

# Will a new Adam Smith appear ? [to be continued]

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The Swiss are experiencing no great difficulty in carrying this program out, because the Confederation's peoples are disciplined to neutrality by long years of experience. Switzerland's main neutrality lesson to others would seem to be that if such a policy is to be made effective it takes time, education and discipline among peoples to make it so.

(*Christian Science Monitor*).

#### SWISS MERCANTILE SOCIETY LTD.

The Swiss Mercantile Society held its Monthly Meeting at Swiss House on Wednesday, January 13th.

Mr. J. J. Boos, Vice-President, was in the Chair.

The attendance was not in keeping with the importance of the evening, which could only be ascribed to the prevailing influenza epidemic.

Mr. W. Meier, Chairman of the Education Committee, reported on the activities of the College. He mentioned that this summer the College will hold again a Holiday Course for University and Commercial Students.

He also informed the Meeting that on Tuesday, January 26th, a Dance will be held at the Royal Hotel, Woburn Place, Russell Square, W.C.1, from 8 p.m. till midnight. Members wishing to spend an enjoyable evening should obtain tickets (2/6) from the office (Museum 6693) and they would not regret it.

The Chairman drew the Members' attention to the Annual General Meeting which will be held at Swiss House on Wednesday, February 17th. He exhorted the Members to make a special effort

to be present and to induce other Members to do likewise.

Furthermore he mentioned that the Society had been fortunate in being able to arrange a lecture on "What About U.S.S.R.?" by no less an authority than Lord Passfield. The lecturer having spent two years in Russia where he made a special study of prevailing conditions and having written books on the subject, the evening of March 10th promises to be a most interesting one. Members and their friends should not fail to reserve this date for the S.M.S.

An alteration of the date of the Monthly Meeting in May, which coincides with the Coronation, was decided upon, and the Meeting was fixed for Wednesday, May 5th.

This concluded the proceedings and the numbers were swelled by some students of the College and there was a fairly large audience present when the Chairman, Mr. J. J. Boos, introduced the lecturer, Mr. V. H. Burraston, B.Com., F.I.S.A., F.C.R.A., Vice-Principal of the College of the S.M.S., who addressed the assembly on "Will a new Adam Smith appear?" For the benefit of the many readers of the Swiss Observer who were unable to be present the text of this most interesting lecture is published in extenso in the columns of this paper.

It was followed by a very animated debate and Mr. Burraston in answering the many difficult questions collectively earned the undivided gratitude of the audience and the evening was concluded with a very hearty vote of thanks to the lecturer for his excellent exposition of a most intricate subject. Another fine evening at Swiss House.

W.B.

#### WILL A NEW ADAM SMITH APPEAR?

By V. H. BURRASTON, B.Com., F.C.R.A. F.C.I.S.

*Adam Smith* was not the founder, the inventor, or the discoverer of *Political Economy*. Very little of *Adam Smith's* scheme of economics has been left standing by subsequent inquirers. No one now holds his theory of value, his account of capital is seen to be hopelessly confused, and his theory of distribution is explained as an ill-assorted union between his own theory of prices and the physiocrats' fanciful *Economic Table*. His classification of incomes is found to involve a misguided attempt to alter the ordinary useful and well-recognised meaning of words, and a mixing-up of classification according to method or manner of receipt. His opinions about taxation and its incidence are extremely crude, and his history is based on insufficient information and disfigured by bias.

Yet, having said so much to placate the devil, it remains true that *Adam Smith's* name is incomparably the greatest in the history of economic thought. That he did so much was entirely due to the fact that so much had been done before him, but he looked at things comprehensively, as none of his predecessors had done; defective as his own arrangement may be, it is nevertheless true that his analysis has to a large extent furnished the plan according to which all later economic thought has proceeded. It has been well said: "Before *Adam Smith* there had been much economic discussion; with him we reach the stage of discussing economics."

Bits of *Adam Smith*, in isolation, are known even to those who make no profession of reading anything but elementary text-books on economics. His chapters on division of labour (above all as represented in the manufacture of pins), his discussion of the causes of different rates of remuneration in different employments, his canons of taxation and the more purple passages in his polemic against the mercantilists — these are the tit-bits which are not to be escaped by any examiner who breathes the name of *Adam Smith* within hearing of a student. But it is unusual to find people who have actually read the *Wealth of Nations* — pleasant reading though it is, and there are few students who seem to have grasped the sum and substance of his doctrines as a whole, and the nature and extent of his influence on the development of economic doctrine.

