Adam Smith Essay, Research Paper

Adam Smith

The British philosopher and economist Adam Smith was born in Kirkcaldy, Scotland. He was educated at the universities of Glasgow and Oxford.

In 1751 he became a professor at Glasgow. There he wrote The Theory of Moral Sentiment in 1759. This philosophical work gained Smith an appointment in 1764 as tutor of the young duke of Buccleuch. The tutoring took Smith to France, where he started writing The Wealth of Nations in 1776. It was the first complete work on political economy. The book discusses the relationship between freedom and order, analyses economic processes, and attacks the British mercantile system s limits on free trade. All three aspects are woven together to create a unified social theory. In France Smith met and associated with many of the leading Continental philosophers of the physiocratic school, which based its political and economic doctrines on the supremacy of natural law, wealth, and order. He was specially influenced by the French philosophers Francois Quesnay and Anne Robert Jacques Turgot, whose theories Smith later adapted in part to form a basis for his own.

The book dealt with the basic problem of how social order and human progress can be possible in a society where individuals follow their own self-interests. Smith argued that this individualism led to order and progress. In order to make money, people produce things that other people are willing to buy. Buyers spend money for those things that they need or want most. When buyers and sellers meet in the market, a pattern of production develops those results in social harmony. Smith said that all this would happen without any conscious control or direction, as if by an invisible hand.

Smith also believed that labour, not land or money, was both the source and the final measure of value. He said that wages depended on the basic needs of workers, and rent on the productivity of land, Profits, he said, were the difference between selling prices and the cost of labour and rent. Smith said profits would be used to expand production. This expansion would in turn create more jobs, and the national income would grow.

Smith believed that free trade and a self-regulating economy would result in social progress. He criticised the British government s high tariffs and other limits on individual freedom in trade. He preached that government need only preserve law and order, enforce justice, defend the nation, and provide for a few social needs that could not be met through the market. Smith s argument for a hands off government policy toward business and his analysis of economic forces laid down the basic ideas of economic liberalism.

Although this view has undergone considerable modification by economists in the light of historical developments since Smith s time, many sections of The wealth of Nations, notably those relating to the sources of income and the nature of capital, have continued to form the basis for theoretical study in the field of political economy. The Wealth of Nations has also served, perhaps more than any other single work in its field, as a guide to the formulation of governmental economic policies.