

180 transition from this case to that of ^adeterminate competitive market and thence to the case of indirect exchange--which we are in the habit of associating with much later, especially with post-Smithian times. Physiocrat influence is in evidence but does not go very deep. Was the Scottish Beccaria the greater economist of the two? If we judge by their works, he certainly was. But to do so would not be fair to the men. It is not only that we must take into account priority and that the years between 1770 and 1776 were very significant ones in the march of economic ideas, much more important is it that the Wealth of Nations was the mature result of a life's work whereas the Elements are lecture notes which the author refused to publish. // So far as subjective performance is, 181 concerned, they should not be matched with the Wealth of Nations but rather with the economic part of A. Smith's Glasgow lectures--where Beccaria would win hands down--or else the Wealth of Nations should be compared with what we might conceive Beccaria would have done with his lectures if he had emigrated to Kirkcaldy and spent another six years on them instead of immersing himself in the problems of the Milanese state. That the main cause of the difference we perceive consists in the amount of labor invested is, in any case, an important clue to the secret of A. Smith's success.

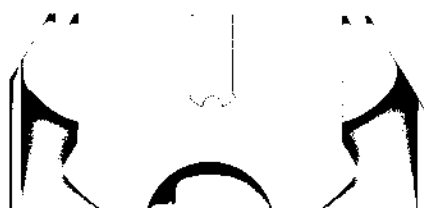
[e] Adam Smith and the Wealth of Nations.] So often have we mentioned Adam Smith, so often shall we have to mention him again, that the reader may wonder whether there is need for a comprehensive survey of his work in any one place. For our purpose, the references to it that are scattered all over this history are in fact more important than what will be said in this section. Nevertheless, it seems proper to stay for a moment in order to look at the figure of the most famous of all economists--to form an idea of what stuff he was made--and at the most successful not only of all books on economics but, with the possible exception of Darwin's Origin of Species, of all scientific books that have appeared to this day. Moreover, it will again be useful to present a Reader's Guide.

182 Few facts and no details are needed about the man and his sheltered and uneventful life (1723-90). It will suffice to note, first, that he was a Scotsman to the core, pure and unadulterated; second, that his immediate family background was the Scottish civil service--in order to understand his outlook on social life and economic activity (very different from what has often been imputed to him), it is important never to forget the gentility, the intellectuality, the critical attitude to business activity, the modest yet adequate means that characterized the environment which produced him; third, that he was a professor born and bred, not only when he lectured at Edinburgh (1748-51) and // Glasgow (1751-63) but always and by virtue of character indelibilis; fourth--a fact which I cannot help considering relevant, not for his pure economics, of course, but all the more for his understanding of human nature--that no woman, excepting his mother, ever played a role in his existence: in this as in other respects, the glammers and passions of life were just literature to him. In 1764-66 he traveled in France, acting as tutor to the young Duke of Buccleuch, to whom economics owes the subsequent leisure and independence that produced the Wealth of Nations. His appointment to a quasi-sinecure (1778) added ample comfort for the rest of his life. He was conscientious, painstaking to a degree, methodical, well-poised, honourable. He acknowledged obligation where honour required it, but not generously. He never uncovered the footprints of predecessors with Darwinian frankness. In criticism he was narrow and ungenerous. He had the

182 courage and energy that exactly fit the scholar's task and go well
with a good deal of circumspection.

The day of polyhistoric knowledge was not yet over: a man could move over the whole of science and art and even do work in widely distant fields without meeting disaster. Not less than Beccaria or Turgot, A. Smith held sway over a wide domain of which economics was only a part. We have already had opportunity to notice his Theory of Moral Sentiments (1759), to which was appended (3rd ed., 1767) A Dissertation on the Origin of Languages--his first great success, which matured, from beginnings in the material of the Edinburgh lectures, during the first half of his tenure of the Glasgow chair, and should be recalled to make the reader immune to the silly criticism that A. Smith gave inadequate attention to the importance of ethical forces. Moreover, Smith's philosophy of riches and economic activity is there and not in the Wealth of Nations. To this and to his work in natural law, 'natural theology,' and belles lettres must, however, be added his essays, some of which are the crystallized fragments of the grandiose plan of a 'history of the liberal sciences and elegant arts' which he abandoned 'as far too extensive.' The pearl of the collection is the first essay on the 'Principles of Astronomy.' Nobody, I venture to say, can have an adequate idea of Smith's intellectual stature who does not know these essays. I also venture to say that, were it not for the undeniable fact, nobody would credit the author of the Wealth of Nations with the power to write them.

