

## The Wonderful World of Adam Smith

What was that new vision? As we might expect, it was not a State but a System—more precisely, a System of Perfect Liberty. But it would be a mistake to plunge into its extraordinary conception until we had made the acquaintance of its no less extraordinary—certainly unusual—author.

A visitor to England in the 1760s would quite probably have learned of a certain Adam Smith of the University of Glasgow. Dr. Smith was a well-known, if not a famous, man; Voltaire had heard of him, David Hume was his intimate, students had traveled all the way from Russia to hear his labored but enthusiastic discourse. In addition to being renowned for his scholastic accomplishments, Dr. Smith was known as a remarkable personality. He was, for example, notoriously absentminded: once, walking along in earnest disquisition with a friend, he fell into a tanning pit, and it was said that he had brewed himself a beverage of bread and butter and pronounced it the worst cup of tea he had ever tasted. But his personal quirks, which were many, did not interfere with his intellectual abilities. Adam Smith was among the foremost philosophers of his age.

At Glasgow, Adam Smith lectured on problems of Moral Philosophy, a discipline a great deal more broadly conceived in that day than in ours. Moral Philosophy covered Natural Theology, Ethics, Jurisprudence, and Political Economy: it thus ranged all the way from man's sublimest impulses toward order and harmony to his somewhat less orderly and harmonious activities in the grimmer business of gouging out a living for himself.

Natural theology—the search for design in the confusion of the cosmos—had been an object of the human rationalizing impulse from earliest times; our traveler would have felt quite at ease as Dr. Smith expounded the natural laws that underlay the seeming chaos of the universe. But when it came to the other end of the spectrum—the search for a grand architecture beneath the hurly-burly of daily life—our traveler might have felt that the good doctor was really stretching philosophy beyond its proper limits.

For if the English social scene of the late eighteenth century suggested anything, it was most emphatically not rational order or moral purpose. As soon as one looked away from the elegant lives of the leisure classes, society presented itself as a brute struggle for existence in its meanest form. Outside the drawing rooms of London or the pleasant rich estates of the counties, all that one saw was rapacity, cruelty, and degradation mingled with the most irrational and bewildering customs and traditions of some still earlier and already anachronistic day. Rather than a carefully engineered machine where each part could be seen to contribute to the whole, the body social resembled one of James Watt's strange steam machines: black, noisy, inefficient, dangerous. How curious that Dr. Smith should have professed to see order, design, and purpose in all of this!

Suppose, for example, our visitor had gone to see the tin mines of Cornwall. There he would have watched miners lower themselves down the black shafts, and on reaching bottom draw a candle from their belts and stretch out for a sleep until the candle guttered. Then for two or three hours they would work the ore until the next traditional break, this time for as long as it took to smoke a pipe. A full half-day was spent in lounging, half in picking at the seams. But had our visitor traveled up north and nerved himself against a descent into the pits of Durham or Northumberland, he would have seen

something quite different. Here men and women worked together, stripped to the waist, and sometimes reduced from pure fatigue to a whimpering half-human state. The wildest and most brutish customs were practiced; sexual appetites aroused at a glance were gratified down some deserted shaftway; children of seven or ten who never saw daylight during the winter months were used and abused and paid a pittance by the miners to help drag away their tubs of coal; pregnant women drew coal cars like horses and even gave birth in the dark black caverns.

But it was not just in the mines that life appeared colorful, traditional, or ferocious. On the land, too, an observant traveler would have seen sights hardly more suggestive of order, harmony, and design. In many parts of the country bands of agricultural poor roamed in search of work. From the Welsh highlands, Companies of Ancient Britons (as they styled themselves) would come trooping down at harvest time; sometimes they had one horse, unsaddled and unbridled, for the entire company; sometimes they all simply walked. Not infrequently there would be only one of the lot who spoke English and so could serve as intermediary between the band and the gentlemen farmers whose lands they asked permission to aid in harvesting. It is not surprising that wages were as low as sixpence a day.

And finally, had our visitor stopped at a manufacturing town, he would have seen still other remarkable sights—but again, not such as to betoken order to the uneducated eye. He might have marveled at the factory built by the brothers Lombe in 1742. It was a huge building for those days, five hundred feet long and six stories high, and inside were machines described by Daniel Defoe as consisting of “26,586 Wheels and 97,746 Movements, which work 73,726 Yards of Silk-Thread every time the Water-Wheel goes round, which is three times in one minute.” Equally worthy of note were the children who tended the machines round the clock for twelve or fourteen hours at a turn, cooked their meals on the grimy black boilers, and were boarded in shifts in barracks where, it was said, the beds were always warm.

A strange, cruel, haphazard world this must have appeared to eighteenth-century as well as to our modern eyes. All the more remarkable, then, to find that it could be reconciled with a scheme of Moral Philosophy envisioned by Dr. Smith, and that that learned man actually claimed to fathom within it the clear-cut outlines of great purposeful laws fitting an overarching and meaningful whole.

What sort of man was this urbane philosopher?

“I am a beau in nothing but my books,” was the way Adam Smith once described himself, proudly showing off his treasured library to a friend. He was certainly not a handsome man. A medallion profile shows us a protruding lower lip thrust up to meet a large aquiline nose and heavy bulging eyes looking out from heavy lids. All his life Smith was troubled with a nervous affliction; his head shook, and he had an odd and stumbling manner of speech.

In addition, there was his notorious absentmindedness. In the 1780s, when Smith was in his late fifties, the inhabitants of Edinburgh were regularly treated to the amusing spectacle of their most illustrious citizen, attired in a light-colored coat, knee breeches, white silk stockings, buckle shoes, flat broad-brimmed beaver hat, and cane, walking down the cobbled streets with his eyes fixed on infinity and his lips moving in silent discourse. Every pace or two he would hesitate as if to change his direction or even reverse it; his gait was described by a friend as “vermicular.”

Accounts of his absence of mind were common. On one occasion he descended into his garden clad only in a dressing gown and, falling into a reverie, walked fifteen miles before coming to. Another time while Smith was walking with an eminent friend in Edinburgh, a guard presented his pike in salute. Smith, who had been thus honored on countless occasions, was suddenly hypnotized by

the saluting soldier. He returned the honor with his cane and then further astonished his guest by following exactly in the guard's footsteps, duplicating with his cane every motion of the pike. When the spell was broken, Smith was standing at the head of a long flight of steps, cane held at the ready. Having no idea that he had done anything out of the ordinary, he grounded his stick and took up his conversation where he had left off.

