

Extracts from Adam Smith, *The Wealth of Nations* (1776)

Adam Smith: baptized June 5, 1723, Kirkcaldy, Fife, Scotland, died July 17, 1790, Edinburgh, Scottish social philosopher and political economist. After two centuries, Adam Smith remains a towering figure in the history of economic thought. Known primarily for a single work—*An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), the first comprehensive system of political economy—Smith is more properly regarded as a social philosopher whose economic writings constitute only the capstone to an overarching view of political and social evolution. (*Encyclopædia Britannica*, 2009, s.v. Adam Smith).

Human Nature and the Division of Labour

This division of labour, 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,
 5 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. [...]

It is common to all men, and to be found in no other race of animals. [...] In civilised society, [man] stands at all times in need of the cooperation and assistance of great
 10 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.
 15 He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage to do for him what he requires of him. Whoever offers to another a bargain of any kind, proposes to do this. [...] 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
 20 humanity but to their self-love, and never talk to them of our own necessities but of their advantages. [...]

The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education. [...] Among men, on the contrary, the most dissimilar
 25 geniuses are of use to one another; the different produces of their respective talents, by the general disposition to truck, barter, and exchange, being brought, as it were, into a common stock, where every man may purchase whatever part of the produce of other men's talents he has occasion for. [...]

30 The Invisible Hand

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
 35 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. [...] 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 the 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.
 40 By pursuing his own interest he frequently promotes that of the society more

45 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. [...] 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 nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.

Unreasonableness of Restraint

50 Each nation has been made to look with an invidious eye upon the prosperity of all nations with which it trades, and to consider their gain as its own loss. [...] [T]he mean rapacity, the monopolising spirit of merchants and manufacturers, who neither are, nor ought to be, the rulers of mankind, though it cannot be corrected, may very easily be prevented from disturbing the tranquillity of anybody but themselves. In
55 every country it always is and must be the interest of the great body of the people to buy whatever they want of those who sell it cheapest. The proposition is so very manifest that it seems ridiculous to take any pains to prove it; nor could it have ever been called in question had not the interested sophistry of merchants and manufacturers confounded the common sense of mankind. Their interest is, in this
60 respect, directly opposite to that of the great body of the people. As it is the interest of the freemen of a [guild] to hinder the rest of the inhabitants from employing any workmen but themselves, so it is the interest of the merchants and manufacturers of every country to secure to themselves the monopoly of the home market. Hence in Great Britain, and in most others European countries, the extraordinary duties upon
65 almost all goods imported by alien merchants. [...]

Source: <http://www.econlib.org/library/Smith/smWN.html> (B. I, Ch. 2, B. IV, Ch.2, B. IV, Ch. 3)

Annotations:

comprehensive (adj.)	umfassend	endeavour (v.)	erstreben
constitute (v.)	darstellen	revenue (n.)	Vermögen
division of labour (n.)	Arbeitsteilung	effectually (adv.)	wirkungsvoll
opulence (n.)	Reichtum, Überfluss	affect (v.)	vorgeben
propensity (n.)	Neigung	folly (n.)	Verrücktheit
truck (v.)	handeln	presumption (n.)	Anmaßung
barter (v.)	handeln	rapacity (n.)	Raubgier
benevolence (n.)	Güte, Wohltätigkeit	sophistry (n.)	schlau klingende Argumente
prevail (v.)	sich durchsetzen, aushalten	confound (v.)	verwirren; verwechseln
porter (n.)	Träger	hence (adv.)	daher

Tasks:

- 1) Please, for each passage, formulate Smith’s main tenet(s) in your own words.
- 2) Display Smith’s theory graphically.