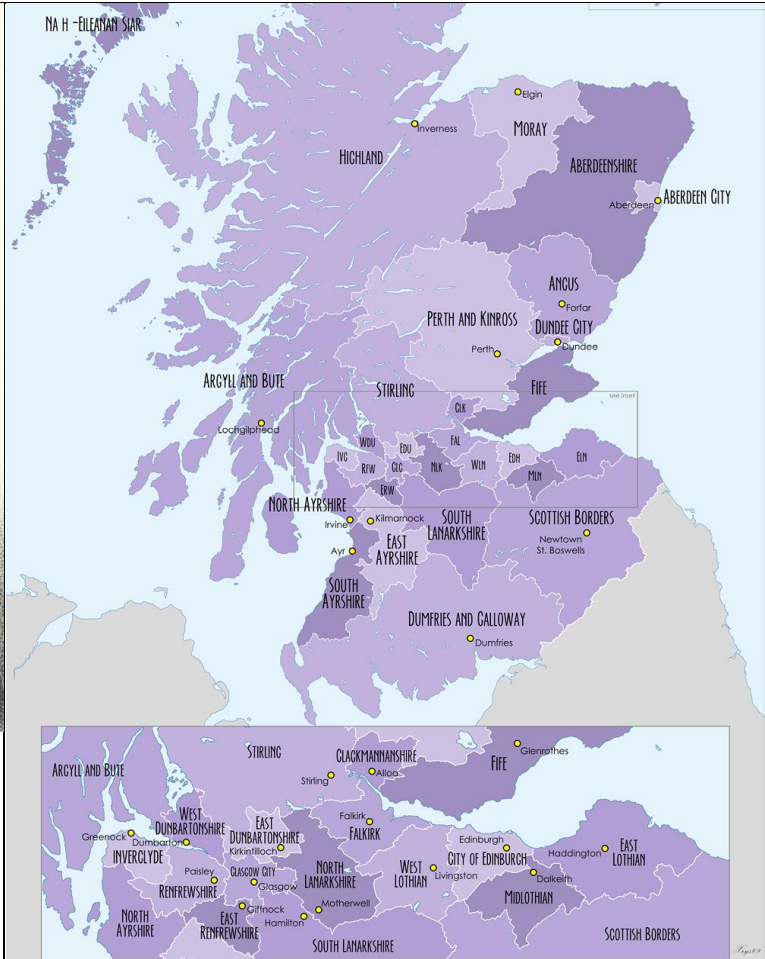


**Adam Smith**  
1723-1790



- Born in Fife, Scotland. Son of lawyer/civil servant. Briefly kidnapped by gypsies at age four. Educated in Scotland's excellent secondary schools. Studied at Universities of Glasgow (under Francis Hutcheson) and Oxford (which Smith found considerably inferior to Glasgow).
- Began giving public lectures in 1748 and became part of the Scottish Enlightenment circle. 1751-1763 employed as teacher at University of Glasgow. 1764-1766 travelled as tutor to the Continent (mostly France), and was impressed by François Quesnay. Returning to Scotland, 1766-1776 wrote *Wealth of Nations*. 1778-1790 earned income as commissioner of customs.
- Eccentric, absent-minded, secretive.

1) **Deist:** Universe as perfect machine. God as author of general laws (Newton); individual actions have unintended (good) consequences; no miracles; no personal relationship with God.

- Theory of Moral Sentiments*: sympathy → beneficial outcomes
- Wealth of Nations*: self-interest → beneficial outcomes

2) **Features of Smith's Economic Ideas**

- Propensity to truck and barter → Exchange → Division of Labor → Efficiency → Wealth (note: benefits limited by interferences with liberty).
- Real/Nominal prices (labour theory of value)
- Natural price
  - of Labour
  - of Stock
  - of Land
  - of Commodities
- Role of Stock

3) **Policies Advocated**

- Free trade in land
- Internal free trade in goods
- External free trade in goods
- "peace, easy taxes, tolerable administration of justice"
- Free occupational choice

4) **Flaws in the Natural Order**

- Merchants "conspire against the public"
- Excessive optimism--too much capital in risky ventures
- Stupidity of the specialized
- Wordy law clerks
- Self-interest leaves roads unrepaired

*The leading doctrines of the Enlightenment*

(Article on Enlightenment: *The Oxford Companion to Philosophy*, © Oxford University Press 1995):

1. Humans are by nature rational and good.
2. Both an individual and humanity as a whole can progress to perfection, using reason.
3. All humans are equal in respect of their rationality, and should thus be granted equality before the law and individual liberty.
4. Tradition is developed through historical accidents, not reason; tradition is a poor guide to truth and to action.
5. Nations differ only in their traditions; there is a “universal brotherhood of man”.
6. Knowledge more important than feelings; taste more important than genius; the geometrical and orderly is superior to the natural and disorderly; posterity is superior to both the present and the past.

**Romantic Reaction to the Enlightenment**

<u>The Romantic Likes:</u>	<u>The Romantic Dislikes:</u>
the concrete	the abstract
variety	uniformity
the infinite	the finite
nature	culture, convention, and artifice
the organic	the mechanical
freedom	constraint, rules, and limitations.
the unique individual	the average man
the free creative genius	the prudent man of good sense
the particular community or nation	humanity at large
feeling	thought
emotion	calculation
imagination	literal common sense
intuition	intellect

(Article on Romanticism: *The Oxford Companion to Philosophy*, © Oxford University Press 1995)

Many Romantics were conservative, while others—such as Lord Byron—were intent on developing their individuality. Conservatives such as Edmund Burke argued that the traditions accumulated by generations of ancestors were far superior to the speculations of an individual philosopher; the early French Romantic Chateaubriand was a mystical Roman Catholic and Royalist. An interest in tradition (especially the traditions of early tribal Europe) fed nationalism, especially in Germany.

The Enlightenment had used “nature” in developing arguments: contrasting the “natural” order with the existing human-made order and finding the latter wanting; the role of reason is to deduce the natural order; once humans are *freed* to do what is natural, progress will be made toward perfection (e.g., Rousseau, the Physiocrats, Adam Smith).

Immediately after the Enlightenment, economic writers no longer argue that the “natural” way leads to a good place. Malthus claimed that the natural rate of human reproduction, combined with the natural rate of agricultural expansion, would lead to “misery and vice.” Such a perspective suggests that wise policy would *restrict* people from acting “naturally.”