MORALS, MOTIVES & MARKETS

Adam Smith 1723-90



A BICENTENARY EXHIBITION

MORALS, MOTIVES & MARKETS

Adam Smith 1723-90

An exhibition organised by
The Adam Smith Bicentenary Committee

Royal Museum of Scotland, Chambers St, Edinburgh
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INTRODUCTION

Adam Smith is known throughout the world as the author of the Wealth of Nations, one of the earliest, and certainly one of the most influential, books on economics ever written. Smith lived at a time when Scottish philosophers, social scientists, scientists and doctors led the Western world - a period of history now termed "the Scottish Enlightenment". He has proved to be the most famous of all his friends and contemporaries.

Two hundred years after his death, the issues that Smith raised are still hotly debated but Smith himself is often mispresented as the uncritical advocate of a free market. In fact he was as well aware of its dangers as of its merits, and believed that government intervention was often necessary.

Other aspects of Smith's work have been completely forgotten, in particular that he was a philosopher before he was an economist. His economic theories are based on his ideas about human nature and human motives, as the title "Morals, Motives and Markets" suggests.

This exhibition outlines Smith's life and explains his theories, stressing the range of his achievements and their relevance today.

1723	Born in Kirkcaldy
1737-46	Student at Glasgow and Oxford Universities
1752-64	Professor of Moral Philosophy at Glasgow University
1759	*Theory of Moral Sentiments*
1764-66	In France as tutor to the Duke of Buccleuch
1776	*An Inquiry into the Nature and Causes of the Wealth of Nations*
1777	Appointed Commissioner of Customs in Edinburgh
1790	Death in Edinburgh



The Author of the Wealth of Nations

OUTSIDE SHOWCASES AND ROOM 1

Most of the figures in this section of the exhibition were drawn by John Kay, in the last quarter of the 18th century. These were published after his death in *Edinburgh Portraits,* 2 vols (1836-7).

The quotations are all taken from Adam Smith's two great works, *Theory of Moral Sentiments* (1759) and *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776). The page references refer to the modern Glasgow edition of his works, edited by R.H. Campbell and A.S. Skinner.

OUTSIDE SHOWCASES

"Of all the passions which are extravagantly disproportioned to the value of their objects, love is the only one that appears either graceful or agreeable … There is in love a strong mixture of humanity, generosity, kindness, friendship, and esteem." *(Theory of Moral Sentiments* 33; Kay *Portraits* no. 304)

"The principle which prompts us to save money is the desire of bettering ourselves, a desire which ... comes with us from the womb, and never leaves us till we go into the grave." (*Wealth of Nations,* p. 341; Kay *Portraits* no. 308)

"No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable." *(Wealth of Nations* 96 ; Kay *Portraits* nos. 54, 283)

"Place, that-great object which divides the wives of aldermen, is the end of half the labours of human life." (*Theory of Moral Sentiments,* 57; Kay *Portraits* no. 158)

DOORWAY

"According to the system of natural liberty, the sovereign has only three duties to attend to:
first, the duty of protecting the society from the violence and invasion of other independent societies;
secondly, the duty of protecting every member of society from the oppression of every other member of it;
thirdly, the duty of erecting and maintaining certain public works."

"It is the highest impertinence and presumption, in kings and ministers, to pretend to watch over the economy of private people ... They themselves are always the greatest spendthrifts 111 society."

(*Wealth of Nations* 687, 346; "George III and his retinue leaving Sr. Paul's" by E. Dayes, engraved by J. Nagle, National Galleries of Scotland)

Adam Smith by John Kay, 1790
Edinburgh Portraits. no. 34

ROOM 1

1. MARKET FORCES

There is nothing abstract about Smith's economic theories. He believed that most economic forces ultimately spring from the way people behave as individuals or in groups.

Some of the actors who crowd the pages of the Wealth of Nations are shown on the frieze.

"that insidious crafty animal, vulgarly called a statesman or politician"

(*Wealth of Nations* 468; Kay *Portraits* no. 150)

"The property which every man has is his own labour; as it is the original foundation of all other property, so it is the most sacred and inviolable."

(*Wealth of Nations* 138; Kay *Portraits* no. 205)

"Landlords, like all other men, love to reap where they never sowed."

(*Wealth of Nations* 67; Kay *Portraits* no. 7)

"We rarely hear of the combination of masters; though frequently chose of the workmen. But masters are everywhere in a sort of tacit, uniform but constant combination."

(*Wealth of Nations* 84; Kay *Portraits* no. 183)

"People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in some contrivance to raise prices."

(*Wealth of Nations* l45; Kay Portraits no. 14)

(On the results of the division of labour)

"The man whose whole life is spent in performing a few simple operations becomes as stupid and ignorant as it is possible to become ... it corrupts the courage of his mind and The activity of his body and through want of education he has no amusement but riot and debauchery."

(*Wealth of Nations* 782; Kay *Portraits* no. 353)

2. IMAGINATION AND SYMPATHY: "THE CEMENT OF SOCIETY"

Smith maintained that the basis of all human communication - and hence of society itself - is our instinctive ability to sympathize with the feelings of other people.

