

Smith's word

Adam Smith was a rather complex thinker

C.W. | LONDON an hour ago

Adam Smith was a rather complex thinker

ADAM SMITH is known as the father of economics. Most people think of him as the archetypal free-marketeer. But Smith is often misquoted. This post will give a few examples of how people have misinterpreted Smith's ideas—and show what he really meant.

Smith sowed the seeds of his own problems. He tended to write pithy soundbites that left his ideas open to distortion. One of his best-known quips:

It is not from the benevolence of the butcher, the brewer, or the baker, that we can expect our dinner, but from their regard to their own interest.

Journalists and economists frequently use this quotation. Most people think that Smith was advocating pure egoism. In fact, according to Athol Fitzgibbons, an economic historian, the reader can only understand the quotation within the context of the passage. And deeper analysis shows that Smith was making a subtle point, rather than advocating pure selfishness.

In the "Theory of Moral Sentiments", his second most famous book, Smith discusses the position of philosophers in society. He argues that it would be contradictory and unjust for them just to think about their self-interest. Instead philosophers needed to cultivate a sense of public duty in order to be any good at helping to solve the world's most pressing problems. But butchers, brewers and bakers did not need such lofty aspirations—unlike philosophers, they could probably do their job well by acting selfishly. So according to Mr Fitzgibbons, when Smith mentions "their own interest", he is

arguing that “not all occupations are pursued with the same low motive in mind”. Smith certainly did not intend to suggest that self-interest was the only driving force of human behaviour.

And other evidence suggests that Smith had a more complex view of human action than most people give him credit for. This quotation appears on the [very first page](#) of the "Theory of Moral Sentiments":

How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it.

Smith voices similar opinions when he mentions the “invisible hand”. The metaphor is used today for the idea that selfish individuals, operating independently, will bring about the best possible outcome. But this is a misinterpretation of Smith. The phrase "invisible hand" is used only three times ([here](#), [here](#) and [here](#)) in Smith’s works. And according to Emma Rothschild, an expert on 18th century economic thought, its use was “ironical on each of the three occasions”.

So much for selfishness. Smith’s ideas of the division of labour were revolutionary, says Tony Aspromourgos of Sydney University. Smith opens the "Wealth of Nations", his most famous book, with a discussion of a pin factory:

[T]en persons [...] could make among them upwards of forty-eight thousand pins in a day...But if they had all wrought separately and independently [...] they certainly could not each of them have made twenty, perhaps not one pin in a day.

He reckoned that the “proper division and combination of [...] different operations” was a sure-fire way to business success.

But Smith did not obsess over economic efficiency, as we have argued in [another blog post](#). In fact, he thought that the division of labour could have negative effects—both for the individual and for society. In a later part of the "Wealth of Nations", Smith reckons that as a result of strict labour specialisation, the worker “has no occasion to exert his understanding or to exercise his invention”, and consequently “becomes as stupid and ignorant as it is possible for a human creature to become”. To combat these risks, say Ms Rothschild and Amartya Sen, Smith advocated an extensive system of public education. It was possible, thought Smith, that “almost the whole body of the people” should be educated—even in the “sublime” principles of science.

Smith also worried about the divisive effect that economic specialisation would have on human relationships. He wanted state expenditure on “publick diversions” which, he argued, would help to unite people of “rank and fortune” with those of “low condition”. And Smith thought that any civilised society should be able to afford philosophers as well as butchers, brewers and bakers—all of whom contributed to society in different ways—even if some of them were not economically productive. People refer to this as Smith’s “social division of labour”.

None of this is to argue that Smith was anti-market—or a Marxist, as some have occasionally suggested. But his ideas are not suited to isolated quotation, which generally leads to big distortions in what Smith really wanted to say.

Suggested reading list:

Brissenden, R.F. (1969) 'Authority, Guilt, and Anxiety in *The Theory of Moral Sentiments*'. *Texas Studies in Literature and Language*, 11, 2, pp 945-962. [A good example of the "normal" interpretation of Smith as a bit of a miser.]

Chomsky, N. (2002). *Understanding Power: The Indispensable Chomsky*. The New Press (p.221 onwards) [A discussion of how Smith thought that the division of labour was “terrible”. A polemical account, but a good

introduction.]

Fitzgibbons, A. (1995), *Adam Smith's System of Liberty, Wealth and Virtue*. Oxford: Clarendon Press. [Very detailed discussion, but very good. Best avoided unless you have nothing better to do.]

Rothschild, E. (2001), *Economic sentiments: Adam Smith, Condorcet, and the Enlightenment*. Cambridge: Harvard University Press. [Very clear discussion of Smith (as well as other 18th century thinkers) which sets their ideas in historical context. Highly recommended.]

Rothschild, E. and Sen, A. (2006) 'Adam Smith's Economics'. In Haakonssen, K. (ed.) *The Cambridge Companion to Adam Smith*. Cambridge: Cambridge University Press, pp 319-65. [Short, but at times frustratingly brief, discussion of Smith's attitudes to various economic questions.]

Sen, A. (2010) 'Introduction'. In Smith, A. (2010) [1759] *The Theory of Moral Sentiments* (Hanley, R.P. [ed.]). London: Penguin, pp 9-27. [Great introduction to Smith's work, published on the 250th anniversary of the book's first publication.]