

## [Misreading Adam Smith](#) [1]

Written by [Sam Bowman](#) [2] | Thursday 23 September 2010

Yesterday, Vince Cable [invoked](#) [3] Adam Smith's famous line that:

*People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.*

? *The Wealth of Nations*, Book I, Chapter X.

It's a pity he stopped reading there. Smith goes on to say:

*It is impossible indeed to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary. A regulation which obliges all those of the same trade in a particular town to enter their names and places of abode in a public register, facilitates such assemblies. . . . A regulation which enables those of the same trade to tax themselves in order to provide for their poor, their sick, their widows, and orphans, by giving them a common interest to manage, renders such assemblies necessary. An incorporation not only renders them necessary, but makes the act of the majority binding upon the whole.*

? *The Wealth of Nations*, Book I, Chapter X.

As Eamonn Butler has [written](#) [4], Smith's point is that the only way businessmen can succeed in a 'conspiracy against the public' is if they are given protection by government regulation. If not, the pressures of competition will ensure that conspiring businesses are quickly undermined by their competitors. Next time Mr Cable decides to invoke Adam Smith to support market interventionism, he should read beyond the first line that suits him.

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