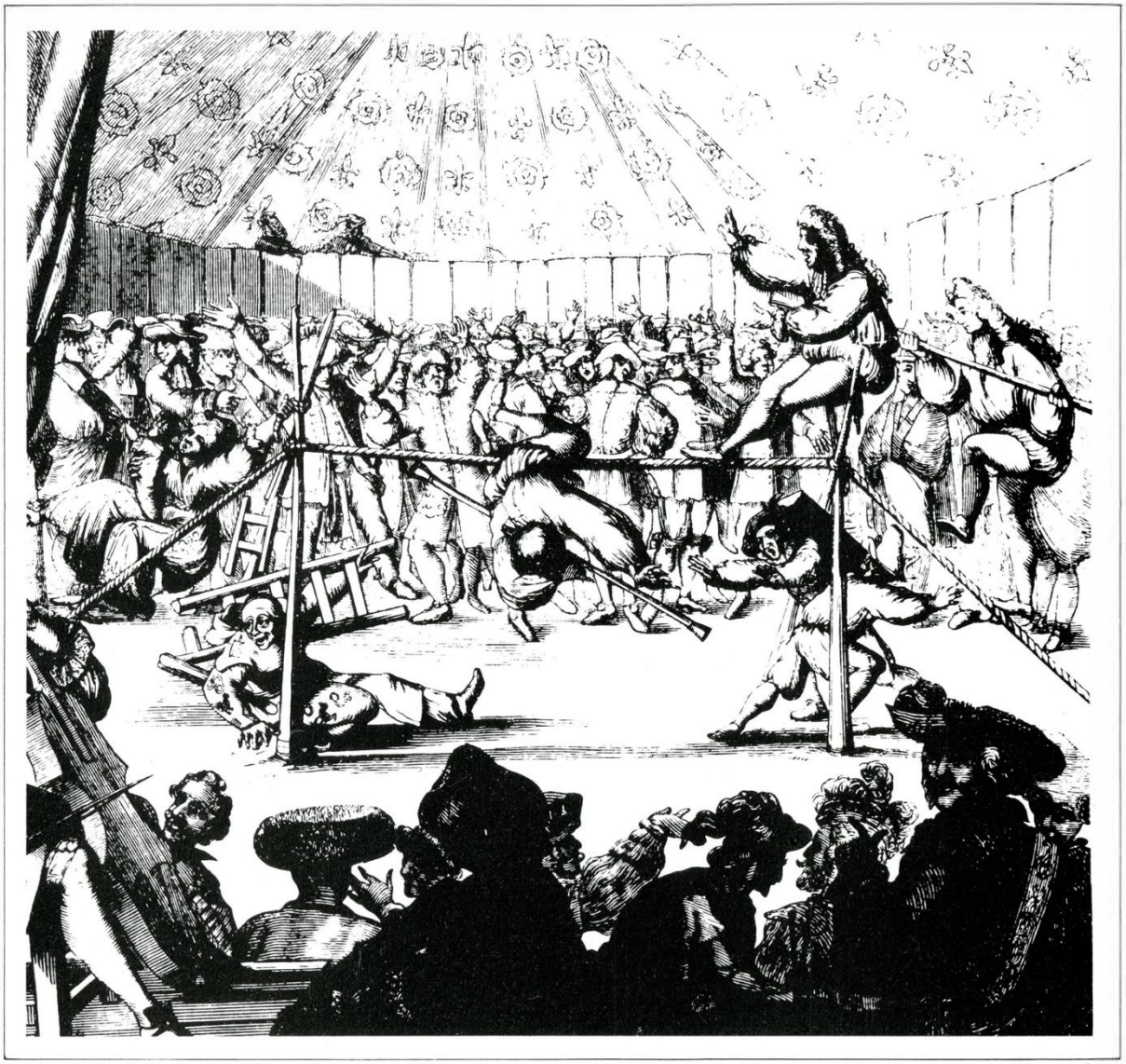
"Howsoever selfish mankind may be supposed, there are evidently some principles in his nature which interest him in the fortunes of others. By imagination we place ourselves in his situation ... What the person principally concerned feels and what the spectator feels will always in some respects be different but these two sentiments have such a correspondence with one another, to be sufficient for the harmony of society." (*Theory of Moral Sentiments* 9, 22)

Smith gave as examples our reaction to seeing a man on a tightrope and a man being tortured on the rack.

Illustrations

"The mob when they are gazing at a dancer on the slack rope, naturally writhe and twist and balance their bodies as they feel themselves muse do if in his situation." (*Theory of Moral Sentiments* 10; French tightrope walkers, 17th century, Ann Ronan Picture Library)

"If our brother is upon the rack, we conceive ourselves enduring all the same torments … and we tremble and shudder at the thought of what he feels." (*Theory of Moral Sentiments*; Torturing a prisoner on the rack, Ann Ronan Picture Library)



Tightrope walkers, French, l 7th century
Ann Ronan Picture Library

Video
Extract from "Our Performance Begins", a film of the Uzbek Circus from the U.S.S.R.
Educational & *Television Films Ltd.*
Tightrope sequence from "The Faerie Queen and the Goblin King" by Kate Verney and John McGeach of the Clown Jewels, Invergordon; photography by Soundcraft

3. SELF-INTEREST

Imagination and sympathy enable us to understand each other but they do not necessarily restrain our selfish impulses. Smith recognized that self-interest (or "self-love", as he called it) motivates much human behaviour. In the *Wealth of Nations* he emphasized that self-interest must be channelled so that it operates for the common good.

"Man has almost constant occasion for the help of his brethren and it is vain for him to expect it from their benevolence only. He will be more likely to prevail if he can show them that it is for their own advantage." (*Wealth of Nations* 26; Kay *Portraits* no. 153)

4. MORALITY AND CONSCIENCE

Smith believed that our ideas of good and evil are generated by the society we live in.

If morality is not divinely inspired, who is to judge our behaviour? According to Smith, we monitor our own actions by mentally dividing ourselves into two. One half then stands apart and acts as our conscience, assessing the actions of the other half. Smith referred to this moral guardian as "the impartial spectator".

