

AV:
Same font type! size
as body text

Adam Smith and
The Wealth of Nations

How Adam Smith's Ideas Helped to Shape the Founding of America

Erin Goodrich

March 28, 2007

American Heritage

Section 54

goodrice@nm.byu.edu

94

In the Founding of America, one man's work helped to shape this new nation that was forming. Adam Smith, a Scotsman, was working as a tutor to the duke of Buccleuch in France when he wrote *An Inquiry into the Nature and Causes of the Wealth of Nations* ("Adam Smith") a book whose ideas went hand in hand with the ideas of the Founding Fathers of America. *The Wealth of Nations* explores and promotes the designs of a market economy and the role that the government and people should play in the economy. Not only did Smith's ideas directly influence how the Founders thought but they indirectly influenced how the American people thought and acted. The ideas in Adam Smith's *The Wealth of Nations* complimented the forming of America through its thoughts on the role of the government, the way the economy should be run, and the behavior of individuals in society.

GOVERNMENT

Government, Smith believed, should be as hands off as possible in the economy. In Smith's form of a market economy, if ever the government tries to get involved someone is worse off. Taxes and subsidies are examples of this. When a tax or subsidy is imposed by the government, less is consumed because of the rise in prices and, as a result, both consumers and suppliers are worse off. Smith argued that exchange should be for the benefit of the people and not the benefit of the government. To achieve this, Smith backs the idea of "laissez faire" meaning "to leave alone" in French. Laissez faire policy states that an economy works best when there is no interference by the government ("Laissez Faire"). This idea, while somewhat new for the Founders, went right along with what they were trying to achieve. The economy in England was run basically by the government, with extreme taxes being levied against the people for the profit of the king.

In adopting Smith's market economy, the Founders were backing their original idea of a more limited government, ~~and thus enforcing against the chance of a rise in~~ tyranny. *protecting the people / -g*

Government was not to be completely hands ^{off} in the economy, however. Smith = still believed [/] that the government ~~was~~ ^{is} a necessary entity in the workings of a market economy. He believed [/] that the government must regulate and oversee the people, keeping ^s them in check. ^Q "some attention of government is necessary in order to prevent the almost ^{Miller states / caps} entire corruption and degeneracy of the great body of the people" (Miller 20). The ^{-g} government must, ~~according to Smith,~~ not only create an environment to encourage trade, but define property rights (Fox and Pope 57), provide public education, and foster the "martial spirit" (Miller 20). If the government kept to these things and did not otherwise interfere, ^{the} economy could run smoothly. While in today's society the government [↑] seems to have its hand in the economic cookie jar with taxes and other ~~such things~~, when ^{funds} the American government was ~~first set up~~, they followed Smith's council and tried to stay ^{originally established} away from controlling the economy. ~~Thus further evidences how Smith's ideas backed the views of the Founders.~~ ^{-g}

ECONOMY

Adam Smith's market economy essentially takes care of itself. The economy fell into the hands of the people as the government took a seat on the bench. Many of Smith's ideas on the economy shaped how businesses ~~are~~ ^{to} be run. He believed markets should ^{were} be competitive. ^Q market power should not be in the hands of the firms as it could be ^{↑ / that} through monopolies and cartels. ~~One can see evidence of~~ ^{the} incorporation of this idea in ^{would lead to / -g / caps} the American economy through the laws passed to prevent the formation of these ^{cap. / is apparent} monopolies and cartels. In a competitive market, everyone ^{is} equal. No single business ^{becomes}

holds dominion over the other businesses. The Founders saw this idea as consistent with their own ideals for America: a place where everyone would have equal chances to make something of themselves.

PEOPLE

The economy adopted from *The Wealth of Nations* indirectly influenced the way people in society behave. Joseph Cropsey, in his book *Polity and Economy*, states that "it seems obvious that Smith begins by conceding that man is a passive object, governed by and immersed in an overwhelming environing force, that he is part of a great chain of causes" (159-160). While this is true, Smith believed that men were influenced and guided by an invisible hand in their transactions; he also believed that it should be an economy of the people, by the people, and for the people. He knew that "no society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable" (Peil 44). To achieve this flourishing and happy economy, it was up to the people in the market. He emphasized the importance of specialization. As men specialize in a field, the economy is able to grow and produce more. In producing more, the wealth of the nation is seen to grow and thus, people are happier. Another way for the economy to 'flourish' was through people being self-interested. So long as a person was looking out for themselves in their transactions there would be competition and everyone would be better off in the end. Success and failure of an individual was up to themselves. Again, this is another way that Adam Smith's ideas went hand in hand with the Founders'. The economy was in the hands of the people and everyone had an equal chance to succeed.

The publishing of *The Wealth of Nations* in 1776, the same year as the signing of the Declaration of Independence, was no accident. The ideas of the time ~~were swirling about in the world. Adam Smith's ideas in his book complimented those of the Founders.~~

A market economy was what America wanted, what it was looking for. ~~It~~ was what America needed. The ideas in Adam Smith's *The Wealth of Nations* complimented the forming of America through its thoughts on the role of the government, the way the economy should be run, and the ~~role~~ and behavior of individuals in society.

permeated the minds of many

and/or An economy driven by the people

responsibilities

11 EDP
THOROUGH

Bibliography

Works Cited

"Adam Smith." Columbia Encyclopedia. 6th. 2001.

#

Cropsey, Joseph. Polity and Economy. South Bend, Indiana: St. Augustine's Press, 2001.

Fox, Frank, and Pope, Clayne. America's Founding Heritage. 3rd. Provo, Utah: BYU

④ / 9

Academic Publishing, 2007.

"Laissez Faire." Columbia Encyclopedia. 6th. 2001.

#

Miller, Stephen. Prosperity and Freedom

Peil, Jan. Adam Smith and Economic Science. Cheltenham, UK: Edward Elgar

Publishing Limited, 1999.

ALL:

More info
needed for
reference