This absent-minded professor was born in 1723 in the town of Kirkcaldy, County Fife, Scotland. Kirkcaldy boasted a population of fifteen hundred; at the time of Smith's birth, nails were still used as money by some of the local townspeople. When he was four years old, a most curious incident took place. Smith was kidnaped by a band of passing gypsies. Through the efforts of his uncle (his father had died before his birth), the gypsies were traced and pursued, and in their flight they abandoned young Adam by the roadside. "He would have made, I fear, a poor gypsy," says one of his early biographers.

From his earliest days, Smith was an apt pupil, although even as a child given to fits of abstraction. He was obviously destined for teaching, and so at seventeen he went to Oxford on a scholarship—making the journey on horseback—and there he remained for six years. But Oxford was not then the citadel of learning which it later became. Most of the public professors had long ago given up even a pretense of teaching. A foreign traveler recounts his astonishment over a public debate there in 1788. All four participants passed the allotted time in profound silence, each absorbed in reading a popular novel of the day. Since instruction was the exception rather than the rule, Smith spent the years largely untutored and untaught, reading as he saw fit. In fact he was once nearly expelled from the university because a copy of David Hume's *A Treatise of Human Nature* was found in his rooms—Hume was no fit reading matter, even for a would-be philosopher.

In 1751—he was not yet twenty-eight—Smith was offered the Chair of Logic at the University of Glasgow, and shortly thereafter he was given the Chair of Moral Philosophy. Unlike Oxford, Glasgow was a serious center of what has come to be called the Scottish Enlightenment, and it boasted a galaxy of talent. But it still differed considerably from the modern conception of a university. The prim professorial group did not entirely appreciate a certain levity and enthusiasm in Smith's manner. He was accused of sometimes smiling during religious services (no doubt during a reverie), of being a firm friend of that outrageous Hume, of not holding Sunday classes on Christian evidences, of petitioning the Senatus Academicus for permission to dispense with prayers on the opening of class, and of delivering prayers that smacked of a certain "natural religion." Perhaps this all fits into better perspective if we remember that Smith's own teacher, Francis Hutcheson, broke new ground at Glasgow by refusing to lecture to his students in Latin!

The disapproval could not have been too severe, for Smith rose to be dean in 1758. Unquestionably he was happy at Glasgow. In the evenings he played whist—his absent-mindedness made him a somewhat undependable player—attended learned societies, and lived a quiet life. He was beloved of his students, noted as a lecturer—even Boswell came to hear him—and his odd gait and manner of speech gained the homage of imitation. Little busts of him even appeared in booksellers' windows.

It was not merely his eccentric personality that gave him prestige. In 1759 he published a book that made an instant sensation. It was entitled *The Theory of Moral Sentiments*, and it catapulted Smith immediately into the forefront of English philosophers. *Theory* was an inquiry into the origin of moral approbation and disapproval. How does it happen that man, who is a creature of self-interest, can form moral judgments in which self-interest seems to be held in abeyance or transmuted to a higher plane? Smith held that the answer lay in our ability to put ourselves in the position of a third person,

an impartial observer, and in this way to form a sympathetic notion of the objective (as opposed to the selfish) merits of a case.

The book and its problems attracted widespread interest. In Germany *das Adam Smith Problem* became a favorite subject for debate. More importantly, from our point of view, the treatise met with the favor of an intriguing man named Charles Townshend.

Townshend is one of those wonderful figures with which the eighteenth century seems to abound. A witty and even learned man, Townshend was, in the words of Horace Walpole, “a man endowed with every great talent, who must have been the greatest man of his age, if only he had common sincerity, common steadiness, and common sense.” Townshend’s fickleness was notorious; a quip of the times put it that Mr. Townshend was ill of a pain in his side, but declined to specify which side. As evidence of his lack of common sense, it was Townshend, as Chancellor of the Exchequer, who helped precipitate the American Revolution, first by refusing the colonists the right to elect their own judges and then by imposing a heavy duty on American tea.

But his political shortsightedness notwithstanding, Townshend was a sincere student of philosophy and politics, and as such a devotee of Adam Smith. What is more important, he was in a position to make him an unusual offer. In 1754, Townshend had made a brilliant and lucrative marriage to the Countess of Dalkeith, the widow of the Duke of Buccleuch, and he now found himself casting about for a tutor for his wife’s son. Education for a young man of the upper classes consisted largely of the Grand Tour, a stay in Europe where one might acquire that polish so highly praised by Lord Chesterfield. Dr. Adam Smith would be an ideal companion for the young duke, thought Townshend, and accordingly he offered him five hundred pounds a year plus expenses and a pension of five hundred pounds a year for life. It was too good an offer to be declined. At best Smith never realized more than one hundred seventy pounds from the fees which, in those days, professors collected directly from their students. It is pleasant to note that his pupils refused to accept a refund from Dr. Smith when he left, saying that they had already been more than recompensed.

The tutor and His young Grace left for France in 1764. For eighteen months they stayed in Toulouse, where a combination of abominably boring company and Smith’s execrable French made his sedate life at Glasgow look like dissipation. Then they moved on to the south of France (where he met and worshiped Voltaire and repulsed the attentions of an amorous marquise), thence to Geneva, and finally to Paris. To relieve the tedium of the provinces, Smith began work on a treatise of political economy, a subject on which he had lectured at Glasgow, debated many evenings at the Select Society in Edinburgh, and discussed at length with his beloved friend David Hume. The book was to be *The Wealth of Nations*, but it would be twelve years before it was finished.

Paris was better going. By this time Smith’s French, although dreadful, was good enough to enable him to talk at length with the foremost economic thinker in France. This was François Quesnay, a physician in the court of Louis XV and personal doctor to Mme. Pompadour. Quesnay had propounded a school of economics known as Physiocracy and devised a chart of the economy called a *tableau économique*. The *tableau* was truly a physician’s insight: in contradistinction to the ideas of the day, which still held that wealth was the solid stuff of gold and silver, Quesnay insisted that wealth sprang from production and that it flowed through the nation, from hand to hand, replenishing the body social like the circulation of blood. The *tableau* made a vast impression—Mirabeau the elder characterized it as an invention deserving of equal rank with writing and money. But the trouble with Physiocracy was that it insisted that only the agricultural worker *produced* true wealth because Nature labored at his side, whereas the manufacturing worker merely altered its form in a “sterile” way. Hence Quesnay’s system had but limited usefulness for practical policy. True, it advocated a

policy of *laissez-faire*—a radical departure for the times. But in describing the industrial sector as performing only a sterile manipulation, it failed to see that labor could produce wealth wherever it performed, not just on the land.

To see that labor, not nature, was the source of “value,” was one of Smith’s greatest insights. Perhaps this was the consequence of having grown up in a country that bustled with trade, rather than in the overwhelmingly agricultural setting of France. Whatever the cause, Smith could not accept the agricultural bias of the Physiocratic cult (Quesnay’s followers, like Mirabeau, were nothing if not adulatory). Smith had a profound personal admiration for the French doctor—had it not been for Quesnay’s death, *The Wealth of Nations* would have been dedicated to him—but Physiocracy was fundamentally uncongenial to Smith’s Scottish vision.

