

# The Wealth of Nations

Adam Smith

*Smith's Wealth of Nations (1776) is the classicus locus for liberal economics. Individual self-interest, not the "benevolence of the butcher, the brewer, or the baker," is the energy that drives market society. Smith's brilliant analysis of human nature in a commercial age emphasizes "ambition," the "desire of bettering our condition," which "comes with us from the womb, and never leaves us till we go into the grave. These selections from Wealth of Nations, including the famous "invisible hand" passage, is followed by a particularly insightful discussion of ambition from Smith's Theory of Moral Sentiments (1759).*

To take an example, therefore, from a very trifling manufacture, but one in which the division of labor has been very often taken notice of, the trade of the pinmaker; a workman not educated to this business (which the division of labor has rendered a distinct trade), nor acquainted with the use of the machinery employed in it (to the invention of which the same division of labor has probably given occasion), could scarce, perhaps, with his utmost industry, make one pin in a day, and certainly could not make twenty. But in the way in which this business is now carried on, not only the whole work is a peculiar trade, but it is divided into a number of branches, of which the greater part are likewise peculiar trades. 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 the pins is another; it is even a trade by itself to put them into the paper; and the important business of making a pin is, in this manner, divided into about eighteen distinct operations, which in some manufactories are all performed by distinct hands, though in others the same man will sometimes perform two or three of them. 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. Each person, therefore, making a tenth part of forty-eight thousand pins, might be considered as making four thousand eight hundred pins in a day. But if they had all wrought separately and independently, and without any of them having been educated to this peculiar business, they certainly could not

each of them have made twenty, perhaps not one in a day; that is, certainly, not the two hundred and fortieth, perhaps not the four thousand eight hundredth part of what they are at present capable of performing, in consequence of a proper division and combination of their different operations....

This division of labor, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion. It is the necessary, though very slow and gradual, consequence of a certain propensity in human nature which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another.

Whether this propensity be one of those original principles in human nature, of which no further account can be given; or whether, as seems more probable, it be the necessary consequence of the faculties of reason and speech, it belongs not to our present subject to enquire. It is common to all men, and to be found in no other race of animals, which seem to know neither this nor any other species of contracts. Two grey-hounds, in running down the same hare, have sometimes the appearance of acting in some sort of concert. Each turns her towards his companion, or endeavors to intercept her when his companion turns her towards himself. This, however, is not the effect of any contract, but of the accidental concurrence of their passions in the same object at that particular time. Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog. Nobody ever saw one animal by its gestures and natural cries signify to another, this is mine, that yours; I am willing to give this for that. When an animal wants to obtain something either of a man or of another animal, it has no other means of persuasion but to gain the favor of those whose service it requires. A puppy fawns upon its dam, and a spaniel endeavors by a thousand attractions to engage the attention of its master who is at dinner, when it wants to be fed by him. Man sometimes uses the same arts with his brethren, and when he has no other means of engaging them to act according to his inclinations, endeavors by every servile and fawning attention to obtain their good will. He has not time, however, to do this upon every occasion. In civilized society he stands at all times in need of the co-operation 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 favor, and shew 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 such 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 own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but beggar chooses to depend chiefly upon the benevolence of his fellow citizens. Even a beggar does not depend upon it entirely. The charity of well-disposed people, indeed, supplies him with the whole fund of his subsistence. But though this principle ultimately provides him with all the necessities of life which he has occasion for, neither does nor can provide him with them as he has occasion for them. The greater part of his occasional wants are supplied in the same manner as those of other people, by treaty, by barter, and purchase. With the money which one man gives him he purchased food. The old clothes which another bestows upon him he exchanged for other old clothes which suit him better, or for lodging, or for food or for money, with which he can buy either food, clothes, or lodging as he has occasion....

Capitals are increased by parsimony, and diminished by prodigality and misconduct.

