



ADAM SMITH

Of the Natural Progress of Opulence

ADAM SMITH (1723–1790) was born in Kirkcaldy on the eastern coast of Scotland. He attended Glasgow University and received a degree from Oxford, after which he gave a successful series of lectures on rhetoric in his hometown. This resulted in his appointment as professor of logic at Glasgow in 1751. A year later he moved to a professorship in moral philosophy that had been vacated by Thomas Craggie, one of his former teachers. He held this position for twelve years. Smith's early reputation was built entirely on his work in moral philosophy, which included theology, ethics, justice, and political economy.

In many ways Adam Smith's views are striking in their modernity; in fact, his work continues to inform our understanding of current economic trends. His classic and best-known book, *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), examines the economic system of the modern nation that has reached, as England had, the commercial level of progress. According to Smith, a nation has to pass through a number of levels of culture—from hunter-gatherer to modern commercial—on its way to becoming modern. In this sense, he was something of an evolutionist in economics.

Wealth of Nations is quite different in both tone and concept from Smith's earlier success, *Theory of Moral Sentiments* (1759). The earlier work postulates a social order based, in part, on altruism—an order in which individuals aid one another—whereas *Wealth of Nations* asserts that the best economic results are obtained when individuals work for their own interests and their own gain. This kind of effort, Smith assures us, results in the general improvement of a society because the industry of the individual

From *An Inquiry into the Nature and Causes of the Wealth of Nations*.

benefits everyone in the nation by producing more wealth; the greater the wealth of the nation, the better the lot of every individual in the nation.

There is no question that Smith was an ardent capitalist who felt an almost messianic need to spread the doctrine of capitalism. He maintained throughout his life that *Wealth of Nations* was one with his writings on moral and social issues and that when his work was complete it would encompass the basic elements of any society.

In "Of the Natural Progress of Opulence," Smith outlines a microcosm of the progress of capitalism as he understood it. His purpose is to establish the steps by which a nation creates its wealth and the steps by which a region becomes wealthy. For the most part, he is interested in the development of capitalism in Great Britain, including his native Scotland. His perspective includes the natural developments that he observed in his own time in the late eighteenth century as well as developments that he could imagine from earlier times. Because he wrote and published his book just before the American Revolution and the subsequent industrial revolution, his primary concerns are farming and agriculture. In earlier sections of *Wealth of Nations*, Smith focused on metal—silver and gold—as a measure of wealth, then later on corn (by which he usually meant wheat or barley) as a measure of wealth. In this selection, he is more emphatic about land as a convenient instrument of wealth.

His primary point is related to what he sees as a natural progression. People in the country have land on which they plant crops, which they sell, in part, to people in the town. The people in the town, lacking land but possessing skills such as weaving, building, and the like, create a market for the goods from the country. They take the product of the land and, with the surplus beyond their daily needs for food and sustenance, manufacture useful goods. In turn, they sell the desirable goods to people in the country, and both manage to accumulate wealth in the process. In this view the manufactures of the town are important but by no means as essential as the food that sustains the nation. Indeed, Smith regards surplus production as the key to the move toward wealth, which accumulates into opulence.

It is interesting that Smith does not emphasize the trade of goods among nations. He does emphasize the fact that the interchange between the country and the town in England also has a counterpart in international trade. However, Smith seems a bit uneasy in contemplating the usefulness of international trade as a means to accumulate wealth. Land, he reminds the reader, is secure, controllable, and not likely to yield to the whimsy of foul

winds, leaky ships, or dishonest foreign merchants. One realizes that regardless of what he might say in praise of other possibilities, Smith himself would likely prefer a life in the country on a spread of his own land, collecting rent from tenants who produce food and flax and other goods that help him accumulate wealth.

Smith's Rhetoric

Adam Smith is widely regarded as one of the most influential economic thinkers of the eighteenth century. His *Wealth of Nations* is a gigantic book with many complex arguments regarding the nature of money and the role of capital in trade. This selection is a relatively straightforward statement regarding what he feels is the usual progress that all nations experience in the creation and accumulation of wealth. However, the normal eighteenth-century paragraph is much longer than those of today. By the same token, the normal eighteenth-century sentence is more complex in structure than we are used to today. For that reason, many readers will pause for reflection as they read Smith's work.

Still, his sentences are ultimately clear and direct. His opening sentence, for example, is a mighty declaration: "The great commerce of every civilized society, is that carried on between the inhabitants of the town and those of the country." In this sentence Smith makes a clear pronouncement, a statement about *every* society. Such a sweeping generalization is likely to invite attack and skepticism, but he feels totally secure in his assertion and proceeds to argue his position point by point.