In 1766 the tour was brought to an abrupt halt. The duke’s younger brother, who had joined them, caught a fever, and despite the frantic attentions of Smith (who called in Quesnay), died in a delirium. His Grace returned to his estates at Dalkeith, and Smith went first to London, and then to Kirkcaldy. Despite Hume’s entreaties, there he stayed, for the better part of the next ten years, while the great treatise took shape. Most of it he dictated, standing against his fireplace and nervously rubbing his head against the wall until his pomade had made a dark streak on the paneling. Occasionally he would visit his former charge on his estates at Dalkeith, and once in a while he would go to London to discuss his ideas with the literati of the day. One of them was Dr. Samuel Johnson, to whose select club Smith belonged, although he and the venerable lexicographer had hardly met under the most amiable of circumstances. Sir Walter Scott tells us that Johnson, on first seeing Smith, attacked him for some statement he had made. Smith vindicated the truth of his contention. “What did Johnson say?” was the universal inquiry. “Why, he said,” said Smith, with the deepest impression of resentment, “he said, ‘You lie!’” “And what did you reply?” “I said, ‘You are a son of a—!’” On such terms, says Scott, did these two great moralists first meet and part, and such was the classical dialogue between two great teachers of philosophy.

Smith met as well a charming and intelligent American, one Benjamin Franklin, who provided him with a wealth of facts about the American colonies and a deep appreciation of the role that they might someday play. It is undoubtedly due to Franklin’s influence that Smith subsequently wrote of the colonies that they constituted a nation “which, indeed, seems very likely to become one of the greatest and most formidable that ever was in the world.”

In 1776, *The Wealth of Nations* was published. Two years later Smith was appointed Commissioner of Customs for Edinburgh, a sinecure worth six hundred pounds a year. With his mother, who lived until she was ninety, Smith lived out his bachelor’s life in peace and quiet; serene, content, and in all likelihood absent-minded to the end.

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And the book?

It has been called “the outpouring not only of a great mind, but of a whole epoch.” Yet it is not, in the strict sense of the word, an “original” book. There is a long line of observers before Smith who have approached his understanding of the world: Locke, Steuart, Mandeville, Petty, Cantillon, Turgot, not to mention Quesnay and Hume again. Smith took from all of them: there are over a hundred authors mentioned by name in his treatise. But where others had fished here and there, Smith spread his net wide; where others had clarified this and that issue, Smith illuminated the entire landscape. *The Wealth of Nations* is not a wholly original book, but it is unquestionably a masterpiece.

It is, first of all, a huge panorama. It opens with a famous passage describing the minute

specialization of labor in the manufacture of pins, and covers, before it is done, such a variety of subjects as “the late disturbances in the American colonies” (evidently Smith thought the Revolutionary War would be over by the time his book reached the press), the wastefulness of the student’s life at Oxford, and the statistics on the herring catch since 1771.

A glance at the index compiled for a later edition by Cannan shows the range of Smith’s references and thoughts. Here are a dozen entries from the letter A:

Abassides, opulence of Saracen empire under  
Abraham, weighed shekels  
Abyssinia, salt money  
Actors, public, paid for the contempt attending their profession  
Africa, powerful king much worse off than European peasant  
Alehouses, the number of, not the efficient cause of drunkenness  
Ambassadors, the first motive of their appointment  
America [a solid page of references follows]  
Apprenticeship, the nature ... of this bond servitude explained  
Arabs, their manner of supporting war  
Army, ... no security to the sovereign against a disaffected clergy.

In fine print the index goes on for sixty-three pages; before it ends it has touched on everything: “Riches, the chief enjoyment of, consists in the parade of; Poverty, sometimes urges nation to inhuman customs; Stomach, desire for food bounded by narrow capacity of the; Butcher, brutal and odious business.” When we have finished the nine hundred pages of the book we have a living picture of England in the 1770s, of apprentices and journeymen and rising capitalists, of landlords and clergymen and kings, of workshops and farms and foreign trade.

The book is heavy going. It moves with all the deliberation of an encyclopedic mind, but not with the precision of an orderly one. This was an age when authors did not stop to qualify their ideas with *ifs*, *ands*, and *buts*, and it was an era when it was quite possible for a man of Smith’s intellectual stature virtually to embrace the great body of knowledge of his times. Hence *Wealth* ducks nothing, minimizes nothing, fears nothing. What an exasperating book! Again and again it refuses to wrap up in a concise sentence a conclusion it has laboriously arrived at over fifty pages. The argument is so full of detail and observation that one constantly has to chip away the ornamentation to find the steel structure that holds it together underneath. Coming to silver, Smith detours for seventy-five pages to write a “digression” on it; coming to religion, he wanders off in a chapter on the sociology of morality. But for all its weightiness, the text is shot through with insights, observations, and well-turned phrases that imbue this great lecture with life. It was Smith who first called England “a nation of shopkeepers”; it was Smith who wrote, “By nature a philosopher is not in genius and disposition half so different from a street porter, as a mastiff is from a greyhound.” And of the East India Company, which was then ravaging the East, he wrote: “It is a very singular government in which every member of the administration wishes to get out of the country ... as soon as he can, and to whose interest, the day after he has left it and carried his whole fortune with him, it is perfectly indifferent though the whole country as swallowed up by an earthquake.”

*The Wealth of Nations* is in no sense a textbook. Adam Smith is writing to his age, not to his classroom; he is expounding a doctrine that is meant to be of importance in running an empire, not an

abstract treatise for academic distribution. The dragons that he slays (such as the Mercantilist philosophy, which takes over two hundred pages to die) were alive and panting, if a little tired, in his day.

And finally, the book is a revolutionary one. To be sure, Smith would hardly have countenanced an upheaval that disordered the gentlemanly classes and enthroned the common poor. But the import of *The Wealth of Nations* is revolutionary, nonetheless. Smith is not, as is commonly supposed, an apologist for the up-and-coming bourgeois; as we shall see, he is an admirer of their work but suspicious of their motives, and mindful of the needs of the great laboring mass. But 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 that *all* the people of society consume, although not, of course, in equal amounts. There will be poverty as well as wealth in the Society of Natural Liberty.

Nonetheless, 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.

And now, what of the vision? As we shall see, it cannot be so simply described as Hobbes's principle of sovereign power. Smith's vision is more like a blueprint for a whole new mode of social organization, a mode called Political Economy, or, in today's terminology, economics.

