K. Christ / History of Economic Thought
4: Adam Smith

Outline

I. Smith’s Milieu: Historical background and intellectual influences (see Outline 3)
   • The Scottish enlightenment and moral sentimentalism
   • Physiocracy
   • Mercantilism and a developing commercial society
   • Key works: The Theory of Moral Sentiments (TMS, 1759) and An Inquiry Into the Nature and Causes of the Wealth of Nations (WN, 1776)

II. Principle of sympathy and the system of natural liberty
    • Harmony between self-interest and social welfare, brought about by “sympathetic” interactions in the marketplace (TMS). The conceptual antecedent of the doctrine of natural liberty in WON.
    • Natural liberty, the invisible hand doctrine and the importance of informed self interest
    • Competition as the regulator that makes the system work
    • The “Adam Smith problem”

III. “Scientific” economics in Wealth of Nations
    • Theory of productive organization, division of labor, and economic growth
    • Theory of value and distribution, including an early statement of labor theory of value and an important discussion on exchange vs. use value
    • Theory of money and capital accumulation

IV. Smith’s policy recommendations
    • The attack on mercantilism
    • The role of the sovereign / government in an exchange economy
      (1) National defense
      (2) Administration of justice
      (3) Public works and vital records
      (4) Education (?)

V. Common myths about Smith and Wealth of Nations
    • The "invisible hand" of capitalism is a conscious, guiding force that, left to its own devices, produces a perfect social order.
    • Wealth of Nations is a polemic for laissez faire (see Jacob Viner, “Adam Smith and Laissez Faire”, (1927)
    • Wealth of Nations is an an extended apologia for an emerging bourgeois commercial society and for big business in general