

## [The genius of Adam Smith](#) [1]

Written by [Dr Eamonn Butler](#) [2] | Monday 3 January 2011



On my new Amazon Kindle, I naturally started by looking at the top 100 free books. I am (half) Scots, after all. I see that Adam Smith's *The Wealth of Nations* is there, just two places behind Karl Marx's *The Communist Manifesto*, which I reckon is pretty good going. Do your bit and download it, so we overtake the bad guys.

Anyway, I started reading...

*THE annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes, and which consist always either in the immediate produce of that labour, or in what is purchased with that produce from other nations.*

Can you believe that? In the very first sentence, Smith has invented the idea of Gross National Product ? the basic tool of macroeconomic analysis today. Impressive, or what? But it continues...

*According therefore as this produce, or what is purchased with it, bears a greater or smaller proportion to the number of those who are to consume it, the nation will be better or worse supplied with all the necessaries and conveniences for which it has occasion.*

Wow! In just the second sentence, he has identified the concept of GNP per capita! As if that is not enough...

*But this proportion must in every nation be regulated by two different circumstances; first, by the skill, dexterity, and judgment with which its labour is generally applied;*

Crumbs! He has pinpointed the idea of productivity and productive efficiency. And...

*secondly, by the proportion between the number of those who are employed in useful labour, and that of those who are not so employed.*

There, he has worked out the importance of the dependency ratio, the ratio between those in work and those living off them. He explores this for a while, but then, a few sentences on, we read:

*The policy of some nations has given extraordinary encouragement to the industry of the country; that of others to the industry of towns. Scarce any nation has dealt equally and impartially with every sort of industry.*

Yep, the economic policies of politicians, he is saying, are key to how nations fare. Then, he says that in his book he will be exploring

*the reasons and causes which have induced almost all modern governments to mortgage some part of this revenue, or to contract debts, and what have been the effects of those debts upon the real wealth, the annual produce of the land and labour of the society.*

Amazing! Now he's on to government overspending, national debt and its economic effects. And all in the same page.

Just compare that impressive opening page with the long-winded emotive drivel of Marx, just a little up the Kindle rankings. (Well, no, don't, because we don't want him to get more downloads.) Is there any doubting the genius of Adam Smith?

*[Eamonn's primer on Adam Smith is available for free download [here](#)<sup>[3]</sup>.]*

[blog comments powered by Disqus](#) <sup>[5]</sup>

---

**Source URL:** <http://www.adamsmith.org/blog/economics/the-genius-of-adam-smith>

**Links:**

[1] <http://www.adamsmith.org/blog/economics/the-genius-of-adam-smith>

[2] <http://www.adamsmith.org/authors/dr-eamonn-butler>

[3] <http://www.iea.org.uk/sites/default/files/publications/files/upldbook414pdf.pdf>

[4] [http://disqus.com/?ref\\_noscript](http://disqus.com/?ref_noscript)

[5] <http://disqus.com>