

# Back to 1776—A Tribute to a Canny Scot

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THIS year marks the 200th Anniversary of the publication of a major work—an important milestone marking the evolution of economic thought, as were Newton's discoveries of the Law of Gravity and the Laws of Motion in the development of the physical sciences.

The work was entitled *An Enquiry into the Nature and Causes of the Wealth of Nations*; its author was Adam Smith, a canny Scot.

Readers who have never read the book should find time to do so. It will do them no end of good; they will be savouring the wit and wisdom of the doyen of Classical Economists—some would say the greatest of all the economists, past and present.

If asked what it is that specifically marks this great work for attention, our most important judgment would be its common sense, when so much nonsense is being written and spoken under the contemporary heading of the "new economics." After reading Smith, one is saddened to note how otherwise intelligent minds have been influenced by sham erudition.

Smith devoted a great deal of his attention to demolishing mercantilist economics and political cant (the politician being described as "that insidious and crafty animal") which were commonplace during his lifetime. Were he with us today he would find the same dreary fallacies and myths being paraded, often using statistics as a substitute for argument.

From the decline of the Roman Empire right up to and including the time of Adam Smith, mercantilism was widely practised and universally accepted. With a few rare and distinguished exceptions, such as the Physiocrats and those enlightened philosophers like Smith's close friend, David Hume, such doctrines were rarely ques-

tioned. Smith drove a coach and horses through the whole mercantilist dogma, shrewdly recognising the resilient nature of the sophistries which give support to those who have a vested interest in their universal acceptance. A brilliant passage from *The Wealth of Nations* exposing the fallacy of protection concludes by observing: "Those who first taught it were by no means such fools as they who believed it."

What often puzzles is how Smith gained the reputation of being the capitalist's friend, when all the evidence, for those who care to read his work, shows him to be on the side of the consumer; and where a conflict of interest between capitalist, landowner and labourer is shown, Smith can usually be found championing the rights of the employee.

A recent report in *The Times* quoted the chairman of one of our largest textile manufacturers calling upon the Government to impose controls on the cheap imports of clothes and textiles from developing countries—in particular Asian states. He is quoted as asserting such economic nonsense as: "The United Kingdom can no longer afford this kind of unreciprocated liberality," because, it is alleged, there is a large balance of payments deficit between us and the Asian suppliers. This spokesman for the textile industry goes on to say: "We are not looking for the taxpayers' money. All that we are seeking is effective control of imports." Smith, who had a sharp eye for such cant, had this to say concerning such protectionism:

"That it was the spirit of monopoly which originally both invented and propagated this doctrine cannot be doubted. . . . In every country it always is and must be the interest of the great body of people to buy whatever they want of those who sell it cheapest. The

proposition is so very manifest that it seems ridiculous to take any pains to prove it; nor could it have ever been called in question had not the interested sophistry of merchants and manufacturers confounded the common sense of mankind."

For the greater part of this century the spirit of mercantilism and nationalism has too often prevailed, so that the economic doctrines of national self-sufficiency and the state-directed economy so beloved by nazi Germany, along with the corporate state of fascist Italy, have been the more pervasive influences which have guided the U.K.'s economic policy of protection and planning. The free market economy, which Smith showed was inseparable from natural liberty, has almost everywhere been in retreat.

In these crisis-ridden days, with public expenditure out of control and rampant inflation, Smith's observations concerning the Public Debt are highly pertinent:

"It is the highest impertinence and presumption, therefore, in Kings and Ministers, to pretend to watch over the economy of private people, and to restrain their expense, either by sumptuary laws, or by prohibiting the importation of foreign luxuries. They are themselves always, and without exception the greatest spendthrifts in the society. Let them look well after their own expense, and they may safely trust private people with theirs. If their own extravagance does not ruin the state, that of their subjects never will.

"Great nations are never impoverished by private though they sometimes are by public prodigality and misconduct."

The salient characteristics of this great man were a mind free from cant; an engaging humility; a high moral outlook free from either priggishness or intolerance of human frailty; and a sense of humour when describing the nonsense mankind so readily believes when a proper regard for the self-interest of others is held in contempt and subject to ridicule.

When mankind takes leave of its economic senses, the wisdom of men like Adam Smith is a reminder that wiser counsels are to hand.