Whatever a person saves from his revenue he adds to his capital, and either employs it himself in maintaining an additional number of productive hands, or enables some other person to do so, by lending it to him for an interest, that is, for a share of the profits. As the capital of an individual can be increased only by what he saves from his annual revenue or his annual gains, so the capital of a society, which is the same with that of all the individuals who compose it, can be increased only in the same manner.

Parsimony, and not industry, is the immediate cause of the increase of capital. Industry, indeed, provides the subject which parsimony accumulates. But whatever industry might acquire, if parsimony did not save and store up, the capital would never be the greater....

Whatever, therefore, we may imagine the real wealth and revenue of a country to consist in, whether in the value of the annual produce of its land and labor, as plain reason seems to dictate; or in the quantity of the precious metals which circulate within it, as vulgar prejudices suppose; in either view of the matter, every prodigal appears to be a public enemy, and every frugal man a public benefactor.

The effects of misconduct are often the same as those of prodigality. Every injudicious and unsuccessful project in agriculture, mines, fisheries, trade, or manufactures, tends in the same manner to diminish the funds destined for the maintenance of productive labor. In every such project, though the capital is consumed by productive hands only, yet, as by the injudicious manner in which they are employed, they do not reproduce the full value of their consumption, there must always be some diminution in what would otherwise have been the productive funds of the society.

It can seldom happen, indeed, that the circumstances of a great nation can be much affected either by the prodigality or misconduct of individuals; the profusion or imprudence of some, being always more than compensated by the frugality and good conduct of others.

With regard to profusion, the principle which prompts to expense, is the passion for present enjoyment; which, though sometimes violent and very difficult to be restrained, is in general only momentary and occasional. But the principle which prompts to save, is the desire of bettering our condition, a desire which, though generally calm and dispassionate, comes with us from the womb, and never leaves us till we go into the grave. In the whole interval which separates those two moments, there is scarce perhaps a single instant in which any man is so perfectly and completely satisfied with his situation, as to be without any wish of alteration or improvement of any kind. An augmentation of fortune is the means by which the greater part of men propose and wish to better their condition. It is the means the most vulgar and the most obvious; and the most likely way of augmenting their fortune, is to save and accumulate some part of what they acquire, either regularly and annually, or upon some extraordinary occasions. Though the principle of expense, therefore, prevails in almost all men upon some occasions, and in some men upon almost all occasions, yet in the greater part of men, taking the whole course of their life at an average, the principle of frugality seems not only to predominate, but to predominate very greatly....

Every individual who employs his capital in the support of domestic industry, necessarily endeavors so to direct that industry, that its produce may be of the greatest possible value.

The produce of industry is what it adds to the subject or materials upon which it is employed. In proportion as the value of this produce is great or small, so will likewise be the profits of the employer. But it is only for the sake of profit that any man employs a capital in the support of industry; and he will always, therefore, endeavor to employ it in the support of that industry of which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods.

But the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that exchangeable value. As every individual, therefore, endeavors 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 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. 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 who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.

What is the species of domestic industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him. The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would no-where be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it....

That system of laws, therefore, which is connected with the establishment of the bounty, seems to deserve no part of the praise which has been bestowed upon it. The improvement and prosperity of Great Britain, which has been so often ascribed to those laws, may very easily be accounted for by other causes. That security which the laws in Great Britain give to every man that he shall enjoy the fruits of his own labor, is alone sufficient to make any country flourish, notwithstanding these and twenty other absurd regulations of commerce; and this security was perfected by the revolution, much about the same time that the bounty was established. The natural effort of every individual to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle, that it is alone, and without any assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often encumbers its operations; though the effect of these obstructions is always more or less either to encroach upon its freedom, or to diminish its security. In Great Britain industry is perfectly secure; and though it is far from being perfectly free, it is as free or freer than in any other part of Europe....