Booth with Mirrors
"When I endeavour to examine my own conduct, I divide myself, as it were, into two persons. The first is the spectator ... the second is the agent, the person whom I properly call myself, and of whose conduct, under the character of the spectator, I was endeavouring to form an opinion. …

"Were it possible that a human creature could grow up to manhood in some solitary place, he could not think of his own character. Bring him into society and he is immediately provided with the mirror that he lacked before." (*Theory of Moral Sentiments* 113, 110)

5. THE RICH AND THE POOR

(Heredity versus environment) "The difference between the most dissimilar characters, between a philosopher and a porter, for instance, seems to arise not so much from nature, as from habit, custom and education. When they came into the world, and for the first six or eight years, they were very much alike ... thereafter they come to be employed in very different occupations and the difference widens by degrees." (*Wealth of Nations* 28; Kay *Portraits* no. 292)

"Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor." (*Wealth of Nations* 715; Kay *Portraits* nos. 291, 130)

"Nothing but the most exemplary morals can give dignity to a man of small fortune. There is scarce to be found in Europe a more learned, decent, independent and respectable set of men, than the Presbyterian clergy of Holland, Geneva, Switzerland and Scotland." (*Wealth of Nations* 810; Kay *Portraits* no. l 0)

ROOM 2

6. EARLY YEARS: Kirkcaldy, Glasgow, Oxford 1723-1746

6.1 The former Burgh School, Kirkcaldy
Kirkcaldy Museum & *Art Gallery*

Smith was born in Kirkcaldy, Fife, on an unknown date before 5 June 1723, the date of his baptism.

Little is known of Smith's childhood. His father, a lawyer and Comptroller of Customs in Kirkcaldy, which was then a busy port, died before he was born. In 1731 or 1732 Smith was sent to the Burgh School, now demolished.

Smith's contemporaries, in their later years, remembered Smith as a sickly child who could not join in the rough and tumble of the playground. They also recalled his remarkable good nature, his prodigious memory, and his habit of talking to himself, a habit that he never lose in adult life.

6.2 School book belonging to Adam Smith
Kirkcaldy Museum & *Art Gallery*

Smith's copy of this standard Latin text book, *Eutropii Historiae Romanae* (Eutropius' *History of Rome),* is inscribed in a firm, ten year old, hand.

At school the boys were taught reading, writing, arithmetic and Latin. Smith's schoolmaster, David Miller, is known to have been well respected and also to have written plays for the boys to act.

6.3 Glasgow University, much as it must have appeared in Smith's day
J. Slezer Theatrum Scotiae (London 1693)

Smith left the Burgh School, Kirkcaldy, in 1737 when he was fourteen, and moved on to Glasgow University. It was customary for students to arrive at university at this age, or even earlier.

Founded in 1451, the university was half-way between the Cross and the Cathedral. It was not until the 1870s that it was pulled down and rebuilt in its present situation.

When Smith arrived in Glasgow the university had a growing international reputation for radical philosophy and was soon to be equally distinguished in science. It was only from the 1750s onwards that the focus of the Scottish Enlightenment shifted to Edinburgh.

6.4 The High Street, Glasgow
Foulis Academy engraving: Mitchel Library. Glasgow

In the mid-18th century Glasgow was the second largest city in Scotland, after Edinburgh.
It was still possible to live cheaply in the city. Students could - and did - survive very frugally in rented rooms on a diet of oatmeal and peasemeal, for around £5 a year. Smith's circumstances were probably more comfortable.

6.5 Robert Simson, *Opera Quaedum Reliqua* (Glasgow 1776)
National Library of Scotland

Smith went to Simson's lectures at Glasgow University and is said to have enjoyed mathematics and physics more than the other subjects he studied .

Simson's course lasted two years and covered Greek geometry, Newton's theory of fluxions (an early form of calculus), Cartesian geometry, algebra, logarithms, mechanics and optics.

Besides being a remarkable teacher, he is remembered for his work on geometry. He produced definitive editions of the surviving Greek texts, and pieced together other texts from later accounts.

Smith had a copy of this book in his library.

6.6 Francis Hutcheson (1694-1746) by Allan Ramsay,
painted c. 1740-5
Photograph: Hunterian Art Gallery. University of Glasgow

Hutcheson was professor of moral philosophy at Glasgow from 1729 to 1746, and an early and lasting influence on Smith.

Smith absorbed, and later developed, Hutcheson's belief that morality was based on feelings rather than reason. Hutcheson's radical philosophy was paralleled by his other innovations - lectures in English rather than Latin, and a new, wider syllabus which included religion, moral philosophy, law and government.

6.7 Francis Hutcheson, *A Short Introduction to Moral Philosophy* 3rd ed (Glasgow 1764)
Edinburgh University Library

Originally published in Latin in 1742, this book had an influence out of all proportion to its size, particularly in America.

Hutcheson believed that the yardstick of moral goodness was the promotion of the happiness of others, and thar it was possible to tell good from evil without knowledge of God. Both these doctrines brought him into conflict with the Church.

He also "took peculiar care ... to inculcate the importance of civil and religious liberty", a position Smith was later to emphasize.

Smith owned copies of both Hutcheson's works displayed here.

6.8 Francis Hutcheson, *A System of Moral Philosophy* vol i (London 1755)
Edinburgh University Library

Benevolence was one of the cornerstones of Hutcheson's moral philosophy. He believed that it is never virtuous to act from self-interest, nor even to perform acts of kindness if the motive is a desire to feel pleased with oneself.

Smith rook a more optimistic view, at least in the economic sphere. As he believed selfish actions were natural, and that they often benefited other people indirectly, he felt no disposition to correct them.