On a more modest note, when Smith says, "Upon equal, or nearly equal profits, most men will chuse to employ their capitals rather in the improvement and cultivation of land, than either in manufactures or in foreign trade" (para. 3), he expects the reader to see the simple wisdom of trusting the land and distrusting instruments of trade. However, many readers—even in his own time—would see this sentence as revealing a personal preference rather than a general rule. Even in the seventeenth century, many merchants were growing rich by ignoring land and trusting trade on the high seas.

Smith's view on this issue reflects an aspect of his conservatism, a stance that remains recognizably conservative even by today's standards. Nevertheless, his principles have guided traders as well as farmers for more than two hundred years. In his time, the workers in agriculture outnumbered workers in manufactures by a factor of eighty or ninety. But today, workers in agriculture have decreased progressively since the industrial revolution. Now,

as a result of more efficient farming manufactures, only two or three people out of a hundred work on farms producing food and other goods. It would be interesting to know how Smith might react to this dramatic shift in occupations.

In helping the reader to work through his argument, Smith includes inset "summaries" of the content of each paragraph. For paragraph 2, he includes two insets. The first—"The cultivation of the country must be prior to the increase of the town,"—alerts the reader to look for his explanation of why this claim is true. The second inset—"though the town may sometimes be distant from the country from which it derives its subsistence"—helps readers focus on the implications of distances from agriculture and manufacture for the local population. Those who grow corn nearest the city will make more money than those who live at a distance and must pay for its transportation to market. It is interesting to note that later ages developed relatively inexpensive means of transport—such as canals and railroads—to even out the cost of carriage in relation to fixed prices.

Smith depends on the clear, step-by-step argument to hold the attention of his reader. He establishes and examines each major point, clarifies his own position, then moves on to the next related point. For example, he talks about nations with uncultivated land, or large areas of land, and how the procedure he outlines works. Then he introduces the situation of a nation that has no uncultivated land available, or land available only at very high cost. Under such circumstances, people will turn to manufacture but not rely on selling their products locally. In those conditions, they will risk foreign sales.

It is also worth noting that when Smith talks about the American colonies, he reminds the reader that there is plenty of land for people to work. As a result, little or no manufacture is produced for sale abroad. He sees this as an indication that the Americans are fiercely independent, demanding land of their own so as to guarantee that they will have adequate sustenance in the future. Throughout the selection Smith establishes a clear sense of the progress of nations toward the accumulation of wealth, and he provides the reader with a blueprint for financial success.

PREREADING QUESTIONS: WHAT TO READ FOR

The following prereading questions may help you anticipate key issues in the discussion on Adam Smith's "Of the Natural Progress of Opulence." Keeping them in mind during your first reading of the selection should help focus your reactions.

- What is the nature of the commerce between the country and the town?
- What does Smith think is the natural order of things in the development of commerce?

Of the Natural Progress of Opulence

The great commerce is that between town and country, which is obviously advantageous to both.

The great commerce of every civilized society, ¹ is that carried on between the inhabitants of the town and those of the country. It consists in the exchange of rude for manufactured produce, either immediately, or by the intervention of money, or of some sort of paper which represents money. The country supplies the town with the means of subsistence, and the materials of manufacture. The town repays this supply by sending back a part of the manufactured produce to the inhabitants of the country. The town, in which there neither is nor can be any reproduction of substances, may very properly be said to gain its whole wealth and subsistence from the country. We must not, however, upon this account, imagine that the gain of the town is the loss of the country. The gains of both are mutual and reciprocal, and the division of labour is in this, as in all other cases, advantageous to all the different persons employed in the various occupations into which it is subdivided. The inhabitants of the country purchase of the town a greater quantity of manufactured goods, with the produce of a much smaller quantity of their own labour, than they must have employed had they attempted to prepare them themselves. The town affords a market for the surplus produce of the country, or what is over and above the maintenance of the cultivators, and it is there that the inhabitants of the country exchange it for something else which is in demand among them. The greater the number and revenue of the inhabitants of the town, the more extensive is the market which it affords to those of the country; and the more extensive that market, it is always the more advantageous to a great number. The corn which grows

within a mile of the town, sells there for the same price with that which comes from twenty miles distance. But the price of the latter must generally, not only pay the expence of raising and bringing it to market, but afford too the ordinary profits of agriculture to the farmer. The proprietors and cultivators of the country, therefore, which lies in the neighbourhood of the town, over and above the ordinary profits of agriculture, gain, in the price of what they sell, the whole value of the carriage of the like produce that is brought from more distant parts, and they save, besides, the whole value of this carriage in the price of what they buy. Compare the cultivation of the lands in the neighbourhood of any considerable town, with that of those which lie at some distance from it, and you will easily satisfy yourself how much the country is benefited by the commerce of the town. Among all the absurd speculations that have been propagated concerning the balance of trade, it has never been pretended that either the country loses by its commerce with the town, or the town by that with the country which maintains it.