It is thus that the private interests and passions of individuals naturally dispose them to turn their stock towards the employments which in ordinary cases are most advantageous to the society. But if from this natural preference they should turn too much of it towards those employments, the fall of profit in them and the rise of it in all others immediately dispose them to alter this faulty distribution. Without any intervention of law, therefore, the private interests and passions of men naturally lead them to divide and distribute the stock of every society, among all the different employments carried on in it, as nearly as possible in the proportion which is most agreeable to the interest of the whole society.

All the different regulations of the mercantile system, necessarily derange more or less this natural and most advantageous distribution of stock. But those which concern the trade to America and the East Indies derange it perhaps

more than any other; because the trade to those two great continents absorbs a greater quantity of stock than any two other branches of trade. The regulations, however, by which this derangement is effected in those two different branches of trade are not altogether the same. Monopoly is the great engine of both; but it is a different sort of monopoly. Monopoly of one kind or another, indeed, seems to be the sole engine of the mercantile system....

It is thus that every system which endeavors, either, by extraordinary encouragements, to draw towards a particular species of industry a greater share of the capital of the society than what would naturally go to it; or, by extraordinary restraints, to force from a particular species of industry some share of the capital which would otherwise be employed in it; is in reality subversive of the great purpose which it means to promote. It retards, instead of accelerating, the progress of the society towards real wealth and greatness; and diminishes, instead of increasing, the real value of the annual produce of its land and labor.

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 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 duties of great importance, indeed, but plain and intelligible to common 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.

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It is because mankind are disposed to sympathize more entirely with our joy than with our sorrow that we make parade of our riches and conceal our poverty. Nothing is so mortifying as to be obliged to expose our distress to the view of the public and to feel that though our situation is open to the eyes of all mankind no mortal conceives for us the half of what we suffer. Nay, it is chiefly from this regard to the sentiments of mankind that we pursue riches and avoid poverty. For to what purpose 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 preeminence? Is it to supply the necessities of nature? The wages of the meanest laborer can supply them. We see that they afford him food and clothing, the comfort of a house, and of a family. If we examine his economy with rigor, we should find that he spends a great part of them upon conveniences, which may be regarded as superfluities, and that upon extraordinary occasions he can give something even to vanity and distinction. What then is the cause of our aversion to his situation, and why should those who have been educated in the higher ranks of life regard it as worse than death to be reduced to live, even without labor, upon the same simple fare with him, to dwell under the same lowly roof, and to be clothed in the same humble attire? Do they imagine that their stomach is better, or their sleep sounder, in a palace than in a cottage? The contrary has been so often observed and indeed is so very obvious, though it had never been observed, that there is nobody ignorant of it. From whence then arises that emulation which runs through all the different ranks of men and what are the advantages which we propose by that great purpose of human life which we call bettering our condition? To be observed, to be attended to, to be taken notice of with sympathy, complacency, and approbation, are all the advantages which we can propose to derive from it. It is the vanity, not the ease or the pleasure, which interests us. But vanity is always founded upon the belief of our being the object of attention and approbation. The rich man glories in his riches because he feels that they naturally draw upon him the attention of the world and that mankind are disposed to go along with him in all those agreeable emotions with which the advantages of his situation so readily inspire him. At the thought of this his heart seems to swell and dilate itself within him, and he is fonder of his wealth, upon this account, than for all the other advantages it procures him. The poor man, on the contrary, is ashamed of his poverty. He feels that it either places him out of the sight of mankind, or that if they take any notice of him they have, however, scarce any fellow-feeling with the misery and distress which he suffers. He is mortified upon both accounts; for though to be overlooked and to be disapproved of are things entirely different, yet as obscurity covers us from the daylight of honor and approbation, to feel that we are taken no notice of necessarily damps the most agreeable hope and disappoints the most ardent desire of human nature. The poor man goes out and comes in unheeded, and when in the midst of a crowd is in the same obscurity as if shut up in his own hovel. Those humble cares and painful attentions which occupy those in his situation afford no amusement to the dissipated and the gay. They turn away their eyes from him, or if the extremity of his distress forces them to look at him, it is only to spurn so disagreeable an object from among them. The fortunate and the proud wonder at the insolence of human wretchedness, that it should dare to present itself before them, and with the loathsome aspect of its misery presume to disturb the serenity of their happiness. The man of rank and distinction, on the contrary, is observed by all the world. Everybody is eager to look at him and to conceive, at least by sympathy, that joy and exultation with which his circumstances naturally inspire him. His actions are the objects of the public care. Scarce a word, scarce a gesture, can fall from him that is altogether