We know already that the skeleton of Smith's analysis hails from the scholastics and the natural law philosophers: besides being ready at hand in the works of Grotius and Pufendorf, it was taught to him by his teacher Hutcheson. // It is true that neither the scholastics nor the natural law philosophers ever evolved a completely articulate scheme of distribution, still less the misleading idea of a National Dividend distributed among the agents that take part in its production. But they had worked out all the elements of such a scheme, and Smith was no doubt equal to the task of co-ordinating them without further help from anyone. According to Cannan, the Glasgow Lectures-- which show no great advance beyond Hutcheson in any direction--contain 'no trace whatever... of the scheme of distribution which the // Wealth of Nations sets forth.' It is not necessary to infer from this however that Smith was under heavy (and largely unacknowledged) obligation to the physocrats, whom he met/and presumably read before he settled down to work at Kirkcaldy. The draft discovered by Professor Scott proves that this may go too far: the Draft clearly foreshadows the scheme of the Wealth. On the other hand however it must not be forgotten that the heritage of the natural law philosophers and the achievements of A. Smith's French contemporaries were not all he had to work with. There was the other of the two streams that meet in the Wealth of Nations, represented by the Consultant Administrators and Pamphleteers. Smith knew Petty and Locke, he presumably made acquaintance with Cantillon, at least through Postlethwayt's Dictionary, at an early stage of his work; he laid Harris and Decker under contribution; his friend Hume's writings and Massie's must have been familiar to him; and in the long list of writers whom he affected to despise because of their mercantilist errors, there are some who might have taught him a lot, for example, Child, Davenant, Pollexfen, not to insist on such 'anti-mercantilists' as Barbon and North. But no matter what he actually learned or failed to learn from predecessors, the fact is that the Wealth of Nations



184 does not contain a single analytic idea, principle, or method that was entirely new in 1776.

an/ Those who extolled A. Smith's work as/epoch-making, original achievement were, of course, thinking primarily of the policies he advocated--
185 free // trade, laissez-faire, colonial policy, and so on. But as should be clear by now and as will become still clearer as we go along, this aspect would not lead to to a different conclusion even if it were relevant to our subject. Smith himself, according to Dugald

Stewart, indeed laid claim (On a paper drawn up in 1755) to priority concerning the principle of Natural Liberty on the ground that ^{he} had taught ^{as} as early as 1749. By this principle he meant both a canon of policy--the removal of all restraints except those imposed by justice-- and the analytic proposition that free interaction of individuals produced not chaos but an orderly pattern that is logically determined: he never distinguished the two quite clearly. Taken in either sense, however, the principle had been quite clearly enunciated before, for example, by Grotius and Pufendorf. It is precisely for this reason that no charge can be laid against Smith ~~or~~ in his behalf against others. This does not exclude the possibility of course that, in stating it with greater fullness and force than anyone before him, Smith experienced/all the thrill of discovery or even that, some time before 1749, he he actually made the discovery himself.