The cultivation of the country must be prior to the increase of the town,

though the town may sometimes be distant from the country from which it derives its subsistence.

As subsistence is, in the nature of things, prior to conveniency and luxury, so the industry which procures the former, must necessarily be prior to that which ministers to the latter. The cultivation and improvement of the country, therefore, which affords subsistence, must, necessarily, be prior to the increase of the town, which furnishes only the means of conveniency and luxury. It is the surplus produce of the country only, or what is over and above the maintenance of the cultivators, that constitutes the subsistence of the town, which can therefore increase only with the increase of this surplus produce. The town, indeed, may not always derive its whole subsistence from the country in its neighbourhood, or even from the territory to which it belongs, but from very distant countries; and this, though it forms no exception from the general rule, has occasioned considerable variations in the progress of opulence in different ages and nations.

That order of things which necessity imposes in general, though not in every particular country,

This order of things is favoured by the natural preference of man for agriculture.

is, in every particular country, promoted by the natural inclinations of man. If human institutions had never thwarted those natural inclinations, the towns could no-where have increased beyond what the improvement and cultivation of the territory in which they were situated could support; till such time, at least, as the whole of that territory was completely cultivated and improved. Upon equal, or nearly equal profits, most men will chuse to employ their capitals rather in the improvement and cultivation of land, than either in manufactures or in foreign trade. The man who employs his capital in land, has it more under his view and command, and his fortune is much less liable to accidents, than that of the trader, who is obliged frequently to commit it, not only to the winds and the waves, but to the more uncertain elements of human folly and injustice, by giving great credits in distant countries to men, with whose character and situation he can seldom be thoroughly acquainted. The capital of the landlord, on the contrary, which is fixed in the improvement of his land, seems to be as well secured as the nature of human affairs can admit of. The beauty of the country besides, the pleasures of a country life, the tranquillity of mind which it promises, and wherever the injustice of human laws does not disturb it, the independency which it really affords, have charms that more or less attract every body; and as to cultivate the ground was the original destination of man, so in every stage of his existence he seems to retain a predilection for this primitive employment.

Cultivators require the assistance of artificers, who settle together and form a village, and their employment augments with the improvement of the country.

Without the assistance of some artificers, indeed, the cultivation of land cannot be carried on, but with great inconveniency and continual interruption. Smiths, carpenters, wheel-wrights, and plough-wrights, masons, and bricklayers, tanners, shoemakers, and taylors, are people, whose service the farmer has frequent occasion for. Such artificers too stand, occasionally, in need of the assistance of one another; and as their residence is not, like that of the farmer, necessarily tied down to a precise spot, they naturally settle in the neighbourhood of one another, and thus form a small town or village. The

butcher, the brewer, and the baker, soon join them, together with many other artificers and retailers, necessary or useful for supplying their occasional wants, and who contribute still further to augment the town. The inhabitants of the town and those of the country are mutually the servants of one another. The town is a continual fair or market, to which the inhabitants of the country resort in order to exchange their rude for manufactured produce. It is this commerce which supplies the inhabitants of the town both with the materials of their work, and the means of their subsistence. The quantity of the finished work which they sell to the inhabitants of the country, necessarily regulates the quantity of the materials and provisions which they buy. Neither their employment nor subsistence, therefore, can augment, but in proportion to the augmentation of the demand from the country for finished work; and this demand can augment only in proportion to the extension of improvement and cultivation. Had human institutions, therefore, never disturbed the natural course of things, the progressive wealth and increase of the towns would, in every political society, be consequential, and in proportion to the improvement and cultivation of the territory or country.

In the American colonies an artificer who has acquired sufficient stock becomes a planter instead of manufacturing for distant sale.

In our North American colonies, where uncultivated land is still to be had upon easy terms, no manufactures for distant sale have ever yet been established in any of their towns. When an artificer has acquired a little more stock than is necessary for carrying on his own business in supplying the neighbouring country, he does not, in North America, attempt to establish with it a manufacture for more distant sale, but employs it in the purchase and improvement of uncultivated land. From artificer he becomes planter, and neither the large wages nor the easy subsistence which that country affords to artificers, can bribe him rather to work for other people than for himself. He feels that an artificer is the servant of his customers, from whom he derives his subsistence; but that a planter who cultivates his own land, and derives his necessary subsistence from the labour of his own family, is really a master, and independent of all the world.