neglected. In a great assembly he is the person upon whom all direct their eyes; it is upon him that their passions seem all to wait with expectation, in order to receive that movement and direction which he shall impress upon them; and if his behavior is not altogether absurd, he has every moment an opportunity of interesting mankind and of rendering himself the object of the observation and fellow-feeling of everybody about him. It is this, which, notwithstanding the restraint it imposes, notwithstanding the loss of liberty with which it is attended, renders greatness the object of envy, and compensates, in the opinion of mankind, all that toil, all that anxiety, all those mortifications, which must be undergone in the pursuit of it; and what is of yet more consequence, all that leisure, all that ease, that careless security, which are forfeited forever by the acquisition.

When we consider the condition of the great, in those delusive colors in which the imagination is apt to paint it, it seems to be almost the abstract idea of a perfect and happy state. It is the very state which, in all our waking dreams and idle reveries, we had sketched out to ourselves as the final object of all our desires. We feel, therefore, a peculiar sympathy with the satisfaction of those who are in it. We favor all their inclinations and forward all their wishes. What pity, we think, that any thing should spoil and corrupt so agreeable a situation! ...

Upon this disposition of mankind to go along with all the passions of the rich and the powerful, is founded the distinction of ranks and the order of society. Our obsequiousness to our superiors more frequently arises from our admiration for the advantages of their situation than from any private expectations of benefit from their goodwill....

“Love,” says my Lord Rochefoucauld, “is commonly succeeded by ambition, but ambition is hardly ever succeeded by love.” That passion, when once it has got entire possession of the breast, will admit neither a rival nor a successor. To those who have been accustomed to the possession, or even to the hope, of public admiration, all other pleasures sicken and decay. Of all the discarded statesmen who, for their own ease, have studied to get the better of ambition, and to despise those honors which they could no longer arrive at, how few have been able to succeed ? The greater part have spent their time in the most listless and insipid indolence, chagrined at the thought of their own insignificancy, incapable of being interested in the occupations of private life, without enjoyment, except when they talked of their former greatness, and without satisfaction, except when they were employed in some vain project to recover it. Are you in earnest resolved never to barter your liberty for the lordly servitude of a court, but to live free, fearless, and independent? There seems to be one way to continue in that virtuous resolution ; and perhaps but one. Never enter the place from whence so few have been able to return; never come within the circle of ambition; nor ever bring yourself into comparison with those masters of the earth who have already engrossed the attention of half mankind before you.

Of such mighty importance does it appear to be, in the imaginations of men, to



stand in that situation which sets them most in the view of general sympathy and attention. And thus, place, that great object which divides the wives of aldermen, is the end of half the labors of human life; and is the cause of all the tumult and bustle, all the rapine and injustice, which avarice and ambition have introduced into this world. People of sense, it is said, indeed despise place, that is, they despise sitting at the head of the table and are indifferent who it is that is pointed out to the company by that frivolous circumstance, which the smallest advantage is capable of overbalancing. But rank, distinction, pre-eminence, no man despises, unless he is either raised very much above, or sunk very much below, the ordinary standard of human nature; unless he is either so confirmed in wisdom and real philosophy as to be satisfied that, while the propriety of his conduct renders him the just object of approbation, it is of little consequence though he be neither attended to nor approved of; or so habituated to the idea of his own meanness, so sunk in slothful and sottish indifference, as entirely to have forgot the desire, and almost the very wish, for superiority.