6.9 Balliol College, Oxford, in the early 18th century
J. Beeverell, Les Délices de la Grande Bretagne et d'Irelande (Leyden, 1707)

After three years at Glasgow, Smith was awarded a scholarship to Balliol College. He rode to Oxford, arriving in July 1740 and remaining there for six years.

The scholarship, founded by John Snell in the late 17th century, was originally intended to train students for the Episcopal ministry in Scotland. Smith may have considered, and then abandoned, the idea of a career in the Church.

Smith was critical of Oxford because the dons neglected their teaching - as Smith pointed out, ,hey were paid whether they performed their duties or not - and political factions were rife.

6.10 Homer, *Iliad,* in Greek and Latin. Latin translation by Samuel Clarke (Amsterdam 1734)
Edinburgh University Library

Melancholy and often unwell though he was at Oxford, Smith extended his knowledge of the classics and other literature, laying the foundations of a very extensive learning.

He read for information as well as for pleasure, for he ardently believed that literature, like history, "could illustrate the institutions, the manners and the ideas of different ages and nations".

In his old age, Smith. returned to the classics. This pocket edition of the *Iliad* is one of four editions that were in his library when he died.

6.11 P.A.D.B. Metastasio, *Poesie* vol i (Paris 1755)
National Library of Scotland

Smith had a thoroughly international outlook and added

French and Italian to the Latin and Greek he already knew.

The volume shown here testifies to his early, and enduring, love of theatre and opera. Metastasio (1698-1782) was not only a celebrated poet but the most popular librettist of the 18th century. His works were set by nearly every famous composer, including Gluck, Scarlatti, Haydn and Mozart.

6.12 Letter from Smith to his mother, 23 October 1741
Glasgow University Library (Gen 1035/127)

Smith always hated writing letters. He procrastinated excessively and his friends despaired of him. Almost 200 of his letters survive but most of them lack the energy which is so characteristic of his books, and give little away about his work or his feelings.

This letter asking his mother for stockings is no exception. Nobody would guess that he and his mother were devoted to each other.

Smith never went north during his six years at Oxford, perhaps because of lack of funds. After he left in 1746 he never returned.

6.13 David Hume (1711-76) by Allan Ramsay
Photograph: Private Collection

Philosopher, historian, career diplomat and bon viveur, Hume was the author of a *History of England,* which first established his fame among his contemporaries, and several books on philosophy and essays on politics, which are still justly famous.

Born in Berwickshire, he spent much of his life in Edinburgh with intervals in Paris and London.

Hume and Smith were close friends for more than a quarter of a century. At the beginning, Smith cook many of his ideas from Hume, such as his views on human nature and society, on sympathy and even on economics, but he went on to develop them and make them his own.

6.14 David Hume, *Treatise on Human Nature* vol ii (London 1739)
National Library of Scotland

Hume wrote this, his first and major philosophical work, in France, where he lived from 1734-37.

According to Hume, discussions about human nature should be based on experience, not theory. He also argued that our behaviour is motivated by passion and sanctioned by custom, rather than guided by reason.

7. EDINBURGH AND GLASGOW 1746-64

7.1 Henry Home, Lord Karnes 1696-1782)
by David Martin
Photograph: Scottish National Portrait Gallery

Judge, agricultural improver and man of letters, Karnes was a pivotal figure in Edinburgh society for several decades.

His books on subjects as diverse as agriculture and literary theory were highly regarded.

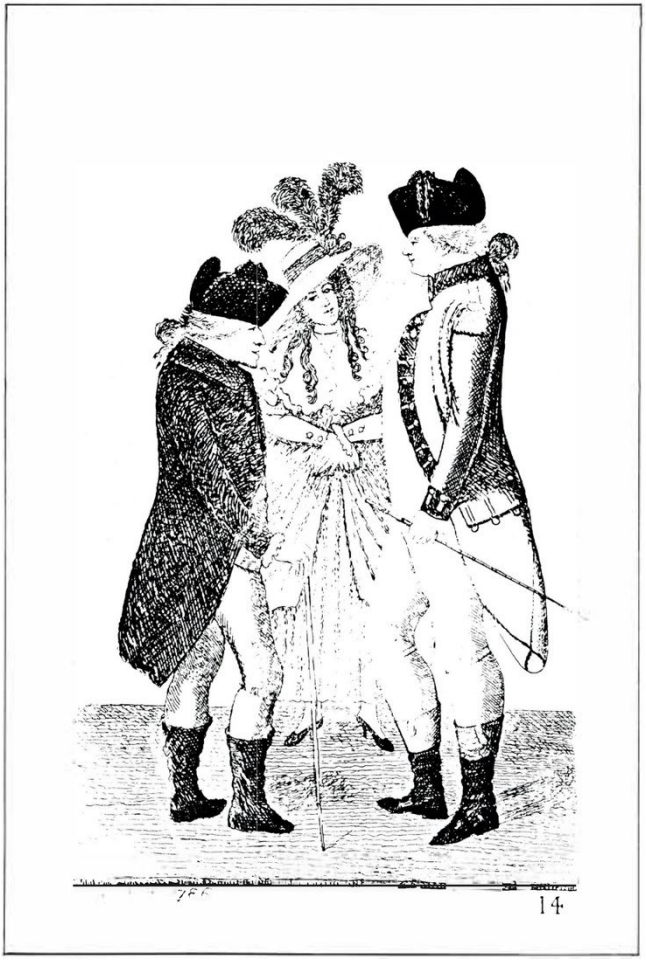
It was Karnes and two of his friends who set Smith on the road to success. At their suggestion, Smith gave a course of lectures on rhetoric and belles letters in Edinburgh in the winters of 1748-51. These made his name and led to his appointment to the chair of Logic at Glasgow.