subject-ively/

But though the Wealth of Nations contained no really novel ideas and though it cannot rank with Newton's Principia or Darwin's Origin as an intellectual achievement, it is a great performance all the same and fully deserved its success. The nature of the one and the causes of the other are not hard to see. The time had come for precisely that type of coordination. And this task A. Smith performed extremely well. He was fitted for it by nature: no one but a methodical professor could have accomplished it. He gave his best: the Wealth is the product of labor ungrudgingly bestowed during more than twent-five years, exclusively concentrated on it during about ten. His mental stature was up to mastering the unwieldy material that flowed from many sources and to subjecting it, with a strong hand, to the rule of a few coherent principles: the builder who built solidly, regardless of cost, was also a great architect. His very limitations made for success. Had he been more brilliant, he would have been taken so seriously. Had he dug more deeply, had he unearthed more recondite truth, had he used difficult and ingenious methods, he would not have been understood. But he had no such ambitions; in fact he disliked what went beyond plain common sense. He never moved above the heads of even the dullest readers. He led them on gently, encouraging them by trivialities and homely observations, making them feel comfortable all along. While the professional of his time found enough to command his intellectual respect. the 'educated reader' was able to assure himself that, yes, that was so, he himself had always thought so; while Smith taxes his reader's patience with his masses of historical and statistical material, he did not tax his reasoning power. He was effective not only by what he gave but also by virtue of what he failed to give. Last but not least, argument and material were enlivened by advocacy which is after all what attracts a larger public everywhere, the professor turned his chair into a seat of judgment and bestowed praise and blame. And it was Adam Smith's good fortune that he was thoroughly in sympathy with the humors of his time. He advocated the things that were in the offing, and he // made his analysis serve them. Needless to insist on what

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186 this meant both for performance and success: where would the Wealth of Nations be without laissez-faire and free trade? Also the unfeeling or slothful landlords who reap where they have not sown, the employers whose every meeting issues in conspiracy. the merchants who enjoy themselves and let their clerks and accountants do the work, and the poor laborers who support the rest of society in luxury--these are all important parts of the show. It has been held that A. Smith, far ahead of his time, braved unpopularity by giving expression to his social sympathies. This is not so. His sincerity I do not for an instant call into question. But those views were not unpopular. They were in fashion. A judiciously diluted Rousseauism is also evident in the equalitarian tendency of his economic sociology. Human beings seemed to him to be so much alike by nature, all reacting in the same simple ways to very simple stimuli, differences being due mainly to different training and different environments. This is very important considering A. Smith's influence upon nineteenth-century economics. His work was the channel through which eighteenth-century ideas about human nature reached economists.

Now for the Reader's Guide: An Inquiry into the Nature and Causes of the Wealth of Nations by Adam Smith, LL. D. and F. R. S., formerly Professor of Moral Philosophy in the University of Glasgow, in two volumes, London 1776, defines ~~economics~~ scientific economics quite well by its title and hardly less felicitously, though less concisely, in the last paragraph of the Introduction. But in the introduction to Book IV we read that Political Economy 'proposes to enrich both the people and the sovereign,' and it is this definition which expresses both what Smith wanted above everything and what interested his readers more than anything else. It makes economics a collection of recipes for the 'statesman.' All the more important is it to remember that the viewpoint of analysis is not absent and that we, whatever A. Smith may have thought, can separate the analysis from the recipes without doing violence to his text.

There are books.. The fifth and longest-- taking 28.6 per cent of total space--is a nearly self-contained treatise on Public Finance and was to become and to remain the basis of all nineteenth-century treatises on the subject until, mainly in Germany, the 'social' viewpoint--taxation as an instrument of reform--asserted itself. The length of the book is due to the masses of material it contains: its treatment of public expenditure, revenue, and debts is primarily historical. The theory is inadequate, and does not reach much below the surface. But what there is of it is admirably worked in with the reports on general developments as well as on individual facts. Further facts have been amassed and theoretical technique ~~Improved~~ has been improved but nobody to this day has succeeded in welding the two--plus a little political sociology--together as did A. Smith. The fourth Book, nearly as long, contains the famous indictment of the "commercial or mercantile system"--the patronizingly benevolent criticism of the physiocrat system in the ninth and last chapter // does not call for comment--from the ashes of which rises, phoenixlike, Smith's own political system. Again, the reader beholds masses of facts, painstakingly marshalled, very little of simple theory (no advance whatever in this over even distant 'predecessors'), which is, however, most successfully used in lightening up the mosaic of details, in heating the facts till they glow. The facts overflow and stumble over one another: two monographs are inserted by way of digressions (on Banks of Deposit and