At the center of this blueprint are the solutions to two problems that absorb Smith's attention. First, he is interested in laying bare the mechanism by which society hangs together. How is it possible for a community in which everyone is busily following his self-interest not to fly apart from sheer centrifugal force? What is it that guides each individual's private business so that it conforms to the needs of the group? With no central planning authority and no steadying influence of age-old tradition, how does society manage to get those tasks done which are necessary for survival?

These questions lead Smith to a formulation of the laws of the market. What he sought was "the invisible hand," as he called it, whereby "the private interests and passions of men" are led in the direction "which is most agreeable to the interest of the whole society."

But the laws of the market will be only a part of Smith's inquiry. There is another question that interests him: whither society? The laws of the market are like the laws that explain how a spinning top stays upright; but there is also the question of whether the top, by virtue of its spinning, will be moved along the table.

To Smith and the great economists who followed him, society is not conceived as a static achievement of mankind which will go on reproducing itself, unchanged and unchanging, from one generation to the next. On the contrary, society is seen as an organism that has its own life history. Indeed, in its entirety *The Wealth of Nations* is a great treatise on history, explaining how "the system of perfect liberty" (also called "the system of natural liberty")—the way Smith referred to commercial capitalism—came into being, as well as how it worked.

But until we have followed Smith's unraveling of the laws of the market, we cannot turn to this larger and more fascinating problem. For the laws of the market themselves will be an integral part of the larger laws that cause society to prosper or decay. The mechanism by which the heedless individual is kept in line with everybody else will affect the mechanism by which society itself changes over the years.

Hence we begin with a look at the market mechanism. It is not the stuff that excites the imagination

or stirs the pulse. Yet, for all its dryness, it has an immediacy that should lead us to consider it with a respectful eye. Not only are the laws of the market essential to an understanding of the world of Adam Smith, but these same laws will underlie the very different world of Karl Marx, and the still different world in which we live today. Since we are all, knowingly or otherwise, under their sovereignty, it behooves us to scrutinize them rather carefully.

Adam Smith's laws of the market are basically simple. They tell us that the outcome of a certain kind of behavior in a certain social framework will bring about perfectly definite and foreseeable results. Specifically they show us how the drive of individual self-interest in an environment of similarly motivated individuals will result in competition; and they further demonstrate how competition will result in the provision of those goods that society wants, in the quantities that society desires, and at the prices society is prepared to pay. Let us see how this comes about.

It comes about in the first place because self-interest acts as a driving power to guide men to whatever work society is willing to pay for. "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner," says Smith, "but from their regard to their self-interest. We address ourselves, not to their humanity, but to their self-love, and never talk to them of our necessities, but of their advantages."

But self-interest is only half the picture. It drives men to action. Something else must prevent the pushing of profit-hungry individuals from holding society up to exorbitant ransom: a community activated only by self-interest would be a community of ruthless profiteers. This regulator is competition, the conflict of the self-interested actors on the marketplace. For each man, out to do his best for himself with no thought of social consequences, is faced with a flock of similarly motivated individuals who are engaged in exactly the same pursuit. Hence, each is only too eager to take advantage of his neighbor's greed. A man who permits his self-interest to run away with him will find that competitors have slipped in to take his trade away; if he charges too much for his wares or if he refuses to pay as much as everybody else for his workers, he will find himself without buyers in the one case and without employees in the other. Thus very much as in *The Theory of Moral Sentiments*, the selfish motives of men are transmuted by interaction to yield the most unexpected of results: social harmony.

Consider, for example, the problem of high prices. Suppose we have one hundred manufacturers of gloves. The self-interest of each one will cause him to wish to raise his price above his cost of production and thereby to realize an extra profit. But he cannot. If he raises his price, his competitors will step in and take his market away from him by underselling him. Only if all glove manufacturers combine and agree to maintain a solid front will an unduly high price be charged. And in this case, the collusive coalition could be broken by an enterprising manufacturer from another field—say, shoemaking—who decided to move his capital into glove manufacture, where he could steal away the market by shading his price.

But the laws of the market do more than impose a competitive price on products. They also see to it that the producers of society heed society's demands for the *quantities* of goods it wants. Let us suppose that consumers decide they want more gloves than are being turned out, and fewer shoes. Accordingly the public will scramble for the stock of gloves on the market, while the shoe business will be dull. As a result glove prices will tend to rise as consumers try to buy more of them than there are ready at hand, and shoe prices will tend to fall as the public passes the shoe stores by. But as glove prices rise, profits in the glove industry will rise, too; and as shoe prices fall, profits in shoe manufacture will slump. Again self-interest will step in to right the balance. Workers will be released from the shoe business as shoe factories contract their output; they will move to the glove business,



where business is booming. The result is quite obvious: glove production will rise and shoe production fall.

And this is exactly what society wanted in the first place. As more gloves come on the market to meet demand, glove prices will fall back into line. As fewer shoes are produced, the surplus of shoes will soon disappear and shoe prices will again rise up to normal. Through the mechanism of the market, society will have changed the allocation of its elements of production to fit its new desires. Yet no one has issued a dictum, and no planning authority has established schedules of output. Self-interest and competition, acting one against the other, have accomplished the transition.

And one final accomplishment. Just as the market regulates both prices and quantities of *goods* according to the final arbiter of public demand, so it also regulates the *incomes* of those who cooperate to produce those goods. If profits in one line of business are unduly large, there will be a rush of other businessmen into that field until competition has lowered surpluses. If wages are out of line in one kind of work, there will be a rush of men into the favored occupation until it pays no more than comparable jobs of that degree of skill and training. Conversely, if profits or wages are too low in one trade area, there will be an exodus of capital and labor until the supply is better adjusted to the demand.

All this may seem somewhat elementary. But consider what Adam Smith has done, with his impetus of self-interest and his regulator of competition. First, he 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 for society's orderly provisioning.

Note "self-regulating." The beautiful consequence of the market is that it is its own guardian. If output or prices or certain kinds of remuneration stray away from their socially ordained levels, forces are set into motion to bring them back to the fold. It is a curious paradox that thus ensues the market, which is the acme of individual economic freedom, is the strictest taskmaster of all. One may appeal the ruling of a planning board or win the dispensation of a minister; but there is no appeal, no dispensation, from the anonymous pressures of the market mechanism. Economic freedom is thus more illusory than at first appears. One can do as one pleases in the market. But if one pleases to do what the market disapproves, the price of individual freedom is economic ruination.