7.2 One of Smith's Edinburgh lectures
(Photograph of the manuscript)
Glasgow University Library (Gen 1035/229)

This lecture cannot have been delivered later than 1751 but it shows that Smith already saw the division of labour as the clue to how societies organized themselves. He notes that there is no division if the market is very small but that otherwise it is

universally found, even among "barbarous societies, such as the Hottentots and the Tartars".

The manuscript is now in a very frail state so we show a photograph instead of the original.



"People of the same trade seldom meet together ... but the conversation ends in some contrivance to raise prices"
Wealth of Nations 145: Kay *Portraits no. 14*

7.3 "Middle walk, College Gardens, and Blackfriars Church"

Foulis Academy engraving: Mitchell Library, Glasgow

Smith began his career at Glasgow as professor of Logic but transferred to the chair of Moral Philosophy the following year.

He lectured to the general class five days a week at 7.30 a.m., with a question and answer session at 11.00 a.m. Three clays a week he gave private lectures at noon.

Smith's reputation as a teacher drew students from great distances:

"His manner, though nor graceful, was plain and unaffected ... as he advanced it became warm and animated ... By the fullness and variety of his illustrations the subject gradually swelled in his hands". (John Millar, as quoted by Dugald Stewart, Smith's biographer.)

Smith was also a skillful administrator who played a leading role in university policies. Later, when he was internationally renowned as the author of the *Wealth of Nations*, he described his rime at Glasgow as "by far the most useful and therefore by far the happiest and most honourable, period of my life".

7.4 "Notes on Adam Smith's lectures on Rhetoric and Belles Lettres" 1762-3, vol ii

Glasgow University Library (Gen 9 5)

Smith added rhetoric and belles lettres to the philosophy syllabus soon after he arrived in Glasgow. He believed that no subject was "more suited to youth ... than this, which lays hold of their taste and their feelings". His view fitted the prevailing Enlightenment belief that moral and cultural refinement go hand in hand.

The lectures covered language and grammar, and discussed the styles suitable for different literary forms. For prose works Smith recommended "a natural order of expression … a neat, clean, plain and clever manner". He certainly followed his own advice.

The notes from which Smith lectured have not survived. The ones on display were taken down in Smith's lectures of 1762-3 and later worked up by two students, in collaboration.

7.5 "Notes on Adam Smith's Lectures on Jurisprudence" vol iii

Glasgow University Library (Gen 94)

Smith lectured on jurisprudence for many years, dealing with politics, family law, economics, taxation, the police and international law. Two sets of student notes survive. This one was taken in 1762-3 and runs to 6 volumes.

Smith's study of past and present legal systems led him to believe the law fell into two parts: "natural justice", based on fundamental principles which held in all societies; and "positive law", which varied from one society to another, depending on their different circumstances. Law being the concrete link between moral philosophy and economic theory, Smith was particularly concerned with the way legal systems had developed as feudal society broke down in the face of changes in technology and commerce, and increasing urbanization.

Smith was also interested in social and domestic issues and we show here part of his comments on bringing up children. It is essential, he says, for a child to learn to "bring down his passions and restrain his will" so that people can tolerate him.

Smith never married. In early ·manhood, according to his biographer Dugald Stewart; he was "for several years attached to a young lady of great beauty and accomplishment". Later, in France, it was rumoured that he lost his heart to a Frenchwoman. Nothing else is known about his emotional life.

7.6 Adam Smith, *Theory of Moral Sentiments* 1st ed, vol i (London 1759)

National Library of Scotland

Although Smith lectured on many subjects he published only two major works, this book and the *Wealth of Nations*. Either, by itself, would have secured him lasting fame.

In the *Theory of Moral Sentiments,* Smith developed the views of Hutcheson and Hume, suggesting that our ideas of morality spring from our concern for others. As an earlier display in this exhibition has shown, he also suggested that our conscience functions like an "impartial spectator" who observes and judges our actions.

The book met with such acclaim that it went rapidly through several editions, besides being translated into French, Spanish and Italian.

7.7 "Your book has been very unfortunate" Letter from Hume to Smith, 12 April 1759

National Library of Scotland, Robertson Papers 3942134

Hume expresses his pleasure at the success of the *Theory of Moral Sentiments,* ending with an ironic dig at the general public:

> "Nothing indeed can be a stronger Presumption of Falsehood than the Approbation of the Multitude ... I proceed to tell you the melancholy News, that your Book has been very unfortunate: For the Public seem disposed to applaud it extremely".

7.8 Greenock in 1768

Foulis Academy engraving: Mitchell Library, Glasgow

Greenock was one of several flourishing ports on the Clyde which sent ships round the British coast, to Europe and across the Atlantic. They carried local products, such as candles, soap, rope, glass and cloth, to the colonies and brought back sugar and tobacco.

Smith knew all the great merchants of Glasgow and was ideally placed to observe the vicissitudes of commerce and the effects of taxation on trade.

7.9 Glasgow and the tobacco trade

l8th century snuff mulls:

(a) Edinburgh, 1785-6 {NQ509}
(b) Aberdeen, 1750 {NQ454}
(c) Unmarked; inscribed "l754" {NQ42}
(d) Cutter for slicing tobacco plug {NQ354}

National Museum of Scotland

Under the Navigation Acts, goods going to or coming from the colonies could only be carried in British ships. As a result, Glasgow was able to build up a near monopoly of the tobacco trade, re-exporting it to the rest of Europe. From about 1740 until the American Revolution it brought an enormous amount of wealth to the city.

Scots were particularly noted for their addiction to snuff in a snuff-loving age. It accounted for a far greater proportion of the trade than pipe tobacco.

