

Examine the Impact of Adam Smith on Society

It would once have been heresy to suggest that the wealth of a nation could be advanced through alleviating poverty, curbing government interference and allowing trade and competition to flourish. Adam Smith challenged this and, in so doing, revolutionised economic and social structures. However, any discussion of his impact must also consider the unintended consequences that grew out of a selective reading of his ideas. The “father of economics” (Crowley, 2010), though widely admired, was not always invoked faithfully.

Smith showed us that where protectionist policies erect walls, trade seeks to build bridges. The 18th century mercantilist view that prevailed in Smith’s day held that the wealth of a nation depended on the amount of gold and silver in the sovereign’s coffers (Heckscher, 2013). Smith refuted this. His idea that unfettered trade would lead to mutual gain for all nations (Smith, 1776) roundly defeated the mercantilist apparatus of guilds and counterproductive protectionist policies. Smith was the first to realise that economics should not only be concerned with the production of wealth but the distribution of it too. In large part because of his ideas, England overturned the Corn Laws and went on to become the dominant economic power in Europe during the Industrial Revolution.

If society can be distinguished by “what its citizens take for granted,” (Collins, 2019), then Smith’s invisible fingerprints are everywhere. One of the most profound changes brought about by Smithian ideas was the establishment of the middle class. By the early 1970s, some 70% of people in England and Wales were found to be in a different social class to the one in which they were born (Goldthorpe, 2016). This is especially significant considering that while Smith was alive conventional thinking taught that the poor should be kept in poverty (Fleischhacker, 1897). Smith’s theories on the specialisation of labour, the benefits of free trade and arguments for the rights and virtues of the poor lead to both freer markets and individuals. It was these forces, rather than the edicts of kings, that would maintain social order.

If impact could be measured by volume of citations, Adam Smith must surely be counted as the most impactful economist of any time (Norman, 2018). Today his reputation mostly centers around his explanation of how rational self-interest in a free-market economy leads to economic well-being. However, in many ways, Smith’s iconic “invisible hand” overshadowed many of the arguments from his lesser read earlier book, *The Theory of Moral Sentiments*. Though he celebrated self-interest as a spur to economic progress, he did not advocate an unbridled market and thought that the rich often behaved deplorably with “proud ambition and ostentatious avidity.” (Rasmussen, 2016). It might be argued that the excesses that led to the financial crisis of 2008, the rise of populist leaders and the near monopoly powers of today’s tech giants, rose out of a misapplication of Smith’s ideas.

It is ironic that the philosopher and economist most often spoken of as a champion of individualism left his biggest mark on the collective we call society. The world, largely reconstructed along Smithian lines, is much freer and more prosperous than anyone imagined in 1776 (also the year American revolutionaries, inspired by Smith’s philosophical milieu, declared independence). Since then, no one has more thoroughly and convincingly promoted the morality of individualism than the professor from Kirkcaldy.

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