

# An inquiry into the nature and causes of the wealth of nations



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This groundbreaking document, the inquiry into the nature of wealth, was written down in the late 18th century. Yet, after more than two hundred years the world of economics and politics is still affected by the treatise from the brilliant mind of Adam Smith. It seems that taking away the historic work could mean the unraveling of the basic framework from which Western civilization built its basic understanding of economics. This study will take a closer look into Adam Smith's magnum opus and study it with an eye towards understanding its context, intended audience, significance and its effect on the founding of the United States of America.

This paper will also attempt to show how Adam Smith's ideas were used in the development of Western style economic policies throughout the centuries. Background For something encompassing and something as groundbreaking as "The Wealth of Nations" a better understanding of the document can be had when the background of the author is made part of the analysis. For starters, Adam Smith was born in Kircaldy, Scotland in the year 1723 and at a mere age of 14 he went to study at the University of Glasgow.

#### Intended Audience

Based on his work and places visited before 1776 one can argue that this masterpiece was written for the enlightened nations of Europe, specifically his homeland Britain and of course France. He was greatly influenced by the events and ideas being talked about and debated by both British and French. According to one historian, Voltaire himself – one of the greatest propagators of the ideals of the enlightenment – was heard to express his delight with regards to the Englishman and he said, "This Smith is an excellent man!"

During this time however, America's war for independence provided a suitable backdrop for Smith's ideas. This meant that his work could now be read not only using British and French examples of how government and trade interact. This time America can be used to expound on Smith's economic principles. Significance The breadth and scope of "The Wealth of Nations" is so encompassing that it is almost impossible to fully appreciate its impact in 18th century and onwards.

Adam Smith was one of the pioneers to provide a framework from which one can stand on and then see the big picture. Smith's work touched on many sectors of Western society including government and the national economy. For the first time an economist is pointing out the cause and effect of some practices be it in politics or in business. That alone established Adam Smith as a philosopher in the mould of Machiavelli, Locke, Marx etc. But going further, his masterpiece paved a way for a more focused analysis of where nations are heading.

The policies that had been created and the norms established for hundreds of years have to be critically analyzed in order for Europe to move forward. There are many who believe that Adam Smith and "The Wealth of Nations" was the driving force that shaped classical economics and contributed to the creation of modern economics model. For the British and the French businessmen, perhaps, Adam Smith's views about trade and government intervention is a breath of fresh air at best and a rebellion against the status quo at worst.

But for the Americans it can be considered as heaven sent guidelines that can help them build a new economy without the help and dictates of their former master. In the late 18th century and in the dawn of the 19th century, America is like a lump of clay waiting to be retooled and refashioned into something else. But for the whole world, Adam Smith has so much to offer. His insight into the concept of labor paved a way for the creation of assembly lines and more sophisticated manufacturing plants.

Production can be increased if more people are hired to assemble or build a particular product. If labor division is acceptable to the firm then businessmen will see a significant increase in the worker's output. Another major idea that can be found while reading said document is the notion that governments will do well if the government would allow greater freedom for its businessmen. This is one of the most radical things that came out from Smith's writing.

Although Smith made it clear that the government is very much needed in the creation of a robust economy, his brilliance can be found in the notion that an environment with fewer restrictions is ultimately the best scenario. This was often called as the laissez-faire or the self-coordinating market. U. S. Perspective Adam Smith's work was truly ground breaking and its impact can be felt the world over. But when America won the war for independence against the British Empire, suddenly, there is a whole New World eager to test his ideas.

The fledgling Union as the present United States was then known, finds it difficult to resist the idea that the term freedom is not only applicable to

governments but also to commerce. One could just imagine that Adam Smith's ideas had had on the newly emancipated nation. They need all the help that they could get and they surely found support and encouragement from Smith's works. America became the proving ground for the theory and based on history it can be said that Smith's ideas up to a certain degree can be supported by the economic success that America experienced after the British had left the country.

The significance of this document was already elaborated in the preceding pages but its true value can be seen in fully understanding the economic difficulties experienced by the people living in America as perceived by an analyst who wrote: A contemporary of 1800 would observe a net of labor and industrial regulations, wage and price controls, commercial monopolies held by royally chartered trading companies, a complex set of shipping regulations in the Navigation Acts, and rules that bound the colonies to Britain in trade, shipping, manufacturing, taxation, and administration.

For centuries the New World has made many Europeans to prosper beyond their wildest dreams. It is high time for Americans to enjoy what has been reserved for the elite of Europe. Now, they can profit without the added burden of giving up a significant amount in taxes and other duties. This new found freedom encouraged the development of a new economy and ended up becoming the new superpower. Today it has even surpassed its former master in terms of wealth. Throughout History

The true test of a work of genius is its ability to surpass the test of time. In this regard, William Henderson remarked that, "...Smith's analytical insights

into commercial society and the way that commercial society operates ... have a significance that go beyond his own historical context". Henderson went on to explain that Smith's attempt to balance the tension between the government and the market and his goal of creating a decent society may well be informative for both American liberals and conservatives.

Since the time that Adam Smith published "The Wealth of Nations" no one can keep track of the thousands upon thousands of factories established for the sole purpose of increasing the efficiency of labor and to produce the maximum number of products. Yet it can also be said that by following Smith's advice regarding the maximization of profit there are those who also blame him for the plight of the mistreated employee who no longer exist as an individual but whose identity is drowned by the mob.

Conclusion Once in a while there comes a man, using all the talents given to him by God, applies it to address a great felt need in society and ends up changing the course of history. In 18th century, the British Empire produced such a person and he labored to bring into fruition a much needed philosophy that will bring about a paradigm shift with the way people are creating and distributing wealth.

Adam Smith came into the picture, schooled in the classics and mentored by some of the brightest minds of his day. The result is a profound body of work whose impact still reverberates in the world today. His masterpiece – An Inquiry into the Nature and Causes of the Wealth of Nations – was used by experts in the field of politics and commerce, that they may draw from its

rich insights the needed wisdom and guidance in formulating effective laws and policies that will benefit their people.