

[Great moments in economic punditry](#) [1]

Written by [Tim Worstall](#) [2] | Thursday 11 July 2013

This is an interesting assertion by the American writer [Matt Yglesias](#) [3]:

The big issue that gets left out in pious lectures about comparative advantage is that Smith and Ricardo didn't believe that long-term economic growth was possible! This was the era of economics as the "dismal science", meaning that political economy was essentially the study of how to optimally allocate a fixed pool of resources.

Well, no, the dismal part of the dismal science came a little after Smith and Ricardo. The coinage is actually from Thomas Carlyle in 1849 (long after the deaths of both Smith and Ricardo) and was referring to the awkward fact, awkward for Carlyle, that economics indicated that reintroducing slavery might be a not very good idea. A very bad one in fact and given that Carlyle was advocating its reintroduction in the West Indies a finding that he was a tad angry about and thus the naming.

But over and above that it's quite remarkable to think that the man who has bored us all senseless for two centuries with that reading about the pin factory thought that long-term economic growth was impossible. For that passage, in exhaustive detail, is laying out the foundation of what we now call Smithian growth (or at least Deepak Lal calls it that). The division and specialisation of labour makes that labour more efficient in production. This is exactly how this form of long term economic growth actually happens: more division, more specialisation and trade in the resultant production in fact. Further, to think that Ricardo thought such growth was impossible is most odd. For in laying out comparative advantage he showed how it was true that even if you were worse at doing everything than everybody else then you'd still gain from the economic growth that would come from that division and specialisation: if you and everyone else concentrated on their comparative advantages.

This is more than just a minor snark: Yglesias is edging towards the idea that mercantilism might not be such a terrible idea. Yet it is a terrible one: precisely and exactly because it puts artificial barriers in the way of that division and specialisation of labour across national boundaries. Something that limits that Smithian growth: as Adam Smith was pointing out when he gave us the theoretical basis as to why there can indeed be long term economic growth.

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