

Adam Smith: The Wealth of Nations (1776)

The Wealth of Nations carries the important message of laissez faire, which means that the government should intervene as little as possible in economic affairs and leave the market to its own devices. It advocates the liberation of economic production from all limiting regulation in order to benefit "the people and the sovereign," not only in Great Britain but in the community of countries. Admittedly, in his advocacy of free trade Smith made allowance for the national interest, justifying "certain public works and certain public institutions," including the government and the state. He defended, for instance, the Navigation Acts, which stipulated that goods brought from its overseas colonies into England be carried in British ships. Neither did he want to ruin established industries by introducing free trade too suddenly. Adam Smith was an eighteenth-century cosmopolitan who viewed political economy as an international system. His preference was clearly for economic cooperation among nations as a source of peace. In the passage that follows, Smith argues that economic activity unrestricted by government best serves the individual and society.

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....

.... As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value, every individual necessarily labours 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. 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. Nor is it always the worse for the society that it was no part of it. 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 wise 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 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, and of directing it towards the employments most suitable to the interest of the society. According to the system of natural liberty, the sovereign has only three duties to attend to; three understandings: first, the duty of protecting the society from the violence and invasion of other independent societies: secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain public works and certain public institutions which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society....¹

...It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. The tailor does not attempt to make his own shoes, but buys them of the shoemaker. The shoemaker does not attempt to make his own clothes, but employs a tailor...

What is prudence in the conduct of every family, can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our industry.

According to the system of natural liberty, the sovereign has only three duties to attend to:....first, the duty of protecting the society from the violence and invasion of other independence societies: secondly, the duty of protecting, as far as possible, every member of the society from the injustice and oppression of every other member of it, or the duty of establishing an exact administration of justice; and thirdly, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain.²

SOURCES:

¹Marvin Perry, et. al, eds., *Sources of the Western Tradition: From the Renaissance to the Present* (Boston: Houghton Mifflin Company, 1995), pp. 119-21.

²Winks, Robin W. et. al., *A History of Civilization: Prehistory to the Present* (Englewood Cliffs, NJ: Prentice Hall, 1992), p. 477.