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on the Corn Trade) where they do not belong. The great and partly famous chapter 'Of Colonies' (which should be compared with the last chapters of the work) falls out of line, but nothing matters: we have a masterpiece before us, a masterpiece, not only of pleading, but also of analysis. Book III, which occupies less than 4.5 per cent of the total space, may be described as a prelude to Book IV, filling in general considerations of a primarily historical nature on the natural progress of opulence, the rise and commerce of towns as distorted--hampered or propelled--by the policies sponsored by various interests. This third book did not attract the attention it seems to merit. In its somewhat dry and uninspired wisdom, it might have made an excellent starting point of a historical sociology of economic life that was never written. Books I and II--respectively about 25 and 14 per cent of the whole--also overflowing with illustrative fact, present the essentials of A. Smith's analytic schema. They can indeed be perused by themselves. But the reader who, more interested in theory than in application, refuses to go beyond them will miss much that is indispensable for a full understanding of the theory itself.

The first three chapters of Book I deal with the Division of Labour. We are in the oldest part of the building, the part already completed in the Draft. Also, presumably because of his teaching Smith has so often gone over this subject, it is by far the most part of the whole. Though, as we know, there is nothing original about it, one feature must be mentioned that has not received the attention it deserves: nobody either before or after A. Smith, ever thought of putting such a burden upon division of labor. With A. Smith it is practically the only factor in economic progress. Alone it accounts 'for the superior affluence and abundance commonly possessed even by [the] lowest and most despised member of Civilized society, compared with what the most respected and active savage can attain to' in spite of so much 'oppressive inequality' (see Scott, Draft..., p. 328). Technological progress, "invention of all those machines-- and even investments-- is induced by it and is in fact just an incident in it. We shall consider this feature of A. Smith's analytic schema at the end of this Readers' Guide.

Division of labor itself is attributed to an inborn propensity to truck and its development to the gradual expansion of markets-- the extent of the market at any point of time determining how far it can go (ch. 3). It thus // appears and grows as an entirely impersonal force, and since it is the great motor of progress, this progress too is depersonalized.

In Chapter 4, A. Smith completes the time-honored sequence: division of labor--barter--money and falling, far below the level reached by many older authors and particularly by Galiani, severs 'value in exchange' completely from 'value in use.' In Chapter 5 (which starts with Cantillon's definition of richesse) he undertakes to find a measure of the former that is more reliable than is price expressed in terms of money. Equating value in exchange to price and observing that 'price in money' fluctuates in response to purely monetary changes, Smith replaces for purposes of interlocal and intertemporal comparisons this monetary or 'nominal price' of each commodity by a real price in the same sense in which we speak, for example, of real wages as distinguished from money wages, that is, by price in terms of all other commodities. And these real prices he in turn replaces, in ignorance of the index number method already invented in his time, by prices expressed in terms of labor (after having considered corn for the role):



188 in other words, he chooses the commodity labor instead of the commodity
 silver or the commodity gold as numeraire--to use the phrase brought
 into general use by L. Walras. This may or may not be helpful, but
 there is no logical objection to it. But Smith flounders so badly
 in conveying the idea and, moreover, confuses it with philosophies
 concerning the nature of value and real price in a different sense--
 see the famous doctrines about 'toil and trouble' as the real price
 of everything (#2 ch. 5) and about labor alone never varying in its
 own value(#7)--that his fundamentally simple idea was misunderstood
 even by Ricardo. Accordingly he was credited with a labor theory of
 value--or rather with three incompatible labor theories--whereas it
 is quite clear from Chapter 6 that he meant to explain commodity
 189 prices by cost of production, // which in this chapter he divides up
 into wages, profit and rent--the original sources of revenue as well
 as of all exchangeable value.' This is no doubt very unsatisfactory
 as an explanation of value but serves well as an avenue both to a
 theory of equilibrium price and to the theory of distribution.