7.10 John Glassford and family at home (c. 1767) by Archibald McLauchlan

Photograph: People's Palace. Glasgow

John Glassford, tobacco merchant and shipowner, was one of the richest and most influential men in the city.

He and Smith were both members of the Political Economy Club, founded by Provost Cochrane. The Club became famous as a meeting place for academics and businessmen and - like the Glasgow Literary Society - was a focus for the intellectual life of the city. It may have been here that Smith first formulated his thoughts on money and trade.

Glassford and Smith remained on friendly terms long after Smith left Glasgow.

7.11 Minutes of the Literary Society of Glasgow

Royal Familyo Promrators in Glasgow

In 1752 Smith helped to found the Literary Society. Many of its members were academics, for example the chemist Joseph Black, the astronomer Alexander Wilson, and the philosopher Thomas Reid. It was a forum nor only for literary discussion but for debates about philosophy, policies and commerce.

The Society met once a week from November to May. It was meticulously regulated, members being fined or expelled for non-attendance. The fines were put to good use - they paid for the Society's running expenses such as coal, candles and books.

7.12 David Hume, *Political Discourses* (Edinburgh 1752)

Edinburgh University Library

Of the twelve essays in this book, six deal with economics – "Of commerce", "Of money", "Of interest", "Of the balance of trade", "Of taxes", and "Of Public Credit".

Before they were published Hume wrote to Smith, sending him a copy of an earlier edition and adding: "If anything occurs to you to be inserted or retrenched, I shall be obliged to you for the Hine". This is the first known letter between chem.

Unfortunately Smith's reply, if he made one, has not survived. Nor do we know what he said when he subsequently reviewed the book at a meeting of the Glasgow Literary Society in January 1753.

7.13 The *"History of Astronomy"*

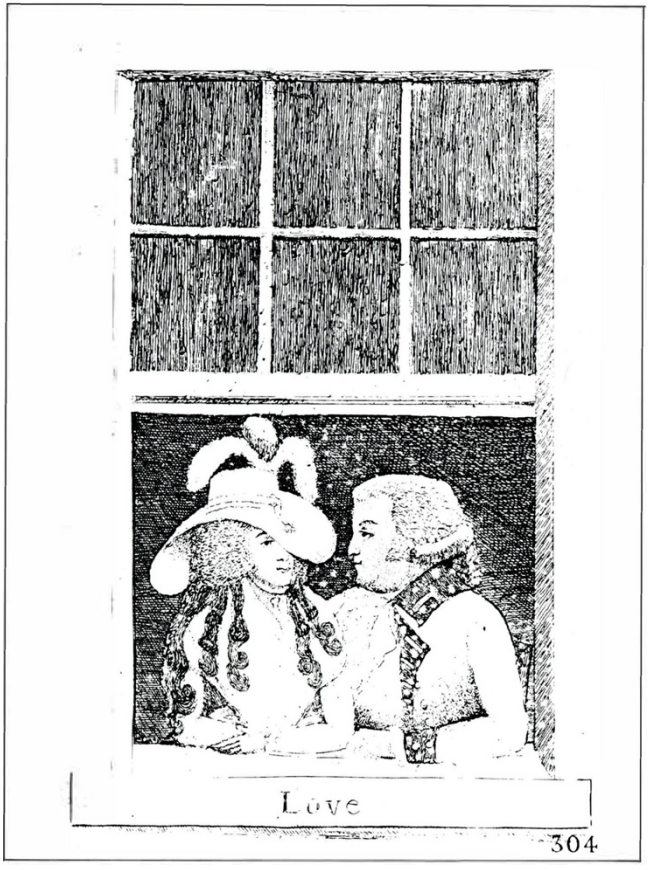
Reflecting telescope made by James Short c. 1750

National Museums of Scotland

Smith maintained his early zest for science and mathematics alongside his interest in literature and economics. While he was teaching at Glasgow he drafted essays on the history of astronomy and the history of physics. These were not published until after his death.

Smith would have known the first professor of astronomy at Glasgow, Andrew Wilson, who established that sunspots were in the luminous matter surrounding the sun.

Reflecting telescopes of the sort shown here were standard equipment for amateur astronomers in Smith's day.



"There is in love a strong mixture of humanity, generosity, kindness and esteem"
Theory of Moral Sentiments 33: Kay *Portraits no. 304*

7.14 "Wonder and surprise"
Septarian Nodule from the Oxford clay, Upper Jurassic, c. 150 million years old
National Museums of Scotland

In the "History of Astronomy" Smith maintained that wonder and surprise, coupled to our instinctive desire for orderly explanations, are the true motive forces behind scientific investigations. He said, for example, char when we see unfamiliar looking objects brought our of the ground we long to tuck them into a known category.

Septarian Nodules are still somewhat of a mystery. It is thought that the clay shrinks in the course of time, and that percolating solutions deposit material in the cracks, forming the characteristic patterns.

7.15 The work of Joseph Black
Edinburgh Philosophical Society, *Essays and Observations, Physical and Literary*, vol ii (1756)
Edinburgh University Library

The chemist Joseph Black was the most famous of the distinguished scientists and doctors working at Glasgow University in Smith's clay. The two men were friends from that time on, but particularly later in life when they were both living in Edinburgh.

Here we show the English translation of Black's thesis (originally in Latin) in which he announced the discovery of carbon dioxide. His novel method of making careful weighings at each stage of the experiment laid the foundation of modern chemical analysis.

8. ADAM SMITH IN PERSON

This engraving by John Kay was published posthumously in his collected works *Edinburgh Portraits,* vol i (183 7).

