

AN INTRODUCTION TO  
**ADAM SMITH'S**  
**THE WEALTH OF NATIONS**

BY

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Like all great books, *The Wealth of Nations* is the outpouring not only of a great mind, but of a whole epoch. The man who wrote it had learning, wisdom, a talent for words; but equally important was the fact that he stood with these gifts at the dawn of a new science and the opening of a new era in Europe. What he wrote was the expression of forces which were working, at the very time he wrote it, to fashion that strange and terrible new species — *homo oeconomicus*, or the economic man of the modern world. I use that term not in the sense of the lifeless abstraction which economic theorists have invented to slay any proposals for social change, and which has in turn slain them. I use it rather for the very living and human businessman, in defense of whom the economists have written and in whose interests they have invented their lifeless abstraction. All the forces which were at work in Europe creating the business man, and the society he was to dominate, were at work also creating the framework of ideas and institutions within which Adam Smith wrote his book. And that book, as though conscious that one good turn deserved another, became in its own way a powerful influence to further the work of those forces. Thus it is in history. A new society, emerging from the shell of the old, creates a framework within which a great thinker or artist is enabled to do his work; and that work, in turn, serves to smash finally the shell of the old society, and to complete and make firmer the outlines of the new. Thus it has been with Machiavelli's *Prince*, with Adam Smith's *The Wealth of Nations*, with Karl Marx's *Capital*.

That is why the arguments of all the scholars who have been thrashing about, seeking to determine how original Adam Smith was, are essentially futile. No first-rate mind whose ideas sum up an age and influence masses and movements to come is in any purist sense original. *The Wealth of Nations* is undoubtedly the foundation-work of modern economic thought. Yet you can pick it to pieces, and find that there is nothing in it that might not have been found somewhere in the literature before, and nothing that comes out of it that has not to a great degree been punctured by the literature that followed. What counts is, of course, not whether particular doctrines were once shiny new, or have since stood the ravages of time. What counts is the work as a whole — its scope, conception and execution, the spirit that animates it and the place it has had in history.

Here, then, is the thing itself: a strange mixture of a book— economics, philosophy, history, political theory, practical program; a book written by a man of vast learning and subtle insights — a man with a mind that was a powerful analytic machine for sifting out the stuff in his notebooks, and a powerful synthetic machine for putting it together again in new and arresting combinations. Smith was sensitive to the various elements on the intellectual horizon of his day. Like Marx after him, he was no closet scholar, shut off from the world; he

was all antennae, reaching out for and absorbing everything within reach. He wrote at the end of the break-up of feudal Europe, at the beginning of a modern world in which the old feudal institutions were still holding on with the tenacity that the vested interests have always shown. It was against these vested interests that he wrote. And the result is that his book has not been merely for library shelves. It has gone through many editions, and has been translated into almost every language. Those who read it were chiefly those who stood to profit from its view of the world — the rising class of businessmen, their political executive committees in the parliaments of the world, and their intellectual executive committees in the academies. Through them it has had an enormous influence upon the underlying populations of the world, although generally all unknown to them. And through them also it has had an enormous influence upon economic opinion and national policy. It has done as much perhaps as any modern book thus far to shape the whole landscape of life as we live it today.

Who was the man who could do all this? At first glance Adam Smith appears only as a mild, Scottish professor of moral philosophy, retiring and absent-minded, a gentle sage with dynamite flowing from his pen. His career had nothing extraordinary in it, except that at three he was carried off by a band of gypsies, and only with difficulty restored to his family. But whatever other adventure the rest of his life held for him was to lie in the dangerous voyage of the mind rather than in the glories or disasters of an adventurous outward career. He had the traditional Scottish boyhood in a frugal family; spent the traditional years at Oxford — years which served as the basis for the caustic attack on universities which is to be found in these pages; cooled his heels for the traditional period while he waited for a suitable university appointment; was made professor of logic and then professor of moral philosophy at Glasgow, giving lectures on theology, ethics, jurisprudence and political economy to students who probably cared more about their careers in the rising merchant class than they did about moral philosophy; wrote a book called *The Theory of Moral Sentiments* which made something of a splash at the time, and since it explained the social psychology of human behavior in terms of the sentiment of sympathy, got itself much talked about and read in polite circles throughout the British Isles; gave up his university post to go as traveling tutor to the stepson of the famous colonial-baiter, Charles Townshend — the young Duke of Buccleugh, and spent a year and a half at Toulouse and a year at Paris with him; began, while on the trip, a treatise on economics, completing it ten years after his return to Scotland; finally published his treatise in 1776 under the title of *The Wealth of Nations*; and spent the rest of his life as commissioner of customs at Edinburgh, living quietly with his mother and a maiden cousin.

