

Adam Smith by Leo Rosten

¹IT IS A CLUMSY GALLIMAUFRY of a book. The pace is maddening, the facts are suffocating, the digressions, interminable. But it is a masterwork—of observation and dissection, of inspired theorizings and sheer, persistent cerebration. Delightful ironies break through its stodgy surface: “The late resolution of the Quakers [to free] their Negro slaves may satisfy us that their number cannot be very great...The chief enjoyment of riches consists in the parade of riches.” Within one great conceptual scheme, it flits from the diamond mines of Golconda to the price of Chinese silver in Peru, linking a thousand oddities into unexpected chains of consequence.

²For 25 years, Adam Smith worked on his monumental *An Inquiry into the Nature and Causes of the Wealth of Nations*. It appeared in 1776, not as a textbook, but as a polemical cannon aimed at governments that were subsidizing and protecting their merchants, farmers and manufacturers against “unfair” competition, at home or from foreigners. Smith demolished the mercantilist theory from which these policies flowed. He showed that wealth is *not* gold or money, but a nation’s total production. Trade benefits buyers no less than sellers. Colonies and slave labor are more deficit than asset. Smith’s crowning construction was this: If men are given maximum freedom to satisfy their greed, what will result is *not* the horrors of a jungle, but—paradoxically—a marvelous equilibrium, governed by immutable laws. For supply and demand operate automatically, as if an Invisible Hand guides entrepreneurs, labor, money, skills into making those things most needed and wanted by the people. To buy is to vote. Prices, in a free market, fairly reflect and regulate wages (labor is a

commodity), rents, profits. To compete, men must make things better, swifter, less costly, to satisfy the sovereign consumer. The magic of division of labor (specialization) will lead to “universal opulence.” The moral is hammered home in a hundred powerful and ingenious arguments: Government should get out of, and keep hands off, the economy.

³Only those who have not read Adam Smith can think him cynical, or an apologist for a dog-eat-dog order. “No society can [flourish where] the far greater part of the members are poor and miserable,” he wrote. He deplored a world in which “a mother who has borne twenty children” sees only two survive. Mass production would brutalize men unless the government prevented it through education. Businessmen, with their “mean rapacity [and] monopolizing spirit,” will “seldom meet” without concocting “a conspiracy against the public.” Public tolls on roads in order to raise revenues act “at the expense of the poor, not of the rich.” The hallowed custom under which only oldest sons inherit land rests on “the most absurd of all suppositions”; every generation has “an equal right to the earth and to all that it possesses”; and landlords, who “love to reap where they never sowed,” are apt to gratify the “most sordid of all vanities.” He called England “a nation of shopkeepers.”

⁴He knew that *laissez faire* (the phrase was probably Gournay’s—Smith never used it) would meet “the insolent outrage of furious and disappointed monopolists” and be thwarted by “that insidious and crafty animal...[the] politician.” The government must do nothing to foster collusion on prices or monopoly in production. Smith favored public education, certain public works, departures from free trade in behalf of

national defense. Supremely realistic, he saw that in human affairs the best yields to the best obtainable, the logical to the possible.

⁵*The Wealth of Nations, a tour de force* of psychology and sociology no less than economics, offered men a vast theoretical scheme that, for the first time, encompassed the infinite complexities of economics. For a century, it gave philosophers and kings and prime ministers their basic picture of human behavior and their central prescriptions for progress. In lifting the national welfare above the interests of the rising merchant class, the landed gentry, the clamoring protectionists and empire builders, Smith revolutionized the way in which men thought about politics and public policy. He heralded a new order of freedom: liberalism, capitalism, international trade; *The Wealth of Nations* was its Bible. "Next to Napoleon, [he became] the mightiest monarch in Europe."

⁶He was a moral philosopher, and a Scot to the core. Briefly kidnapped as a child by gypsies, he led a life bereft of drama. A Glasgow pedagogue, he won international attention at 36 with his published lectures, the brilliant *Theory of Moral Sentiments*. He was notoriously absent-minded, once brewed bread and butter instead of tea, and meandered for 15 miles in his bathrobe, talking to himself. Cheerful, tireless, solitary and sensitive, he never married. He loved the clubs of London and Edinburgh, was close to Hume, knew Gibbon, Burke, Ben Franklin. His speech was halting, his memory phenomenal; he loved to quote Greek, Latin, French poets.

⁷Smith did not invent economics. His pioneering genius owed much to Hume, Locke, Turgot, Quesnay, Dudley North. But he is surely economics' greatest architect and commanding theoretician.

Ricardo, Mill, Marx, Marshall, Keynes—they all stand on Smith's shoulders.

⁸His system has holes in it. Even perfect competition, notes Paul Samuelson, "could lead to starving cripples; to malnourished children who grow up to produce malnourished children; to...great inequality...for generations." Smith relied on competition's immense productivity to generate action, private and public, to correct competition's inequities.

⁹He did not foresee the fantastic exfoliations of the Industrial Revolution, the rise of gigantic corporations and labor unions, the meaning of business cycles. Catastrophic depressions and unemployment. Socialist theories and wars helped father "welfare states" that respond to men's demand for security, no less than liberty. Electorates want full employment even at the expense of growth, inflation rather than depression, massive public debt to finance unheard-of public services. Men want freedom—plus insurance against its risks. Those who fail—the incompetent, the unlucky, the ignorant, the imprudent—will not accept the harsh penalties of competition, nor do those who are battered by illness or age. Men too poor to "vote" in the market cast very large votes in the polling booth.

¹⁰And yet—what is most amazing is how much more often Adam Smith is right than wrong. List the six books that have most profoundly shaped our world. Start with the Bible. Include Newton's *Principia*, Darwin's *Origin of Species*. Can you name three more without including that "outpouring of an epoch," *The Wealth of Nations*?

—LEO ROSTEN

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