"I am a slow, a very slow workman, who do and undo everything I write at least a dozen times before I can be tolerably pleased with it".

Adam Smith to Thomas Cadell, 15 March 1788

"In his external form and appearance there was nothing uncommon. When perfectly at ease and warmed with conversation, his gestures were animated and not ungraceful".

Dugal Stewart

"He was the most absent man in company that I ever saw, moving his lips and talking to himself. If you awakened him from his reverie he immediately began a harangue".

Alexander Carlyle

"He was a friend I loved and respected, not only for his great talents but for every possible private virtue".

Henry Scott, 3rd Duke of Buccleuch

9. SMITH ON THE CONTINENT

9.1 Henry Scott, 3rd Duke of Buccleuch and 5th Duke of Queensberry (1746-1812) by Thomas Gainsborough

Photograph: Collection of the Duke of Buccleuch and Queensberry at Bowhill, Selkirk

Smith's reputation stood so high after the publication of the *Theory of Moral Sentiments* that he was invited to escort the young Duke of Buccleuch and his brother on a tour of the Continent. At the time it was not unusual for a scholar to take up a position as tutor and companion. From Smith's point of view the advantages were a chance to travel and the promise of a generous pension.

Smith left Glasgow in January 1764 and set out for France with the Duke and his younger brother, Hew Scott. In later years the Duke wrote "we spent near three years together without the slightest disagreement or coolness …"

9.2 Map showing the route taken by Adam Smith, 1764-66

After pausing briefly in Paris, Smith and his pupils settled in Toulouse, then the second city in the kingdom and a favourite resort of the British.

At first life was dull and Smith confided in a letter to Hume: "I have begun to write a book to pass away the time". Over the next decade this book grew into the *Wealth of Nations.*

Lacer the travellers made expeditions to Bordeaux, the Pyrenees and, most importantly, to Montpelier, the capital of Languedoc. Here they listened to the debates of the assembly which, uniquely in France, had managed to remain practically self governing.

9.3 Voltaire, Oeuvres Complètes, vol i (Gocha 1785)

National Library of Scotland

From Toulouse Smith made his way to Geneva, then an intellectual centre which was distinguished for its republican form of government. Here he had several meetings with its most notorious resident, Voltaire - the philosopher, atheist, playwright, novelist and poet.

Smith greatly admired Voltaire and in later years had a bust of him in his house in Edinburgh. "Reason", he said, "owes Voltaire incalculable obligations. The ridicule ... which he has so plentifully heaped upon fanatics has enabled the understanding of men to bear the light of truth".

9.4 Mme de Boufflers and Mme la Duchesse de Lauzun, by Carmoncelle

Photograph: Musée Condé, Chantilly

Smith and his party arrived in Paris from Geneva early in 1766. Parisian society immediately opened its doors to him, largely on account of introductions from Hume who had been lionized during his appointment as Secretary to the British Ambassador.

Among Hume's particular friends was Mme de Boufflers, a woman widely admired for her wit and intellect.

9.5 "Tea in the English manner at the Court of the Prince de Conti" by M.R. Ollivier (1766)

Photograph: Musée du Louvre

Intellectual life in Paris revolved round the salons of the aristocratic intelligentsia.

Through Mme de Boufflers, who was the Prince de Conti's mistress, Smith was familiar with this salon, one of the most glittering and influential in the city.

9.6 Jean-Jacques Rousseau (1712-78) by Allan Ramsay

Photograph: National Galleries of Scotland

Rousseau is best known today for his autobiographical *Confessions* and for his political treatise on the Social Contract, but he also wrote on music, botany and education.

Smith deplored his erratic behaviour during a very public quarrel with Hume but admired his writing. "Rousseau", he declared, "by the attraction of sentiment, and the force of conviction, drew the reader into the heart of reason."

9.7 Francois Quesnay, *Physiocratie ou constitution naturelle du governement le plus avantageux au genre humain* ("Physiocratie or the natural form of government best suited to the human race") (Paris 1768)

National Library of Scotland

Quesnay (1694-1774), physician to the King and economist, was the founder of a group of thinkers known as the Physiocrats. They believed that legal and political systems should reflect natural laws and rights; they saw agricultural land as the basis of all wealth; and they advocated free trade.

Smith and Quesnay became very friendly during Smith's time in Paris, and Quesnay attendee! the Duke of Buccleuch and his brother when they were seriously ill.

9.8 A.R.J. Turgot, *Reflexions sur la formation et la distribution des richesses* ("Reflections on the Formation and Distribution of Riches") (n.p. 1788)

National Library of Scotland

A follower of Quesnay and the Physiocrats, Turgot rose to be Minister of Finance. At the time Smith was in Paris he was writing the *Reflections,* the most important economic thesis of of the period. The book stresses the economic interdependence of all classes in society, a point of view shared by Smith.

Turgor aimed to reform the French taxation system, freeing trade by abolishing the taxes which protected the nobility, the trade guilds and other privileged groups. He fell foul of entrenched interests, lost the support of the King and was dismissed from office in 1776.

9.9 Jean Le Rond d'Alembert (1717-83), physicist and mathematician

From Charles Knight. The Gallery of Portraits *vol iii (London 1834): Ann Ronan Picture Library*

D'Alembert (1717-83) is usually remembered for his work on the *Emylopédie,* which he edited with Diderot. This work, in many volumes, attempted to encompass the whole field of human knowledge.

D'Alembert was a member of the learned academies of Europe and a great frequenter of the Paris salons, through which he became one of Smit's particular friends.