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In countries, on the contrary, where there is either no uncultivated land, or none that can be had upon easy terms, every artificer who has acquired more stock than he can employ in the occasional jobs of the neighbourhood, endeavours to prepare work for more distant sale. The smith erects some sort of iron, the weaver some sort of linen or woollen manufactory. Those different manufactures come, in process of time, to be gradually subdivided, and thereby improved and refined in a great variety of ways, which may easily be conceived, and which it is therefore unnecessary to explain any further. 6

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commerce.*

In seeking for employment to a capital, manufactures are, upon equal or nearly equal profits, naturally preferred to foreign commerce, for the same reason that agriculture is naturally preferred to manufactures. As the capital of the landlord or farmer is more secure than that of the manufacturer, so the capital of the manufacturer, being at all times more within his view and command, is more secure than that of the foreign merchant. In every period, indeed, of every society, the surplus part both of the rude and manufactured produce, or that for which there is no demand at home, must be sent abroad in order to be exchanged for something for which there is some demand at home. But whether the capital, which carries this surplus produce abroad, be a foreign or a domestic one, is of very little importance. If the society has not acquired sufficient capital both to cultivate all its lands, and to manufacture in the completest manner the whole of its rude produce, there is even a considerable advantage that that rude produce should be exported by a foreign capital, in order that the whole stock of the society may be employed in more useful purposes. The wealth of ancient Egypt, that of China and Indostan, sufficiently demonstrate that a nation may attain a very high degree of opulence, though the greater part of its exportation trade be carried on by foreigners. The progress of our North American and West Indian colonies would have been much less rapid, had no capital but what belonged to themselves been employed in exporting their surplus produce. 7

So the natural course of things is first agriculture, then manufactures, and finally foreign commerce.

According to the natural course of things, therefore, the greater part of the capital of every growing society is, first, directed to agriculture, afterwards to manufactures, and last of all to foreign commerce. This order of things is so very natural, that in every society that had any territory, it has always, I believe, been in some degree observed. Some of their lands must have been cultivated before any considerable towns could be established, and some sort of coarse industry of the manufacturing kind must have been carried on in those towns, before they could well think of employing themselves in foreign commerce. 8

But this order has been in many respects inverted.

But though this natural order of things must have taken place in some degree in every such society, it has, in all the modern states of Europe, been, in many respects, entirely inverted. The foreign commerce of some of their cities has introduced all their finer manufactures, or such as were fit for distant sale; and manufactures and foreign commerce together, have given birth to the principal improvements of agriculture. The manners and customs which the nature of their original government introduced, and which remained after that government was greatly altered, necessarily forced them into this unnatural and retrograde order. 9

QUESTIONS FOR CRITICAL READING

1. How does manufacture eventually help agriculture?
2. Why is it more important to cultivate land than foreign trade?
3. What is special about the civilizations of Egypt, China, and Indostan?
4. Why did the American and West Indian colonies grow so rapidly?
5. In unpopulated countries, what is the natural way people treat the land?
6. How do the town manufactures profit from the country's surplus goods?
7. What is an artificer?

SUGGESTIONS FOR WRITING

1. Explain how you know that Adam Smith favors country living over town life. What seems to be his opinion of each way of living?
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2. Explain what Smith means by "subsistence is, in the nature of things, prior to conveniency and luxury, so the industry which procures the former, must necessarily be prior to that which ministers to the latter" (para. 2). Smith makes this claim several times. Is he correct even today?
3. Examine Smith's discussion and write an essay that takes issue with his conclusions. Base your argument on the changes that have occurred in world economy since Smith's time. How have things changed economically to render his arguments less valid or less applicable?
4. In paragraph 3, Smith talks about the "natural inclinations of man." What are they? What relevance do they have to Smith's argument? Have man's "natural inclinations" changed substantially since Smith wrote *Wealth of Nations*?
5. Smith says, "The town affords a market for the surplus produce of the country" (para 1). What does he mean by this statement? Is it still true today? What are the implications of this statement for the theories that Smith attempts to establish? Why is a surplus essential for his theory on the natural progress of opulence to be persuasive?
6. CONNECTIONS Examine Thomas Jefferson's Declaration of Independence for issues that relate well to the questions that Adam Smith raises. What are the economic and capitalist underpinnings of Jefferson's statements? In what ways does Jefferson agree or disagree with Smith's concepts of the development of opulence?
7. CONNECTIONS Smith is the most important theorist of capitalism prior to the twentieth century. How do his ideas contrast with Karl Marx's views about capitalism and how capitalists work? What would Marx take issue with in Smith's argument? What can you tell about the nature of capitalism in the worlds of Adam Smith in 1776 and of Karl Marx in 1850?
8. CONNECTIONS How does Robert B. Reich's analysis of the "new economy" alter the basic wisdom of Adam Smith's views on the natural progress of an economy's development from agriculture to manufactures to foreign trade? What novelties in the "new economy" alter your view of Smith's theory?