That is one version of Adam Smith, and it is true enough — for a half-truth. But there is another half-truth needed to complete the picture. Adam Smith was always alive to what was going on in the world. He was heterodox enough to remember with passion the futility of the ordinary university teaching, as he had experienced it at Oxford. In his own teaching, while he had no eloquence, he could communicate to his students his own fervor for ideas. Of his lectures on jurisprudence, John Rae, his biographer, tells us that the course ‘taught the young people to think. His opinions became the subjects of general discussion, the branches he lectured upon became fashionable in the town . . . stucco busts of him appeared in the booksellers’ windows, and the very peculiarities of his voice and pronunciation received the homage of imitation. The doctrine that he was teaching was, it must be remembered, new

doctrine — that of economic liberalism and freedom from governmental interference. To it were attached therefore at once the obstacles and advantages of new doctrine; it met with the hostility of the entrenched and the salvos of those who stood to gain by innovation. Smith himself was by no means a recluse. The tutorship that was offered him was lucrative, and yet there was a gamble in leaving his university chair. That he did so is evidence of his restless desire to explore the bounds of the new European society. He was a friend of Plume, and in France he found in addition Quesnay, Turgot, D’Alembert, Helvetius — the physiocrats who were fashioning a new and exciting economic science, and the *philosophes* who were constructing out of the materials of the rational life instruments for shattering encumbering and irrational institutions. Smith kept his eyes and ears open; he kept his notebooks ready; he kept his wits with him. He started to write up his lectures on political economy, as he had formerly written up his lectures on moral philosophy. But this was a different matter. It wasn't merely the business of going back to first principles, and then spinning the rest out of one's philosophic entrails. Here was something that gave order and meaning to the newly emerged world of commerce and the newly emerging world of industry. Here was something that could be used in fighting the clumsy and obstructive vestiges of a society governed by a feudal aristocracy. Smith trembled with anticipation, and could not help communicating his excitement to his friends. They too trembled — and waited. Smith took ten more years. He could not be hurried in this task. He had to read and observe further. He poked his nose into old books and new factories. He got led off on long excursions into the history of silver coinage, the economics of ecclesiastical institutions, the whole cultural history of Europe. He had to polish his style, but, more important, he had to fashion and carry through consistently a new way of looking at things — the hard-bitten economic viewpoint. He had, above all else, to avoid making his book merely a theoretical construction; it must deal with the burning issues of national and international economic policy of his day. When the book was finished, therefore, it was more than a book; it was the summary of a new European consciousness.

You will find the basic principles that Smith embodied in his book explained in all the histories of economic thought. What you will not find is the skill, the charm, the greatness with which he wove them into the fabric of his chapters. The principles are simple. First, Smith assumes that the prime psychological drive in man, as an economic being, is the drive of self-interest. Secondly, he assumes the existence of a natural order in the universe which makes all the individual strivings for self-interest add up to the social good. Finally, from these postulates, he concludes that the best program is to leave the economic process severely alone — what has come to be known as *laissez-faire*, economic liberalism, or non-interventionism.

All this is now familiar enough. Largely through Smith's book it has made itself a part of the structure of our often unconscious beliefs, and is only now beginning to be dislodged. Of Smith's first postulate it must be said that while it is largely an abstraction from experience, as the institutional school of economists have delighted to point out, the experience from which it is abstracted does much to verify it. The view which makes of man an economic automaton is obviously oversimplified. But the view which makes out of him a hard-headed and predatory seeker of his own gain is, as we look back at the history of business enterprise, largely justified. What we have learned, of course, is that it is not an inherent or universal trait, but part of an historical method of organizing economic life. As for Smith's second

postulate — that there is a natural order,” whereby the pursuit by each individual of his own self-interest contributes ultimately to the social welfare, that must lie outside the realm of science or of historical verification, and must be set down as a cardinal principle of the faith of the age. As Carl Becker has pointed out, the ‘natural order’ which the eighteenth-century philosophers postulated in order the better to fight the ecclesiastical institutions and the political obscurantism of their day became itself a source of a quasi-theological faith and of obscurantism.