The rudimentary equilibrium theory of Chapter 7, by far the best
 piece of economic theory turned out by Adam Smith, in fact points to-
 ward Say and, through the latter's work, to Walras. The purely theor-
 etical developments of the nineteenth century consist to a consider-
 able degree in improvements upon it. Market price, defined in terms
 of short-run demand and supply, is treated as functioning around a
 'natural' price--J. S. Mill's necessary price, A. Marshall's 'normal'
 price-- which is the price that is sufficient and not more than suffi-
 cient to cover 'the whole value of the rent, wages, and profit, which
 must be paid in order to bring' to market that quantity of every com-
 modity 'which will supply the effectual demand,' that is the demand
 effective at that price. There is no theory of monopoly price beyond
 the meaningless (or even false) sentence that the 'price of monopoly
 is upon every occasion the highest that can be got,' whereas 'the
 price of free competition... is the lowest which can be taken' in
 the long run--an important theorem though Smith does not seem to have
 any notion of the difficulties of a satisfactory proof. Chapters 8
 to 11 complete the self-contained argument of the first Book, whose
 contour lines, though hidden by the luxuriant foliage of illustrative
 fact that often degenerates into digression, are not without beauty.
 They deal with 'the circumstances which naturally determine' the rate
 of wages and the rate of profit and 'regulate' the rent of land. These
 chapters, summing up and coordinating, handed down the theory of dis-
 tribution of the eighteenth century to the economists of the nineteenth,
 who found it all the easier to start from them because the very looseness
 of Adam Smith's doctrines invited development on many different lines:
 Smith's very weaknesses conspired to qualify him for his type of lead-
 ership. It must suffice to draw the reader's attention to the follow-
 ing points.

190 Chapter 8 on wages contains not only the rudiments of both the wage
 fund (p. 61) and the minimum-of-existence (pp. 71, 76) theories, which
 might have been derived from Turgot and the physiocrats and which have
 been made the most of by Smith's successors, but also another element,
 the importance of which these successors failed to see. This is en-
 shrined in his pithy sentence that the 'liberal reward of labour' is
 both the effect' and 'the natural symptom of increasing (J A S's italics)
 national wealth' (p. 65) which, though inadequately motivated, sheds a
 light on the problem of wages quite different from that in which Ricardo
 saw it. Chapter 9 offers many points about the factors that determine
 the rate of profit (e. g. p. 83), especially relatively to wages, but

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but fails to face the fundamental problem. So far as Smith can be credited with having a theory of profit at all, it must be pieced together from indications, mostly vague and even contradictory, that are scattered over the first two Books. First, he definitively sanctioned and helped to victory the doctrinal tendency that was to prevail in nineteenth-century economics, particularly in England: profit, treated as the basic income of the capitalist class, is (substantially) the return from the use in business of physical goods (labor's means of subsistence included) which that class supplies; and interest on loans is simply a derivative from it. Excepting the case of the mere lenders ('monied men'), there is no distinctive function of the entrepreneurs--though Smith does speak of the 'undertaker'--or industrialists, who, 'inspection and direction' being brushed aside, are fundamentally capitalists or masters 'setting to work industrious people' and appropriating part of the product of 'their work' (ch. 6). The Marxist implications of this, which moreover Smith goes out of his way to underline, are obvious. Nevertheless it cannot be said that Adam Smith held an exploitation theory of profit, though it can be said that he suggested it. For he also emphasized the element of risk and spoils of employers advancing the whole stock of materials and wages (p. 42), which points, in an entirely different direction. Moreover, nobody who, as highly as the social importance of saving as did Adam Smith can complain if he associated with abstinence-theory ideas.

