

Ch. 25 sec. 4 Adam Smith

Read the article below and answer the following questions.

1. What did Smith believe would lead to “progress and order” in the economy?
2. What is “laissez-faire economics?”
3. What does the French term “laissez-faire” translate into in English?
4. What was the name of Smith’s book that became a major influence on economic policy in the 1800s?

Adam Smith (1723–1790)

Consumption is the sole end and purpose of production; and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer.—From *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776) by Adam Smith

How can social order and human progress be possible in a society where people follow their own self-interests? This is the problem that Adam Smith set out to solve.

Smith argued that people’s personal interests lead to progress and order. To make money, people make things that other people want to buy. People spend money for the things they want the most. Buying and selling creates social harmony. Smith claimed that all this would happen without control, as if by an “invisible hand.” This belief came to be called laissez-faire economics, the policy that a government should impose the fewest possible restrictions on prices and trade. Laissez-faire is a French phrase meaning “let do” or “leave them alone.” As a result of his work with freedom and order, economic process, and a unified social theory, Adam Smith is considered the founder of modern economics.

Smith was born in Kirkcaldy, Scotland, to a distinguished family. His father was an important lawyer and public official; his mother was a member of the upper class. His college education was the best that could be had: first at Scotland’s University of Glasgow and then at



England’s Oxford University. Smith left Oxford when he was 23 years old. Two years later, he became a professor at the University of Edinburgh, where he taught literature, law, and philosophy. In 1751, he was appointed a professor of logic at the University of Glasgow. Because philosophy was more to his taste, later that year Smith accepted a post as professor in moral philosophy. He held the position for 12 years.

During this time, Smith wrote his first book, *The Theory of Moral Sentiment* (1759). He then was hired to tutor the

young Duke of Buccleuch. Smith held this position for two years, from 1764 to 1766, accompanying the young duke on a tour of France. While in France, Smith began his most important book, *The Wealth of Nations*.

When Smith returned to England in 1776, the young duke’s stepfather provided him with a regular income. Freed from the need to earn a living, Smith was able to leave teaching and spend the next decade writing and studying. He published the first edition of *The Wealth of Nations* in 1776 and revised it five times during his life. The book became a major influence on economic policy in the early nineteenth century.