The conclusion that Smith drew from these postulates was simple enough. Since a natural order exists whereby the enlightened selfishness of all men adds up to the maximum good of society\* since there is a “divine hand” which guides each man in pursuing his own gain to contribute to the social welfare, it must follow that government is superfluous except to preserve order and perform routine functions. The best government is the government that governs least. The best economic policy is that which arises from the spontaneous and unhindered action of individuals. We recognize this, of course, as the unregulated and individualistic capitalist economy — what Carlyle has unforgettably termed “anarchy plus a constable.”

One warning is necessary. We must not conclude, because Smith’s intellectual system can be presented in an orderly sequence from postulates to conclusion, that he arrived at it by the same sequence. It is much more likely, as with almost all intellectual constructions, that instead of Smith’s program flowing from his principles, it was his principles that flowed from his program. He did not start with truths about human behavior and the natural order, and arrive at economic liberalism. John Maurice Clark suggests that his system can be best understood in terms of what he was reacting against. And it is true that Smith’s system of thought took its shape from his intense reaction against the elaborate apparatus of controls which the surviving feudal and mercantilist institutions were still imposing on the individual. The need for removing these controls was Smith’s underlying theme. And it was the response which this theme met from the mercantile and industrial class of Europe that gave *The Wealth of Nation* its enormous impact upon Western thought and Western institutions. Harold Laski has demonstrated, in his *Rise of Liberalism*, how Smith’s arguments fitted in with the prevailing middle-class temper in Europe. The businessmen were delighted. “To have their own longings elevated to the dignity of natural law was to provide them with a driving force that had never before been so powerful. . . . With Adam Smith the practical maxims of business enterprise achieved the status of a theology.”

But there is another side of the shield. Smith was, to be sure, an unconscious mercenary in the service of a rising capitalist class in Europe. It is true that he gave a new dignity to greed and a new sanctification to the predatory impulses. It is true that he rationalized the economic interests of the class that was coming to power in such a way that he fashioned for that class a panoply of ideas behind which they are still protecting themselves against the assaults of government regulation and the stirrings for socialization. It is true that Smith’s economic individualism is now being used to oppress where once it was used to liberate, and that it now entrenches the old where once it blasted a path for the new. But it must be said for Smith that his doctrine has been twisted in ways he would not have approved, and used for purposes and causes at which he would have been horrified.

Adam Smith was, in his own day and his own way, something of a revolutionary. His doctrine revolutionized European society as surely as Marx's in a later epoch. He was, on the economic side, the philosopher of the capitalist revolution, as John Locke was its philosopher on the political side. His own personal sympathies were not entirely with the capitalist. Eli Ginzberg has pointed out, in his *House of Adam Smith*, how there runs through *The Wealth of Nations* a strain of partisanship for apprentices and laborers, for farmers, for the lowly and oppressed everywhere, and a hostility to the business corporations, the big-businessmen of the day, the ecclesiasts and the aristocrats. Read the book with an eye for these passages, and it becomes a revealing document showing Smith's concern for the common man. Far more important, of course, than any of these more or less sentimental expressions of sympathy, is the doctrine of labor value which is at the core of Smith's economics. In enunciating for the first time the doctrine that labor is the sole source of value in commodities. Smith became the forerunner of Bray and Hodgskin and eventually of Marx. As an originator, Smith developed this doctrine clumsily. It remained for Marx to refine it, convert it into an instrument of analysis, extract from it the revolutionary implications that were inherent in it from the start. This leads us, however, much too far afield. On Smith's relation to the labor theory of value there is a large and polemical literature. On the validity or confusion of the theory itself there is a literature even larger and more polemical.

All that concerns us is to see the curious paradox of Smith's position in history; to have fashioned his system of thought in order to blast away the institutional obstructions from the past, and bring a greater degree of economic freedom and therefore a greater total wealth for all the people in a nation; and yet to have had his doctrine result in the glorification of economic irresponsibility and the entrenchment of the middle class in power. A reading of Adam Smith's work and a study of its place in the history of ideas should be one of the best solvents for smugness and intellectual absolutism.