In treating of the differences 'Of Wages and Profits in the different Employments of Labour and Stock' (ch. 10), Smith, reveling in facts and arguments of a somewhat trite sort, improved upon Cantillon and succeeded in creating a standard chapter of the nineteenth-century textbook. Chapter 11, 'Of the Rent of Land'-- Smith, and following him, practically all the English economists to Marshall's epoch, confined the concept of rent to land and mines--is swollen by a gigantic digression (or a cluster of digressions or monographs) that makes up about 7.6 per cent of the whole work. If the vast materials and the almost innumerable disquisitions on particular points be boiled down, a mosaic of ideas emerges of which these are the outstanding elements. First, reasoning from his cost theory of value, Smith not unnaturally--though wrongly--arrives at the conclusion that the phenomenon of rent can be due only to a monopoly in land (p. 131), thus starting on its career an idea that was to find sponsors again and again and has not even // yet died out. But second, we find (p. 132) the statement that, whereas 'high or low wages and profit are the causes of high or low price; high or low rent is the effect of it,' which fits but ill with the monopoly theory and points in the Ricardian direction: the so called Ricardian theory of rent might have emerged from an effort to put logical order into the Smithian jumble. And, third, there is even a suggestion that might have induced a disciple to straighten out that jumble by means of a productivity theory (see e. g., p. 133). All this is intermingled with other ideas, good and bad--for example. the old idea which was as persistent as it was useless and which we encounter again in Malthus, that the production of foodstuffs holds a unique position in that it creates its own demand because people will multiply as it expands--that enter and leave the stage as does the staff crowd in Henry IV. Even before the reader gets to the digressions on the value of silver and on the relation between the values of silver and gold, the chapter

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191 much to Smith's theory of money, which cannot however be fully mastered without reading the whole work (see especially ch. 2 of the second Book and the important Digression Concerning Banks of Deposit in ch. 3 of the Fourth). Two more points should be added: at the end of the digression on silver Smith tries to show why, at least on the whole, the price--the real price--of agrarian products will rise in consequence of the Progress of Improvements (pp. 198 ff.), and in additional digression (pp. 224 ff.), that the real price of manufactures will fall. In a sense this foreshadows the nineteenth-century doctrine of decreasing returns in agriculture and increasing returns in industry toward which he may be said to have cautiously felt his way and which might have been distilled from his pages. Furthermore, he arrived at the Ricardian conclusion (p. 229), though it does not follow cogently from his muddled argument, that landowners benefit in the process directly, both because the real value of the land rises and because they receive a larger relative share of these products, and in addition indirectly owing to the fall in the price of manufactures. Laborers also benefit (p. 230) because their wages rise and the price of part of the commodities they buy fall. But the third class, the merchants and master manufacturers (p. 231) suffer, because as A. Smith said, the rate of interest tends to be low in rich countries and high in poor countries, so that the interest of this class conflicts both with the interests of the other two and with the 'general interest of the society.' This was evidently intended for a schema of economic class interests such as many later economists tried to construct, possibly inspired by A. Smith's example, and by a desire to correct his mistakes.

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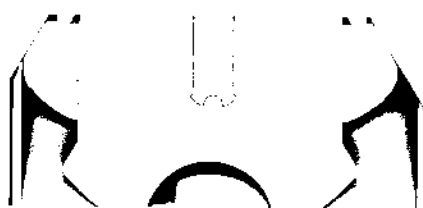
192 The second Book presents the theory of capital, saving, and investment that, however much transformed by development and criticism, remained the basis of practically all later work until, and partly beyond, Böhm-Bawerk. It certainly looks like a new wing added to an old structure. In spite of the weak attempt made in the introduction to link it to the first book by means of another and quite unconvincing appeal to the 'division of labor,' there is no reason to believe that any essential part of it was either written or planned before A. Smith's stay in France. Specifically physiocrat influence is much // ore definitely recognizable than it is in any part of the first Book, both in many details and in the conception as a whole. This statement must not be misunderstood, however. A. Smith was not in the habit of accepting passively what he read or heard: he read and listened judicially, criticized vigorously, and in so doing arrived at a conception of his own. This is why I have spoken of physiocrat influence only, and not also of his being influenced by Turgot. Turgot holds priority in essential points, but it does not follow that Smith derived his views from him. For these views are such as would naturally emerge in Smith's mind from a creative criticism of Quesnay's teaching so that, in the absence of cogent evidence to the contrary, it seems more just to speak of parallelism than of dependence. Space forbids out presenting more than a single illustration. The Scotsman's common sense took offense at Quesnay's statement that only agricultural (and extractive) labor was productive. From Turgot he might have learned to shrug his shoulders and to pass on with a graceful bow. This, however, was not his way. He took things not only seriously but also literally. He had to embark on ponderous refutation. But in his meditations on the subject it may have occurred to him that there was something to the distinction between productive and unproductive labor [see 192n22]. And so he worked out his own inter-

192 pretation of it and substituted it for Quesnay's. In a sense it was suggested to him by Quesnay--this is indicated by the fact that there is no hint of it in the first Book though it would naturally belong there--but in another sense it was his own.

