Adam Smith Essay, Research Paper

In eighteenth century England, one would know of a man by

the name of Adam Smith and be marveled by his theories and

philosophies. Early on in Smith s life he was noted for being an

intelligent child which lead him to go to Oxford at the age of

seventeen on a scholarship. Here the foundation of his future

began, the teachers at Oxford were reluctant and thus Smith found

himself reading whatever he chose including a questionable work

of David Hume, A Treatise of Human Nature, which ends up being an

influence on him. He remained at Oxford for six years,

graduated, and then moved on to the University of Glasgow, where

although many of his actions were often disapproved of, he was

still admired among his students.

Already known for his scholarly achievements, well educated

although a self-taught graduate of Oxford, and his absentminded

persona, his first book The Theory of Moral Sentiments greatly

increased his notoriety. The theory that he introduced about

human self-interest and moral judgment attracted much interest

and debate. He proposed that humans being selfish creatures are

capable of moral judgment only due to their ability of placing

themselves in the objective view of the third-person. The

theories he spoke of in this book may be what spawned the ideas

for his second book, The Wealth of Nations, the work he is better

known for to this date.

As a tutor to the son of Townshend, they went to France

together and spent just over a year in Toulouse in absolute

boredom. They then moved to the south of France and met Voltaire

whom Smith worshipped, then to Geneva, and to Paris. This is

when Smith began work on a treatise of political economy, this

was the official beginning of a book later to be known as The

Wealth of Nations, but it would be 12 years before its

completion. In Paris, Smith, after learning a limited but decent

amount of French, was able to talk to one of the greater French

economic thinkers, a doctor by the name of Francois Quesnay, the

creator of the economic school Physiocracy. Part of this

Physiocracy was a chart called a tableau economique that insisted

that wealth sprang from production and that it flowed through the

nation, from hand to hand, replenishing the body social like the

circulation of blood. The main problem with Physiocracy was it

insisting only the agricultural classes produced true wealth and

that manufacturing and commercial classes only affected it in a

sterile way. Even though it introduced a laissez-faire view of

the economy which was not common in their time, it still failed

to recognize the importance of labor everywhere and not just on

the land. Smith perceived that labor was the source of value.

After some unfortunate incidents involving who he was

tutoring, Smith moved back to England where his book started to

form. This was when Smith met Benjamin Franklin, who then gave

him information about the new American Colonies and made him gain

a certain appreciation for them and the significance they may

later have. His book was finally published in 1776. Although it

wasn t necessarily an original book, it s ideas weren t all new,

but in this work Smith was able to combine all of the great ideas

and theories of those before him as he also mentioned over a

hundred authors. Smith was extensive with his credits as he was

with the entire book. He touches on an incredible amount of

subject and continues on side details for pages giving it a

general unorganized layout. It was never meant to be a textbook,

but it still didn t fall short of being a revolutionary

masterpiece. He doesn t focus on any one class or side, but

instead explains the role and importance of each. His concern

was the condition and wealth of the entire nation, all of

society. Being in a modern world, where the consumption of goods

and services is what drives the economic life.

One of Smith s main purpose was to lay out a basic mechanism

by which society keeps together. He managed to put basic

principles behind the busy industrial world that keeps it working

without any central planning or any set tradition. This is

Smith s concept of the invisible hand where the private

interests and the passions of men are naturally directed towards

which is most agreeable to the interest of the whole society.

Here he brings up this concept of the market mechanism, where the

individual is kept in line with everyone else and will only

change if all changes over the years, but will still remain

within this mechanism. These simple laws tell us that given to

certain circumstances, evaluating them will bring about

foreseeable results. They show us how the drive of the

individual self-interest does not ruin the economy by resulting

in competition. Then this competition leads to giving the goods

that society wants in the amount they want in order to sell their

product, therefore any individual cannot raise the prices above a

competitor. Smith was able to recognize self-interest of the

producers and consumers as a driving power to guide men to

whatever work society is willing to pay for. Still, this isn t

the entire package, because a community activated only by

self-interest would be a community of ruthless producers

interested only in their profit. Competition is what keeps this

balance level and the selfish motives of men are to yield the

most unexpected of results of balance. One s self-interest will

cause them to raise their prices above their competitor but then

they lose their business to the cheaper competitor. Also a

producer should not expect to produce more than the quantity

demanded and expect to sell out of their good no matter what good

it may be because it will only result in surplus and a loss of

money.

This idea that Smith introduced is one of an economy that

yields to the wants and demands of society. Also, workers

fluctuate along with the market. When the demand for a product

is high, the wages will be higher in that field because there is

more money being made. Once the employment is filled and the

demand for the product goes down, the wages will become low in

that trade causing workers to move onto another field. With

these simple explainations he has clarified many aspects of the

economy, including how prices are kept from drastically changing,

how society can make the producers provide them with their wants,

why high prices occur and how they are brought back to balance,

and he has accounted for a basic similarity of incomes and prices

and each level of a trade, this all resulting in a

self-regulating system. With this system, one may do whatever

one pleases with the market but if it doesn t abide by the wants

of society, there is sure to be economic ruination.

Another point of Smith s was the concept of specialized

labor. He was able to recognize that this does greatly increase

productivity but he also didn t strictly believe in this division

of labor. Smith, being quite the humanist, believed that this

would cause a man to be dull and uneducated and although

increasing production this was something to be careful of. The

world that Adam Smith referred to was one where there was no

agent powerful enough to interfere with or to resist the

pressures of competition. Although this world may have been very

different from ours but these laws are the basis for much of the

economic theory of today.

The law that drives society to grow to this wonderful

multiplication of wealth and riches is known as the Law of

Accumulation. Following the same basic structure as Smith s

other laws, this one pertains to that a capitalist should always

accumulate their savings. Not so as to just accumulate to become

wealthy, but instead the accumulation of capital is a vast

benefit to society by improving the welfare of the community. He

believed in accumulating so that the world may benefit, but there

is also a point where further accumulation would be impossible

and cause all the savings to be eaten away. This is what

prevents the self-interest of man to get in the way of the

market. After a certain amount of accumulation, there is only so

much the producer can do with their money that further expansion

would only prove in bankruptcy (ex: Planet Hollywood).

This law also deals with second great law of the system, the

Law of Population. In this, laborers could be produced according

to the demand. Where wages were high, there would be an increase

in workers, and when wages fell, these workers would decrease,

also influencing the production of men. Smith believed that

higher wages do affect birth rate slightly, but that these

children will just be more children that are part of the working

age.

Provided that the market mechanism is not tampered with,

Smith has found a new way to look at it all in a cyclic pattern

of cause and effect. Everything is determined by the preceding

link and the only outside affectors are public tastes, which

guide the producers, and the physical resources of the nation.

This cycle is what brings everything back toward a subsistence

level and takes care of the needs of society if it was left

alone. The interference of government was undesired because

Smith considered governments spendthrift, irresponsible, and

unproductive. But, these classical views did not expect the

Industrial Revolution. Smith believed in a static community that

grows but never matures. Although modern economist may point out

defects in Smith s market, none could improve on the richness and

life that Smith contained in this world. No one may ever

encompass his age again as did Adam Smith.