Does the world really work this way? To a very real degree it did in the days of Adam Smith. Even in his time, of course, there were already factors that acted as restraints against the free operation of the market system. There were combinations of manufacturers who rigged prices artificially high and associations of journeymen who resisted the pressures of competition when it acted to lower their wages. And already there were more disquieting signs to be read. The Lombe brothers' factory was more than a mere marvel of engineering and a source of wonderment to the visitor: it betokened the coming of large-scale industry and the emergence of employers who were immensely powerful individual actors in the market. The children in the cotton mills could surely not be considered market factors of equal power with the employers who bedded, boarded, and exploited them. But for all its deviations from the blueprint, eighteenth-century England approached, even if it did not wholly conform to, the model that Adam Smith had in mind. Business *was* competitive, the average factory *was* small, prices *did* rise and fall as demand ebbed and rose, and changes in prices *did* invoke changes in output and occupation. The world of Adam Smith has been called a world of

atomistic competition, a world in which no agent of the productive mechanism, on the side of labor or capital, was powerful enough to interfere with or to resist the pressures of competition. It was a world in which each agent was forced to scurry after its self-interest in a vast social free-for-all.

And today? Does the competitive market mechanism still operate?

This is not a question to which it is possible to give a simple answer. The nature of the market has changed vastly since the eighteenth century. We no longer live in a world of atomistic competition in which no man can afford to swim against the current. Today's market mechanism is characterized by the huge size of its participants: giant corporations and strong labor unions obviously do not behave as if they were individual proprietors and workers. Their very bulk enables them to stand out against the pressures of competition, to disregard price signals, and to consider what their self-interest shall be in the long run rather than in the immediate press of each day's buying and selling.

That these factors have weakened the guiding function of the market mechanism is apparent. But for all the attributes of modern-day economic society, the great forces of self-interest and competition, however watered down or hedged about, still provide basic rules of behavior that no participant in a market system can afford to disregard entirely. Although the world in which we live is not that of Adam Smith, the laws of the market can still be discerned if we study its operations.

But the laws of the market are only a description of the behavior that gives society its cohesiveness. Something else must make it go. Ninety years after *The Wealth of Nations*, Karl Marx was to discover "laws of motion" that described how capitalism proceeded slowly, unwillingly, but ineluctably to its doom. But *The Wealth of Nations* already had its own laws of motion. However, altogether unlike the Marxist prognosis, Adam Smith's world went slowly, quite willingly, toward—although, as we shall see, never quite all the way to—Valhalla.

Valhalla would have been the last destination that most observers would have predicted. Sir John Byng, touring the North Country in 1792, looked from his coach window and wrote: "Why, here now, is a great flaring mill ... all the Vale is disturbed.... Sir Richard Arkwright may have introduced Much Wealth into his Family and into his Country, but, as a Tourist, I execrate his Schemes, which having crept into every Pastoral Vale, have destroyed the course, and the Beauty of Nature." "Oh! What a dog's hole is Manchester," said Sir John on arriving there.

In truth, much of England was a dog's hole. The three centuries of turmoil which had prodded land, labor, and capital into existence seemed to have been only a preparation for still further upheaval, for the recently freed agents of production began to be combined in a new and ugly form: the factory. And with the factory came new problems. Twenty years before Sir John's tour, Richard Arkwright, who had gotten together a little capital peddling women's hair to make wigs, invented (or stole) the spinning throstle. But, having constructed his machine, he found it was not so easy to staff it. Local labor could not keep up with the "regular celerity" of the process—wage-work was still generally despised, and some capitalists found their new-built factories burned to the ground out of sheer blind hatred. Arkwright was forced to turn to children—"their small fingers being active." Further-more, since they were unused to the independent life of farming or crafts, children adapted themselves more readily to the discipline of factory life. The move was hailed as a philanthropic gesture—would not the employment of children help to alleviate the condition of the "unprofitable poor"?

For if any problem absorbed the public mind, besides its mixed admiration of and horror at the factory, it was this omnipresent problem of the unprofitable poor. In 1720, England was crowded with a million and a half of them—a staggering figure when we realize that her total population was only twelve or thirteen million. Hence the air was full of schemes for their disposition. Despairing

schemes, mostly. For the common complaint was the ineradicable sloth of the pauper, and this was mixed with consternation at the way in which the lower orders aped their betters. Workpeople were actually drinking tea! The common folk seemed to prefer wheaten bread to their traditional loaf of rye or barley! Where would all this lead to, asked the thinkers of the day; were not the wants of the poor (“which it would be prudence to relieve, but folly to cure,” as the scandalous Mandeville put it in 1723) essential for the welfare of the state? What would happen to Society if the indispensable gradations of society were allowed to disappear?

Consternation still described the prevailing attitude of his day toward the great, fearful problem of the “lower orders,” but it certainly did not describe Adam Smith’s philosophy. “No society can surely be flourishing and happy, of which by far the greater part of the numbers are poor and miserable,” he wrote. And not only did he have the temerity to make so radical a statement, but he proceeded to demonstrate that society was in fact constantly improving; that it was being propelled, willy-nilly, toward a positive goal. It was not moving because anyone willed it to, or because Parliament might pass laws, or England win a battle. It moved because there was a concealed dynamic beneath the surface of things which powered the social whole like an enormous engine.

For one salient fact struck Adam Smith as he looked at the English scene. This was the tremendous gain in productivity which sprang from the minute division and specialization of labor. Early in *The Wealth of Nations*, Smith comments on a pin factory: “One man draws out the wire, another straightens it, a third cuts it, a fourth points it, a fifth grinds it at the top for receiving the head; to make the head requires two or three distinct operations; to put it on is a peculiar business; to whiten it is another; it is even a trade by itself to put them into paper.... I have seen a small manufactory of this kind where ten men only were employed and where some of them consequently performed two or three distinct operations. But though they were very poor, and therefore but indifferently accommodated with the necessary machinery, they could, when they exerted themselves, make among them about twelve pounds of pins in a day. There are in a pound upwards of four thousand pins of a middling size. Those ten persons, therefore, could make among them upwards of forty-eight thousand pins in a day.... But if they had all wrought separately and independently ... they certainly could not each of them make twenty, perhaps not one pin a day....”

There is hardly any need to point out how infinitely more complex present-day production methods are than those of the eighteenth century. Smith, for all his disclaimers, was sufficiently impressed with a small factory of ten people to write about it; what would he have thought of one employing ten thousand! But the great gift of the division of labor is not its complexity—indeed it simplifies most toil. Its advantage lies in its capacity to increase what Smith calls “that universal opulence which extends itself to the lowest ranks of the people.” That universal opulence of the eighteenth century looks like a grim existence from our modern vantage point. But if we view the matter in its historical perspective, if we compare the lot of the workingman in eighteenth-century England with that of his predecessor a century or two before, it is clear that, mean as his existence was, it constituted a considerable advance. Smith makes the point vividly:

Observe the accommodation of the most common artificer or day labourer in a civilized and thriving country, and you will perceive that the number of people of whose industry a part, though but a small part, has been employed in procuring him this accommodation, exceeds all computation. The woollen coat, for example, which covers the day-labourer, as coarse and rough as it may seem, is the produce of the joint labour of a great multitude of workmen. The shepherd, the sorter of the wool, the wool-comber or carder, the dyer, the scribbler, the spinner, the weaver, the fuller, the dresser, with many

others, must all join their different arts in order to complete even this homely production. How many merchants and carriers, besides, must have been employed ... how much commerce and navigation ... how many ship-builders, sailors, sail-makers, rope makers....