Chapter 1 of the second Book distinguishes that part of a man's-- and society's--total stock of goods that is to be called capital (not only physical goods, since 'the acquired and useful abilities of all the inhabitants' are capital) from the rest, introduces the distinction between fixed and circulating capital, and classifies the goods that are to come under both headings, including in circulating capital money but not the means of subsistence of productive laborers, although Smith's argument calls for and actually implies inclusion of the latter. The Chapter 2, one of the most important of the work, // contains the bulk of A. Smith's theory of money. It is much above Chapter 4 of the first Book and certainly the result of a late stage of A. Smith's labors. But it displays no physiocrat influence--all recognizable influence is English. Chapter 3 (which introduces the distinction between productive and unproductive labor), with its tremendous emphasis on the propensity to save as the true creator of physical capital ('Parsimony, and not industry, is the immediate cause of the increase of capital,' p. 301; 'every prodigal appears a public enemy, and every frugal man a public benefactor,' p. 304), marks the victory for 150 years to come of a pro-saving theory. 'What is annually saved is as regularly consumed as what is annually spent, and nearly in the same time too; but it is consumed by a different set of people' p. 302, namely productive laborers whose wages and employment are thus positively related to the rate of saving which is identified or at least equated to the rate of increase of capital, that is, investment. In this chapter, revenue means profit plus rent, exactly as it does with Marx. Chapter 4 tackles the problem of interest. Since as indicated above, profit is treated as the fundamental phenomenon and this is taken for granted here, interest simply follows from the fact that money--but as Smith holds, really the producers' goods and services that can be bought for it--always meets the demand at a premium motivated by the expectation of profits. Smith as well as all his successors until recent times simply saw no difficulty in explaining interest per se: the difference between him and his nineteenth-century successors was only that he did not see much of a difficulty in business profit either, whereas, as time went on, an increasing number of the latter began to worry about it. There are thus but three points to mention: first his unconvincing explanation of the tendency of the rate of interest to fall by the increasing competition between increasing capitals; second, his vigorous, and for 150 years successful, argument against the monetary theories of interest that attempt to explain that tendency by the increase in the quantity of monetary metals; third, his moderate and judicious argument about legal maxima which called forth an entirely unjustified attack from Bentham.

[The Reader's Guide was not completed. There is, for example, no discussion of chapter 5 (Of the Different Employment of Capitals), the concluding chapter of the second Book. The final paragraph was on a separate sheet with no indication as to its intended position.]

Before the century was out the Wealth of Nations had run to nine English editions, not counting the ones that appeared in Ireland and the United States, and had been translated (so far as I know) into Danish, Dutch, French, German, Italian, Spanish (*italics indicate more than one translation*; the first Russian translation appeared 1802-06).



193 This may be taken to measure the extent of its success in the first
stage of its career. For a work of its type and calibre--which entire-
ly lacked the graces of the *Esprit des Lois*--it can, I think, be called
spectacular. But this was as nothing compared with the really signific-
ant success that is not so easy to measure: from about 1790 on, Smith
194 became the teacher not of the beginner or the public but of the pro-
fessionals, especially the professors. The thought of most of them,
including Ricardo, started from him and most of them never got beyond
him. For half a century or more, roughly until J. S. Mill's Principles
(1848) started on its career, Adam Smith supplied the bulk of the ideas
of the average economist in England. Ricardo's Principles (1817) meant
a serious check. But outside of England, most economists were not up to
Ricardo, and Smith continued to hold sway. It was then that he was in-
vested insignia of 'founder'--which none of his contemporaries would
have thought of conferring on him--and that earlier economists moved
into the role of 'precursors' in whom it was just wonderful to discover what
nevertheless remained Smith's ideas.