

Adam Smith

Adam Smith was a philosopher, political economist, and is generally considered to be the father of modern economics.

He was born in Kirkcaldy, Scotland. His date of birth is unknown, but he was baptized in June 1723. His father died a few months before his birth, and his mother raised him and encouraged him to pursue an academic career.

At fourteen, he went to the University of Glasgow, where he studied moral philosophy. It was during that time that Smith took an interest in theories and concepts pertaining to reason and free speech. At seventeen, he received a scholarship and studied in Oxford. Though it was reported that he was very unhappy due to the restrictive intellectual atmosphere in Oxford, he was able to teach himself many subjects because of the large and extensive library at Oxford. It was also in Oxford that Smith read the work of David Hume, another Scottish philosopher. Hume's work was entitled "*Treatise on Human Nature*." Smith's interest in Hume's work caused conflict between Smith and the authorities at Oxford. So, in 1746, Smith left Oxford before finishing his scholarship and returned to Scotland.

At the age of 28, he became a professor of logic at the University of Glasgow, and then one year later was appointed as Chair of Moral Philosophy. He gave lectures on a variety of topics including ethics, jurisprudence, rhetoric, and political economy.

In 1759, Smith published *The Theory of Moral Sentiments* in which he bases the whole moral nature of man on a single primitive emotion, namely sympathy. Sentiments are feelings or emotions. Moral sentiments are feelings or emotions of approval, disapproval, gratitude, etc. Adam Smith's main argument is that judging whether an action is wrong or right is based on these moral feelings. How does one know what these feelings are? Smith's answer is that by imagining yourself in the other person's situation, if you would react in the same way, then you approve of the action. Imagining what your reaction would be to a situation and understanding the person's motives for taking such an action is what Smith calls 'sympathizing,' which literally means to 'feel with' someone else. Sympathy not only includes bad and hurtful situations, but also happy and pleasant ones. Therefore, Smith's point is that we make moral judgments based on our 'sympathizing,' or our understanding of the motives that made the person act in a certain manner, and not based on a set of rational standards.

In 1764, Smith resigned from the University of Glasgow and went to France to tutor the son of a Scottish nobleman. It was during his travels as a tutor that Smith came to know many of his intellectual peers, such as Benjamin Franklin, Voltaire, and François Quesnay.

In 1776, he published a book called "*An Inquiry into the Nature and Causes of the Wealth of Nations*." It is usually called "*The Wealth of Nations*" for short. This book covered in detail concepts of economic freedom, the role of self-interest and division of labor. Smith believed that the success of a country lied in letting the members of society develop their own specific gifts and pursue what they liked doing and could do well.

Name _____

Date _____

Adam Smith (Cont'd)

He believed that this freedom would result in a great variety of trade and the nation would become wealthy. He also supported a 'laissez faire' economy, which means that the government or state should interfere as little as possible in the trading activities between people, as that would only harm trade.

The expression "the invisible hand" is mainly associated with Adam Smith. According to Smith, in a 'laissez faire' economy, each member will try to pursue and maximize his own self-interest. It is the interaction and exchange between the different members in terms of goods and services traded that will make each member better off than simply producing for himself. He believed that in a free market, no kind of regulation would be needed to ensure that a mutually beneficial exchange of goods and services took place, because this "invisible hand" would guide the different members to trade in the most mutually beneficial way.

Adam Smith Questions

Multiple Choice:

1. Adam Smith was a:
 - a. Professor
 - b. Philosopher
 - c. Political economist
 - d. All of the above

2. In the book “*The Wealth of Nations*,” Adam Smith examined the concepts of:
 - a. Division of labor
 - b. Economic freedom
 - c. Role of self-interest
 - d. All of the above

3. A “laissez faire” economy:
 - a. Supports the interference of government in trade as much as possible
 - b. Supports the interference of government in trade as little as possible
 - c. Supports that the government decide what an economy should produce
 - d. Supports that the government should tax heavily goods and services produced by members of society

4. According to Adam Smith, judging whether an action is right or wrong is based on the moral sentiment of:
 - a. Utility
 - b. Friendship
 - c. Sympathy
 - d. None of the above

Matching:

- | | |
|-------------------------|--|
| ___ 5. Adam Smith wrote | a. <i>Treatise on Human Nature</i> |
| ___ 6. David Hume wrote | b. <i>The Theory of Moral Sentiments</i> |

True or False:

- ___ 7. Adam Smith never knew Benjamin Franklin or Voltaire.
- ___ 8. According to Smith, the “invisible hand” guides members of a society to trade in the most mutually beneficial way.