Were we to examine, in the same manner, all the different parts of his dress and household furniture, the coarse linen shirt which he wears next to his skin, the shoes which cover his feet, the bed which he lies on ... the kitchen-grate at which he prepares his victuals, the coals which he makes use of for that purpose, dug from the bowels of the earth, and brought to him perhaps by a long sea and a long land carriage, all the other utensils of his kitchen, all the furniture of his table, the knives and forks, the earthen or pewter plates upon which he serves up and divides his victuals, the different hands employed in preparing his bread and his beer, the glass window which lets in the heat and the light, and keeps out the wind and the rain, with all the knowledge and art requisite for preparing that beautiful and happy invention ...; if we examine, I say, all those things ... we shall be sensible that without the assistance and cooperation of many thousands, the very meanest person in a civilized country could not be provided, even according to what we very falsely imagine, the easy and simple manner in which he is commonly accommodated. Compared indeed with the more extravagant luxury of the great, his accommodation must no doubt appear extremely simple and easy; and yet it may be true, perhaps, that the accommodation of a European prince does not always so much exceed that of an industrious and frugal peasant, as the accommodation of the latter exceeds that of many an African king, the absolute master of the lives and liberties of often thousand naked savages.

What is it that drives society to this wonderful multiplication of wealth and riches? Partly it is the market mechanism itself, for the market harnesses man's creative powers in a milieu that encourages him, even forces him, to invent, innovate, expand, take risks. But there are more fundamental pressures behind the restless activity of the market. In fact, Smith sees two deep-seated laws of behavior which propel the market system in an ascending spiral of productivity.

The first of these is the Law of Accumulation.

Let us remember that Adam Smith lived at a time when the rising industrial capitalist could and did realize a fortune from his investments. Richard Arkwright, apprenticed to a barber as a young man, died in 1792 leaving an estate of £500,000. Samuel Walker, who started a forge going in an old nailshop in Rotherham, left a steel foundry on that site worth £200,000. Josiah Wedgwood, who stumped about his pottery factory on a wooden leg scrawling "This won't do for Jos. Wedgwood" wherever he saw evidence of careless work, left an estate of £240,000 and much landed property. The Industrial Revolution in its earliest stages already provided a veritable grab bag of riches for whoever was quick enough, shrewd enough, industrious enough to ride with its current.

And the object of the great majority of the rising capitalists was first, last, and always, to *accumulate* their savings. At the beginning of the nineteenth century, £2,500 was collected in Manchester for the foundation of Sunday schools. The sum total contributed to this worthy cause by the single largest employers in the district, the cotton spinners, was £90. The young industrial aristocracy had better things to do with its money than contribute to unproductive charities—it had to accumulate, and Adam Smith approved wholeheartedly. Woe to him who did not accumulate. And as for one who encroached on his capital—"like him who perverts the revenues of some pious foundation to profane purposes, he pays the wages of idleness with those funds which the frugality of his forefathers had, as it were, consecrated to the maintenance of industry."

But Adam Smith did not approve of accumulation for accumulation's sake. He was, after all, a philosopher, with a philosopher's disdain for the vanity of riches. Rather, in the accumulation of

capital Smith saw a vast benefit to society. For capital—if put to use in machinery—provided just that wonderful division of labor which multiplies man's productive energy. Hence accumulation becomes another of Smith's two-edged swords: the avarice of private greed again redounding to the welfare of the community. Smith is not worried over the problem that will face twentieth-century economists: will private accumulations actually find their way back into more employment? For him the world is capable of indefinite improvement and the size of the market is limited only by its geographical extent. Accumulate and the world will benefit, says Smith. And certainly in the lusty atmosphere of his time there was no evidence of any unwillingness to accumulate on the part of those who were in a position to do so.

But—and here is a difficulty—accumulation would soon lead to a situation where further accumulation would be impossible. For accumulation meant more machinery, and more machinery meant more demand for workmen. And this in turn would sooner or later lead to higher and higher wages, until profits—the source of accumulation—were eaten away. How is this hurdle surmounted?

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It is surmounted by the second great law of the system: the Law of Population.

To Adam Smith, laborers, like any other commodity, could be produced according to the demand. If wages were high, the number of workpeople would multiply; if wages fell, the numbers of the working class would decrease. Smith put it bluntly: "... the demand for men, like that for any other commodity, necessarily regulates the production of men."

Nor is this quite so naive a conception as it appears at first blush. In Smith's day infant mortality among the lower classes was shockingly high. "It is not uncommon," says Smith, "... in the Highlands of Scotland for a mother who has borne twenty children not to have two alive." In many places in England, half the children died before they were four, and almost everywhere half the children lived only to the age of nine or ten. Malnutrition, evil living conditions, cold, and disease took a horrendous toll among the poorer element. Hence, although higher wages might have affected the birth rate only slightly, they could be expected to have a considerable influence on the number of children who would grow to working age.

Hence, if the first effect of accumulation would be to raise the wages of the working class, this in turn would bring about an increase in the number of workers. And now the market mechanism takes over. Just as higher prices on the market will bring about a larger production of gloves and the larger number of gloves in turn press down the higher prices of gloves, so higher wages will bring about a larger number of workers, and the increase in their numbers will set up a reverse pressure on the level of their wages. Population, like glove production, is a self-curing disease—as far as wages are concerned.

And this meant that accumulation might go safely on. The rise in wages which it caused and which threatened to make further accumulation unprofitable is tempered by the rise in population. Accumulation leads to its own undoing, and then is rescued in the nick of time. The obstacle of higher wages is undone by the growth in population which those very higher wages made feasible. There is something fascinating in this automatic process of aggravation and cure, stimulus and response, in which the very factor that seems to be leading the system to its doom is also slyly bringing about the conditions necessary for its further health.

And now observe that Smith has constructed for society a giant endless chain. As regularly and as inevitably as a series of interlocked mathematical propositions, society is started on an upward march. From any starting point the probing mechanism of the market first equalizes the returns to labor

and capital in all their different uses, sees to it that those commodities demanded are produced in the right quantities, and further ensures that prices for commodities are constantly competed down to their costs of production. But further than this, society is dynamic. From its starting point accumulation of wealth will take place, and this accumulation will result in increased facilities for production and in a greater division of labor. So far, all to the good. But accumulation will also raise wages as capitalists bid for workers to man the new factories. As wages rise, further accumulation begins to look unprofitable. The system threatens to level off. But meanwhile, workmen will have used their higher wages to rear their children with fewer mortalities. Hence the supply of workmen will increase. As population swells, the competition among workmen will press down on wages again. And so accumulation will continue, and another spiral in the ascent of society will begin.

