Adam Smith on US independence [1]

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Good predictions are hard to find. Economics in particular has seen more than its fair share of bad predictions. Not to go too deep in history and examine the predictions on the demise of the Soviet Union and communism in general (here's what Paul Samuelson had to say [3]), just recall how many pundits claimed in November 2011 that the Eurozone would break up by the New Year?*[I admit it, I fell for that one ? ed.]*

And yet it still stands, not out of the gutter quite yet, but still determined to remain and reform. Or how many made the case for the euro and how it will increase convergence in Europe, particularly in the area of competitiveness? Or how many out there though that the housing prices never fall which is why it could be a good idea to package mortgage loans into securities? (this type of mentality was best explained in Reinhart and Rogoff?s book *This Time is Different* [4]). This just means that not even the most notable forecasters out there are necessarily always correct.

However, EconLog's David Hendersonpointed out [5] yesterday (the 4th of July) how Adam Smith goes did make some strikingly precise predictions. In his 1776 *The Wealth of Nations* he had this to say on the outcomes of the 13 colonies' independence war, Britain's possible and likely reactions and, most impressively, the further development path of the newly founded nation:

> *"To propose that Great Britain should voluntarily give up all authority over her colonies, and leave them to elect their own magistrates, to enact their own laws, and to make peace and war as they might think proper, would be to propose such a measure as never was, and never will be adopted, by any nation in the world. No nation ever voluntarily gave up the dominion of any province, how troublesome soever it might be to govern it, and how small soever the revenue which it afforded might be in proportion to the expence which it occasioned. Such sacrifices, though they might frequently be agreeable to the interest, are always mortifying to the pride of every nation, and what is perhaps of still greater consequence, they are always contrary to the private interest of the governing part of it, who would thereby be deprived of the disposal of many places of trust and profit, of many opportunities of acquiring wealth and distinction, which the possession of the most turbulent, and, to the great body of the people, the most unprofitable province seldom fails to afford. The most visionary enthusiast would scarce be capable of proposing such a measure with any serious hopes at least of its ever being adopted.*
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> *"If it was adopted, however, Great Britain would not only be immediately freed from the whole annual expence of the peace establishment of the colonies, but mightsettle with them such a treaty of commerce as would effectually secure to her a free trade, more advantageous to the great body of the people, though less so to the merchants, than the monopoly which she at present enjoys. By thus parting good friends, the natural affection of the colonies to the mother country which, perhaps, our late dissensions have well nigh extinguished, would quickly revive. It might dispose them not only to respect, for whole centuries together, that treaty of commerce which they had concluded with us at parting, but to favour us in war as well as in trade, and, instead of turbulent and factious subjects, to become our most faithful, affectionate, and generous allies..."*

> *"They are very weak who flatter themselves that, in the state to which things have come, our colonies will be easily conquered by force alone. The persons who now govern the resolutions of what they call their continental congress, feel in themselves at this moment a degree of importance which, perhaps, the greatest subjects in Europe scarce feel. From shopkeepers, tradesmen, and attornies, they are become statesmen and legislators, and are employed in contriving a new form of government for an extensive empire, which, they flatter themselves, will become, and which, indeed, seems very likely to become, one of the greatest and most formidable that ever was in the world."*

How's that for a good prediction!

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