*Adam Smith* was the son of a Judge Advocate for Scotland and Comptroller of the Customs in the districts of Kirkcaldy. He was born in 1723, and was educated in the Burgh School of Kirkcaldy, where he remained till he was fourteen, at which age he matriculated at the University of Glasgow. There he came under the influence of *Francis Hutcheson*, the Professor of Moral Philosophy (whom *Smith* described later as "the never-to-be-forgotten *Hutcheson*" and whose chair he subsequently filled), *Alexander Dunlop*, Professor of Greek, and *Robert Simson*, Professor of Mathematics. These were all celebrated teachers to whose efforts a great advance in learning at this period in the West of Scotland is to be attributed. After remaining three years at Glasgow, *Smith* went to Oxford in 1740 as a Snell scholar. His studies at Oxford extended

till 1746, and in the latter year he returned to Scotland. In January, 1751, he was elected Professor of Logic at Glasgow University, and in 1752 he exchanged this chair for that of Moral Philosophy. At that time the latter subject was considerably wider in its scope than it is now, and *Smith* lectured not only on Ethics but also on Political Science, Jurisprudence and Political Economy. After the publication of *The Theory of Moral Sentiments* in 1759 he gave a large place in his lectures to the more concrete subjects. One of his students describes his lectures in vivid terms. He delivered them extempore. His style, without being graceful, was "plain and unaffected." At first he spoke with some hesitation; but, as "he advanced, the matter seemed to crowd upon him and his manner became warm and animated and his style easy and fluent." *Adam Smith's* thirteen years of work as a professor have been described as "the most useful and therefore by far the happiest and most honourable period of his life." In later years *Adam Smith* travelled abroad, meeting the most famous people of his day on the Continent and in London, including *Pitt*, who avowed himself one of *Smith's* scholars. In 1778 he was appointed Commissioner of Customs, which appointment he held till his death in 1790. A good man may be respected, but is not necessarily loved. *Adam Smith* was both. His simplicity, his earnestness, and even his personal characteristics, as for instance his well-known absentmindedness, endeared him to friends made at each stage of his career.

The *Wealth of Nations* appeared in 1776, which was an epoch-making year, marked not only by the publication of that book but also by the Declaration of Independence of the United States, and the making of the steam engine practicable by *James Watt*.

Among the many influences which contributed to the completeness of *Adam Smith's* work and which provided much of his material, was his residence in Glasgow from 1751 to 1764. Indeed, it has been said that if he had not spent this period there, the *Wealth of Nations* would have been different in several of its important parts.

In the middle of the eighteenth century, Glasgow had developed in a way which cannot fail to have been instructive and suggestive to *Adam Smith*. Before the Union with England in 1707 the west of Scotland was in something of a commercial back-water. The main trade of Scotland was with the Continent and particularly with the North Sea and the Baltic ports. Hence this trade was centred in the east of Scotland. The compensating advantage which western Scottish ports might have had in trading with the English Colonies in America, was denied to Scottish merchants. After the Union this disability was removed and Glasgow advanced very rapidly. The population, which was returned at 12,766 in 1708, had increased to 28,300 in 1763 (the year before *Adam Smith* left Glasgow), while the year after his death (1791) it was 66,578. By the middle of the eighteenth century the extension of Glasgow's commerce had been firmly established and had reached a position in which future progressive extensions could be counted upon. At this period the industry and commerce of the

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Clyde Valley had definitely specialised in the colonial trade. Tobacco was imported in great quantities, and there was a re-export trade to the Continent. For instance, in 1771-2 out of 46,000,000 lbs. imported, only a little over 2,000,000 lbs. were retained for home consumption and the remainder, amounting to nearly 44,000,000 lbs., was exported. So much did this trade dominate other imports that the burden of ships was rated, not in tons, but in so many hogsheads of tobacco. Further, in order to pay for the tobacco imported, new industries had been built up in Glasgow or the neighbourhood for producing many of the goods required by the colonists. Thus the district had a remarkably diversified industry. The following were the chief industries with the dates of foundation. Before the Union cloth, glass, hats, leather, paper and ropes were made. Saddlery for export was begun in 1725, linen in the same year, thread (1731), tapes (1732), ironmongery (1732), linen and cotton printing (1738), stockings woven on frames (1740), copper work for export (1747), delf (1748), cambries (1753), brushes (1755), carpets (1757), gloves, jewellery and grates for export (1763). The total value of these and other goods was estimated at nearly half a million in 1717, and the most important section was the textiles, of which close on 2,000,000 yards were produced.

In addition to the close connection between Glasgow and America there was also the trend of political events, which directed attention to the relations between the colonies and the mother country. It may be recalled that in 1764 *Grenville* imposed customs duties on the American colonies, and this was followed by the *Stamp Act*, which was repealed later. Under *North's* administration the tension became more acute, followed by armed revolt in 1775, and the Declaration of Independence in 1776 — the year in which the *Wealth of Nations* was published.

Also, it is interesting to recall that in 1756, when the trade corporations prevented *James Watt* from opening a workshop in the city, he was allowed to establish one in the University, and *Smith* no doubt had many conversations with him upon the possibilities of mechanical power.

There was a spirit of enterprise and inquiry amongst the mercantile community of Glasgow, and sometime between 1740 and 1750 a club was formed "to inquire into the nature and principles of trade," and *Adam Smith* became a member. It has been held that this was the first Political Economy Club. We are also told that Glasgow merchants used to make a practice of attending *Adam Smith's* lectures in the University.

The special character of Glasgow's commerce, and the opportunities of discussion with the leading men engaged in it, directed *Adam Smith's* attention to the state of the "colony trade," as dealt with by the mercantile system. The University where he lived and worked was almost in sight of the places where the "tobacco lords" congregated, and he was constantly hearing of the peculiarities of the trade. The language of condemnation — sometimes even invective — which he uses with reference to the mercantile regulation of this branch of commerce has all the ring of first hand experience, and no doubt some of it was inspired by discussions with these Glasgow merchants.

(To be Continued).