This is no business cycle that Smith describes. It is a long-term process, a secular evolution. And it is wonderfully certain. Provided only that the market mechanism is not tampered with, everything is inexorably determined by the preceding link. A vast reciprocating machinery is set up with all of society inside it: only the tastes of the public—to guide producers—and the actual physical resources of the nation are outside the chain of cause and effect.

But observe that what is foreseen is not an unbounded improvement of affairs. There will assuredly be a long period of what we call economic growth—Smith does not use the term—but the improvement has its limits. These do not immediately affect the working man. True, the rise in population will eventually force wages back toward subsistence, but for many years, in Smith's opinion, the working class would improve its lot.

But Smith was above all a realist. In the *very* long run, well beyond the horizon, he saw that a growing population would push wages back to their “natural” level. When would that time come? Clearly, it would arrive when society had run out of unused resources and introduced as fine a division of labor as possible. In a word, growth would come to an end when the economy had extended its boundaries to their limits, and then fully utilized its increased economic “space.”

But why could not that boundary be further expanded? The answer is that Smith saw the all-important division of labor as a once-for-all, not a continuing, process. As has been recently pointed out, he did not see the organizational and technological core of the division of labor as a self-generating process of change, but as a discrete advance that would impart its stimulus and then disappear. Thus, in the very long run the growth momentum of society would come to a halt—Smith once mentions two hundred years as the longest period over which a society could hope to flourish. Thereafter the laborer would return to his subsistence wages, the capitalist to the modest profits of a stable market, and the landlord alone might enjoy a somewhat higher income as food production remained at the levels required by a larger, although no longer growing, population. For all its optimistic boldness, Smith's vision is bounded, careful, sober—for the long run, even sobering.

No wonder, then, that the book took hold slowly. It was eight years before it was quoted in Parliament, the first to do so being Charles James Fox, the most powerful member of Commons (who admitted later that he had never actually *read* the book). It was not until 1800 that the book achieved full recognition. By that time it had gone through nine English editions and had found its way to Europe and America. Its protagonists came from an unexpected quarter. They were the rising capitalist class—the very class that Smith had excoriated for its “mean rapacity,” and of whose members he had said that they “neither are, nor ought to be, the rulers of mankind.” All this was ignored in favor of the great point that Smith made in his inquiry: *let the market alone*.

What Smith had meant by this was one thing; what his proponents made him out to mean was

another. Smith, as we have said, was not the proponent of any one class. He was a slave to his system. His whole economic philosophy stemmed from his unquestioning faith in the ability of the market to guide the system to its point of highest return. The market—that wonderful social machine—would take care of society’s needs *if it was left alone*, so that the laws of evolution might take over to lift society toward its promised reward. Smith was neither antilabor nor anticapital; if he had any bias it was in favor of the consumer. “Consumption is the sole end and purpose of all production,” he wrote, and then proceeded to castigate those systems that placed the interest of the producer over that of the consuming public.

But in Smith’s panegyric of a free and unfettered market the rising industrialists found the theoretical justification they needed to block the first government attempts to remedy the scandalous conditions of the times. For Smith’s theory does unquestionably lead to a doctrine of *laissez-faire*. To Adam Smith the least government is certainly the best: governments are spendthrift, irresponsible, and unproductive. And yet Adam Smith is not necessarily opposed—as his posthumous admirers made him out to be—to government action that has as its end the promotion of the general welfare. He warns, for example, of the stultifying effect of mass production—“the understandings of the greater part of men are necessarily formed in their employments. The man whose whole life is spent in performing a few simple operations ... generally becomes as stupid and ignorant as it is possible for a human creature to become”—and prophesies a decline in the manly virtues of the laborer, “unless the government takes some pains to prevent it.”

Indeed, far from being opposed to all government undertakings, Smith specifically stresses three things that government should do in a society of natural liberty. First, not surprisingly, it should protect that society against “the violence and invasion” of other societies. Second, it should provide an “exact administration of justice” for all citizens. And third, government has the duty of “erecting and maintaining those public institutions and those public works which may be in the highest degree advantageous to a great society,” but which “are of such a nature that the profit could never repay the expense to any individual or small number of individuals.”

Put into today’s language, Smith explicitly recognizes the usefulness of public investment for projects that cannot be undertaken by the private sector—he mentions roads and education as two examples. Needless to say, this is an idea that has grown considerably in scope since Smith’s day—one thinks of flood control, ecological repair, scientific research—but the idea itself, like so much else, is implicit, not explicit, in Smith’s underlying vision.

What Smith is against is the meddling of the government with the market mechanism. He is against restraints on imports and bounties on exports, against government laws that shelter industry from competition, and against government spending for unproductive ends. Notice that these activities of the government all bear against the proper working of the market system. Smith never faced the problem that was to cause such intellectual agony for later generations of whether the government is weakening or strengthening that system when it steps in with welfare legislation. Aside from poor relief, there was virtually no welfare legislation in Smith’s day—the government was the unabashed ally of the governing classes, and the great tussle within the government was whether it should be the landowning or the industrial classes who should most benefit. The question of whether the working class should have a voice in the direction of economic affairs simply did not enter any respectable person’s mind.

The great enemy to Adam Smith’s system is not so much government *per se* as monopoly in any form. “People of the same trade seldom meet together,” says Adam Smith, “but the conversation ends in a conspiracy against the public, or in some diversion to raise prices.” And the trouble with such

goings-on is not so much that they are morally reprehensible in themselves—they are, after all, only the inevitable consequence of man's self-interest—as that they impede the fluid working of the market. And of course Smith is right. If the working of the market is trusted to produce the greatest number of goods at the lowest possible prices, anything that interferes with the market necessarily lowers social welfare. If, as in Smith's time, no master hatter anywhere in England can employ more than two apprentices or no master cutler in Sheffield more than one, the market system cannot possibly yield its full benefits. If, as in Smith's time, paupers are tied to their local parishes and prevented from seeking work where work might be found, the market cannot attract labor where labor is wanted. If, as in Smith's time, great companies are given monopolies of foreign trade, the public cannot realize the full benefits of cheaper foreign produce.

