

# [Adam smith: views on economics mercantilist assignment](https://assignbuster.com/adam-smith-views-on-economics-mercantilist-assignment/)

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Adam Smith believed the opposite by thinking that the wealth of a nation is based on production and commerce not the amount of gold and silver, free exchange increases productivity, both arties benefit during a free exchange and imports can be just as valuable as exports to a nation. According to “ Making Adam Smith” in the Wealth of Nations Smith attacked Britain’s commercial policy because it “ misdirected the nation’s energies, weakened its colonies and plunged it into deep rivalries with its neighbors” because they believed wealth came from the gold and silver it hoarded (2010).

Smith also believed that a company would progress and grow by allowing a free market because it would increase competition in the marketplace. Due to this change in economic theory Adam Smith is believed to be the founder of classical economics. He also believed that there is an invisible hand present that guides people to produce the correct amount of their goods. German gives a good example of this theory. His example is that a butcher, a baker, and a candlestick maker individually go about their business producing the amount of meat, bread, and candlesticks he judges to be correct.

Then each buys the amount of meat, bread, and candlesticks that his household needs. All of this happens without their consulting one another r without someone telling them how much to produce (German, 2003). Therefore this situation shows a free market economy in action and how the invisible hand guides. Smith believed the government should have a laissez fairer attitude toward the marketplace and this will allow the invisible hand will guide the marketplace. Laissez fairer is “ a doctrine opposing governmental interference in economic affairs beyond the minimum necessary for the maintenance of peace and property rights” (Laissez fairer 2012).

A laissez fairer attitude from the government, a free market and the invisible hand will roved the most amounts of good for the most number of people while generating economic growth for the nation. While Smith does not mention the term capitalism in his book the Wealth of Nations it is evident from his book that he believes capitalists play important roles in keeping the economy functioning. A capitalist distributes funds to the market which helps to direct resources and growth. People with a higher income can save their funds and spend on goods/services that were unnecessary yet fulfill their need for higher living.

This therefore created jobs that otherwise may not be necessary satisfy their immense desires for high living. Without capitalists the economy will not continue to grow and prosper. Many people believe that unequal distribution of wealth leads to social unrest. Believe that Adam Smith would refute this claim. According to Adam Smith the market works best when it is a free market with little government interference. Adam Smith also looked at wealth differently than many people look at it.

Adam Smith didn’t believe that wealth was measured by the amount of money a person had instead he Hough it was measured by the production and commerce within the market. Smith also believed that members of the higher class accumulated capital and spent it on goods/services that fulfilled their need for a higher lifestyle. Smith believed that members of a higher class are beneficial to society and important to continuing the progress and growth in society. Believe that based on his economic theories Adam Smith would be in favor of an unequal distribution of wealth to keep the economy growing.

Adam Smith also believed in a laissez fairer approach from the government. To create equality in the nation the government would have to be more involved in helping to allocate wealth from one class to another. I think that this would greatly go against what Adam Smith thought was best for the economy. In conclusion, Adam Smith was a great economist that has heavily influenced the way that we currently view economics in society. He changed the perspective from old economics into classical economics. He was for low government interaction and for a free market which would guide itself.