

The Wealth of Nations (1776)

ADAM SMITH

Adam Smith can rightly be considered one of the most influential thinkers of the Enlightenment. He studied moral philosophy at Oxford and in his mid-twenties conceived of an economic philosophy of "the obvious and simple system of natural liberty," which the world would come to know as capitalism. In response to the restrictive emphasis of mercantilism, Smith conceived of an expansive universe, full of opportunity for the individual or nation to exercise initiative, accumulate wealth, and serve others in the process.

The following selection is an excerpt from his major work, *The Wealth of Nations*. It focuses on Smith's view of human nature and the "invisible hand" of competition as a guide to an economic system based on individual self-interest. If one views the Industrial Revolution of the early nineteenth century and the birth of Marxism in 1848 as being directly influenced by Smith's theories, then his impact on the history of the twentieth century is immeasurable.

Human Nature and the Division of Labor

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, consequence of a certain propensity in human nature which has in views

"The Wealth of Nations" is from Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. Edwin A. Seligman (London: J. M. Dent, 1901), pp. 12-15, 400-401, 436-437.

no such extensive utility; the propensity to truck, barter, and exchange one thing for another.

Whether this propensity be one of those original principles in human nature, of which no further account can be given; or whether, as seems more probable, it be the necessary consequence of the faculties of reason and speech, it belongs not to our present subject to enquire. It is common to all men, and to be found in no other race of animals, which seem to know neither this nor any other species of contracts.... In civilized society, [man] stands at all times in need of the cooperation and assistance of great 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. 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 them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. 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 humanity but to their self-love, and never talk to them of our own necessities but of their advantages....

The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause, as the effect of the division of labour. 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. When they came into the world, and for the first six or eight years of their existence, they were, perhaps, very much alike, and neither their parents nor playfellows could perceive any remarkable difference. About that

philosopher is willing to acknowledge scarce any resemblance. ... By nature a philosopher is not in genius and disposition half so different from a street porter, as a mastiff is from a greyhound, or a greyhound from a spaniel, or this last from a shepherd's dog.... Among men, on the contrary, the most dissimilar geniuses are of use to one another; the different produce 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....

The Invisible Hand

As every individual, therefore, endeavors 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 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 an 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. By pursuing his own interest he frequently promotes that of the society more 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 Restraints

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. Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity.... The violence and injustice of the rulers of mankind is an ancient evil, for which, I am afraid, the nature of human affairs can scarce admit of a remedy. But the mean rapacity, the monopolising spirit of merchants and manufacturers, who neither are, nor ought to be, the rulers of mankind, though it cannot perhaps be corrected, may very easily be prevented from disturbing the tranquility of anybody but themselves.

That it was the spirit of monopoly which originally both invented and propagated this doctrine cannot be doubted; and they who first taught it were by no means such fools as they who believed it. In 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 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 other European countries, the extraordinary duties upon almost all goods imported by alien merchants. Hence the high duties and prohibitions upon all those foreign manufactures which can come into competition with our own. Hence, too, the extraordinary restraints upon the importation of almost all sorts of goods from those countries ... whom national animosity happens to be most violently inflamed. ... This very competition, however, is advantageous to the great body of the people, who profit greatly besides by the good market which the great expense of such a nation affords them in every other way....

CONSIDER THIS:

- What was Adam Smith's view of human nature as expounded in the selection from *The Wealth of Nations*? Do you find his thoughts on self-interest to be compelling? Does his belief negate the sincerity of altruism? What are the primary ingredients of success in the world?
- How do you define the principle of the "invisible hand"? How do you interpret his phrase "I have never known much good done by those who affected to trade for the public good"? Smith foresaw a "mean rapacity" of merchants and manufacturers that "cannot perhaps be corrected." Why was he so sure that it could "very easily be prevented from disturbing the tranquility of anybody but themselves"?