Hence, says Smith, all these impediments must go. The market must be left free to find its own natural levels of prices and wages and profits and production; whatever interferes with the market does so only at the expense of the true wealth of the nation. But because any act of the government—even such laws as those requiring the whitewashing of factories or preventing the shackling of children to machines—could be interpreted as hampering the free operation of the market. *The Wealth of Nations* was liberally quoted to oppose the first humanitarian legislation. Thus, by a strange injustice, the man who warned that the grasping eighteenth-century industrialists “generally have an interest to deceive and even to oppress the public” came to be regarded as their economic patron saint. Even today, in blithe disregard of his actual philosophy, Smith is generally regarded as a *conservative* economist, whereas in fact he was more avowedly hostile to the *motives* of businessmen than are most contemporary liberal economists.

In a sense the vision of Adam Smith is a testimony to the eighteenth-century belief in the inevitable triumph of rationality and order over arbitrariness and chaos. Don't try to do good, says Smith. Let good emerge as the by-product of selfishness. How like the philosopher to place such faith in a vast social machinery and to rationalize selfish instincts into social virtues! There is nothing halfhearted about Smith's abiding trust in the consequence of his philosophical beliefs. He urges that judges should be paid by the litigants rather than by the state, since in that way their self-interest will lead them to expedite the cases brought before them. He sees little future for the newly emerging business organizations called joint-stock companies (corporations), since it seems highly improbable that such impersonal bodies could muster the necessary self-interest to pursue complex and arduous undertakings. Even the greatest humanitarian movements, such as the abolition of slavery, are defended in his own terms; best abolish slavery, says Adam Smith, since to do so will probably be cheaper in the end.

The complex irrational world is thus reduced to a kind of rational scheme where human particles are magnetized in a simple polarity toward profit and away from loss. The great system works, not because man directs it, but because self-interest and competition line up the filings in the proper way; the most that man can do is to help this natural social magnetism along, to remove whatever barriers stand before the free working-out of this social physics, and to cease his misguided efforts to escape from its thrall.

And yet, for all its eighteenth-century flavor, its belief in rationality, natural law, and the mechanized chain of human action and reaction, the world of Adam Smith is not without its warmer values. Do not forget that the great intended beneficiary of the system is the consumer—not the producer. For the first time in the philosophy of everyday life, the consumer is king.

Of the whole, what has survived?



Not the great scheme of evolution. We shall see that profoundly altered by the great economists to follow. But let us not regard the world of Adam Smith as merely a primitive attempt to arrive at formulations that were beyond his grasp. Smith was the economist of preindustrial capitalism; he did not live to see the market system threatened by enormous enterprises, or his laws of accumulation and population upset by sociological developments fifty years off. When Smith lived and wrote, there had not yet been a recognizable phenomenon that might be called a “business cycle.” The world he wrote about actually existed, and his systematization of it provides a brilliant analysis of its expansive propensities.

Yet something must have been missing from Smith’s conception. For although he saw an evolution for society, he did not see a revolution—the Industrial Revolution. Smith did not see in the ugly factory system, in the newly tried corporate form of business organization, or in the weak attempts of journeymen to form protective organizations, the first appearance of new and disruptively powerful social forces. In a sense his system presupposes that eighteenth-century England will remain unchanged forever. Only in quantity will it grow: more people, more goods, more wealth; its quality will remain unchanged. His are the dynamics of a static community; it grows but it never matures.

But, although the system of evolution has been vastly amended, the great panorama of the market remains as a major achievement. To be sure, Smith did not “discover” the market; others had preceded him in pointing out how the interaction of self-interest and competition brought about the provision of society. But Smith was the first to understand the full philosophy of action that such a conception demanded, the first to formulate the entire scheme in a wide and systematic fashion. He was the man who made England, and then the whole Western world, understand just how the market kept society together, and the first to build an edifice of social order on the understanding he achieved. Later economists will embroider Smith’s description of the market and will inquire into the serious defects that subsequently appeared in it. None will improve on the richness and life with which Smith imbued this aspect of the world.

For Smith’s encyclopedic scope and knowledge there can be only admiration. It was only in the eighteenth century that so huge, all-embracing, secure, caustic, and profound a book could have been written. Indeed, *The Wealth of Nations* and *The Theory of Moral Sentiments*, together with his few other essays, reveal that Smith was much more than just an economist. He was a philosopher-psychologist-historian-sociologist who conceived a vision that included human motives and historic “stages” and economic mechanisms, all of which expressed the plan of the Great Architect of Nature (as Smith called him). From this viewpoint, *The Wealth of Nations* is more than a masterwork of political economy. It is part of a huge conception of the human adventure itself.

Moreover, *Wealth* constantly startles us with its piercing observations. Smith anticipated Veblen by a hundred and fifty years when he wrote, “With the greater part of rich people, the chief enjoyment of riches consists in the parade of riches, which in their eye is never so complete as when they appear to possess those decisive marks of opulence which nobody can possess but themselves.” He was a statesman ahead of his time when he wrote, “If any of the provinces of the British Empire cannot be made to contribute towards the support of the whole empire, it is surely time that Great Britain should free herself from the expense of defending those provinces in time of war, and of supporting any part of their civil or military establishments in time of peace, and endeavour to accommodate her future views and designs to the real mediocrity of her circumstances.”

Perhaps no economist will ever again so utterly encompass his age as Adam Smith. Certainly none was ever so serene, so devoid of contumacy, so penetratingly critical without rancor, and so optimistic without being utopian. To be sure, he shared the beliefs of his day; in fact, he helped to

forge them. It was an age of humanism and reason; but while both could be perverted for the cruelest and most violent purposes, Smith was never chauvinist, apologist, or compromiser. "For to what purpose," he wrote in *The Theory of Moral Sentiments*, "is all the toil and bustle of this world? What is the end of avarice and ambition, of the pursuit of wealth, of power, and pre-eminence?" *The Wealth of Nations* provides his answer: all the grubby scrabbling for wealth and glory has its ultimate justification in the welfare of the common man.

At the end of his life, Smith was ripe with honors and respect. Burke traveled to Edinburgh to see him; he was elected Lord Rector at his old University of Glasgow; he saw *Wealth* translated into Danish, French, German, Italian, Spanish. Only Oxford ignored him; it never deigned to give him an honorary degree. At one time Pitt the younger, then Prime Minister, was meeting with Addington, Wilberforce, and Grenville, and Adam Smith had been invited to attend. As the old philosopher walked into the room, everyone rose. "Be seated, gentlemen," he said. "No," replied Pitt, "we will stand until you are first seated, for we are all your scholars."

In 1790 Smith died; he was sixty-seven. Curiously, his passing attracted relatively little notice; perhaps people were too busy worrying about the French Revolution and the repercussions it might have on the English countryside. He was buried in the Canongate churchyard with an unpretentious tombstone; it states that Adam Smith, author of *The Wealth of Nations*, lies here. It would be hard to conceive of a more durable monument.