the book covers a variety of subjects: from the professorships at Oxford to the statistics on the herring catch since 1771; from stamp duties to the coined money used by the Romans (just check out the 42 page index). The book is full of detail. It was not to be just a book on economics, such as, say, Ricardo was to write some 41 years later, in 1817, *Principles of Political Economy & Taxation*. Adam Smith had a grand vision of which *The Wealth of Nations* was to be only a part, this part, as a book was one of two that was ever polished up enough for publication during his lifetime. Previously, in 1758, he had written, as I have already mentioned, *Theory of Moral Sentiments*, in which "he builds up the whole moral nature of man out of a single primitive emotion -- sympathy, and in which he gives a history of ethical philosophy besides."¹⁴ Upon Smith's death, his executors advised, that, all along, Smith had worked on a plan to give "a connected history of the liberal and elegant arts."¹⁵ He wrote on Ancient Physics and Ancient Logic; and on the Imitative Arts, Painting, Poetry, and Music. He destroyed (which to me is a crying shame), just shortly before his death, his Lectures on Justice.

"... we are told by a student who heard them, 'he followed Montesquieu in endeavouring to trace the gradual progress of jurisprudence, both public and private, from the rudest to the most refined ages, and to point out the effects of those arts which contribute to subsistence and to the accumulation of property in producing correspondent alterations in law and government;' or, as he himself announces it at the conclusion of the 'Moral Sentiments,' 'another discourse' in which he designs 'to endeavour to give an account of the general principles of law and government, and of the different revolutions they have undergone in the different ages and periods of society, not only in what concerns justice, but in what concerns police, revenue, and arms, and whatever else is the subject of law.' Scarcely any philosopher has imagined a vaster dream."¹⁶

Smith's book was considered to be revolutionary, as it did not deal with the class structure of the age, and the eternal questions of who had what, - And why?

"... it is not his aim to espouse the interests of any class. He is concerned with promoting the wealth of the entire nation. And wealth, to Adam Smith, consists of the goods which all the people of society consume; note all - this is a democratic, and hence radical, philosophy of wealth. Gone is the notion of gold, treasures, kingly hoards; gone the prerogatives of merchants or farmers or working guilds. We are in the modern world where the flow of goods and services consumed by everyone constitutes the ultimate aim and end of economic life."¹⁷

And what drives this flow of goods and services: I quote Adam Smith from his *The Wealth of Nations*:

"Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage naturally, or rather necessarily, leads him to prefer that employment which is most advantageous to the society.

...

"He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of

foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.

...

"In civilized society he [man] stands at all times in need of the cooperation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons. In almost every other race of animals each individual, when it is grown up to maturity, is entirely independent, and in its natural state has occasion for the assistance of no other living creature. But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their self-love, and never talk to them of our own necessities but of their advantages."

What Adam Smith did in his book was to explain how self-interest was the engine of the economy and competition its governor. He set forth the great lesson that all economists come to sooner or later. I quote Professor Heilbroner:

"First, he [Adam Smith] has explained how prices are kept from ranging arbitrarily away from the actual cost of producing a good. Second, he has explained how society can induce its producers of commodities to provide it with what it wants. Third, he has pointed out why high prices are a self-curing disease, for they cause production in those lines to increase. And finally, he has accounted for a basic similarity of incomes at each level of the great producing strata of the nation. In a word, he has found in the mechanism of the market a self-regulating system which provides for society's orderly provision." (p. 49.)

The difficulty I have with Robert Heilbroner, a most interesting man to read, is his assertion that the law of the market, is a man-made institution.¹⁸ The market is not something that we can choose to have or not to have, it exists and will exist no matter the political regime, and no matter the number of coercive laws we would like to pass. One cannot help coming to this conclusion as one expands the thoughts expressed in *The Wealth of Nations*.

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QUOTES:-**Invisible Hand:-**

§ "Every individual necessarily labors to render the annual revenue of the society as great as he can. He generally indeed neither intends to promote the public interest, nor knows how much he is promoting it. He intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good." (*The Wealth of Nations*).

Government:-

§ "All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man or order of men. The sovereign [politician] is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient: the duty of superintending the industry of private people." (*The Wealth of Nations*, vol. II, bk. IV, ch. 9.)

Monopoly:-

§ "A monopoly granted either to an individual or to a trading company has the same effect as a secret in trade or manufactures. The monopolists, by keeping the market constantly understocked, by never fully supplying the effectual demand, sell their commodities much above the natural price, and raise their emoluments, whether they consist in wages or profit, greatly above their natural rate." (vol. I, bk. I, ch. 7.)

§ "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices. It is impossible indeed to prevent such meetings by any law which either could be executed, or would be consistent with liberty and justice." (vol. I, bk. I, ch. 10.)

Nature of Man:-

§ "The propensity to truck, barter and exchange one thing for another is common to all men, and to be found in no other race of animals."

Politicians:-

§ "It is the highest impertinence and presumption, therefore, in kings and ministers [read politicians] to pretend to watch over the economy of private people, and to restrain their expense. They are themselves always, and without any exception, the greatest spendthrifts in the society. Let them look well after their own expense, and they may safely trust private people with theirs." (vol. I, bk. II, ch. 3.)

Science:-

§ "Science is the great antidote to the poison of enthusiasm and superstition." (*The Wealth of Nations*.)

§ "A system of natural philosophy [this is how they described science in those days] may appear very plausible, and be for a long time very generally received in the world, and yet have no foundation in nature, nor any sort of resemblance to the truth." (*Theory of Moral Sentiments*.)