"No society can surely be flourishing and happy, of which the fat greater part of the members are poor and miserable"
Wealth of Nations 96: Kay *Portraits 110s.54. 253*

9.10 *Histoire de L'Académie Royale* (Paris 1765)
National Library of Scotland

The Académie Royale was founded in 1666. In the 18th century it was the focus of French scientific life, and most of the important scientific discoveries made in France were published in its annual *Histoire.*

Until the Revolution, the Académie was a stronghold of the rich and privileged. Many of its members met Smith in the salons.

The Académie was suppressed in 1793 and reconstituted in 1816 as a branch of the Institut de France.

9.11 H.L. Duhamel du Monceau, *Élemens d'Agriculture* vol ii (Paris 1762)
Edinburgh University Library

Farming methods changed considerably during Smith's lifetime as the agricultural revolution gathered momentum. Many of his friends were "improvers".

Smith's own interest in agriculture was partly economic, partly humanitarian. As the *Wealth of Nations* shows, he was conversant with agricultural practices and the taxes which affected production in France as well as Britain.

Duhamel was a leading agricultural improver and experimental botanist. His book was published two years before Smith's visit to France.

9.12 The death of Hew Scott
Letter from Smith to Lady Frances Scott, Paris, 19 October 1766
Miss M. Piper; on loan to the Scottish Record Office
(GD/ 1/1479/14/2)

Smith's time in Paris ended abruptly with the illness and death of Hew Scott, the younger of the two pupils. Here Smith writes to his sister, celling her the tragic news.

Smith and the Duke of Buccleuch at once brought the body back to Britain.

9.13 Waistcoat, perhaps French, l 760s

National Museums of Scotland (1938.947)

Similar garments would have been worn by the Duke of Buccleuch and Hew Scott in Paris. This one is decorated with sequins and tamboured embroidery.

9.14 "Being the clothes, linen and effects belonging to M. Smith"

Glasgow University Library (Gen 1035/221)

To wit:

a suit of crimson velvet with waistcoat and breeches. Garters of gold.

waistcoat made of gold material

a petersham waistcoat and breeches

a velvet suit embossed with red waistcoat and 2 pairs of breeches

a grey silk suit with a striped waistcoat and 2 pairs of breeches

another suit of reddish silk

another suit of multicoloured silk (waistcoat and breeches)

2 Molton waistcoats

a black suit lined with satin. waistcoat and breeches

another black suit waistcoat and breeches

another black suit waistcoat and breeches

another black suit waistcoat ad] breeches

another black suit of Neapolitan material, waistcoat and 3 pairs of breeches

a camel hair coat, 2 waistcoats and 2 pairs of breeches

an overcoat of grey scuff, waistcoat of the same material and 2 pairs of breeches

another overcoat of grey broad cloth, silk waistcoat and 2 pairs of breeches

a plush silk waistcoat lined with Molton

3 calico waistcoats

bombazine waistcoat

28 shires

22 collars

six pairs of fustian underbreeches

10 bombazine smoking caps

3 woollen caps

two striped cotton night caps

12 pairs of slippers

15 red handkerchiefs

7 more red handkerchiefs with white spots

17 pairs of white silk stockings

3 pairs with seams

11 cravats

4 pairs of black silk stockings

6 new pairs of greyish white woollen stockings

5 pairs of white striped stockings

26 further pairs of striped stockings

6 pairs of plush silk stockings

3 pairs of flesh coloured stockings

4 pairs of white cotton stockings

6 pairs of fringed lace cuffs

7 pairs of fringed muslin (cuffs)

4 pairs of mourning cuffs made of muslin

4 pairs of "weepers"

3 pairs of cuffs made of embroidered muslin

2 pairs of lace ruffles

a fur-lined hood

a worsted frock coat

a martin fur muff



"That insidious and crafty animal, vulgarly called a statesman or politician"
Wealth of Nations 468: Kay *Portraits no. 14*

a shagreen box fitted with 6 razors, whet stone,
a leather strop, tweezers

The list contains far more cloches than one person would ever possess. le also mentions black clothes and "weepers" (black cuffs pulled on in times of mourning). The likelihood is that after Hew Scott died, the cloches belonging to Smith and the two young men were hastily bundled together for the sad and sudden journey home.

The actual description of the clothes presents several enigmas, perhaps due to language difficulties.

10. SMITH AND SCIENCE

"Science is the great antidote to the poison of enthusiasm and superstition" (*Wealth of Nations* 1776)

Very little attention has been paid to Smith's scientific interests. Judging from the contents of his library, these encompassed all the major branches of science except geology. As a student at Glasgow, Smith's "favourite pursuits were mathematics and natural philosophy {physics}", and in 1756 he criticized the first *Edinburgh Review* for neglecting scientific advances on the Continent. In the 1750s he drafted articles on the history of astronomy and history of physics which were left unpublished until five years after his death.

All the books shown here were in his library (though these are nor Smith's actual copies). They demonstrate that he bought classical texts, such as Copernicus and Galileo, and also the works which caused a sensation in his own day, such as Buffon and Linnaeus.

10.1 N. Copernicus, *De Revolutionibus orbium coelestium* ("On the Revolution of the Celestial Spheres") (Nuremberg 1543)

Edinburgh University Library

Smith owned both of the two great classics of astronomy, Copernicus' *De Revolutionibus* and Galileo's *Dialogo.*

Nicolaus Copernicus was a Polish cleric who turned the traditional view of the world inside out by suggesting that the Earth and planers revolved round the sun, nor the other way round.

His conclusions were based largely on mathematical calculations. Later astronomers like Tycho Brahe, Kepler and Galileo provided the observational data which confirmed his theories.

10.2 Galileo Galilei, *Dialogo di G. Galilei* ... ("Dialogue concerning the Two Principal World Systems ...") (Padua 1744)

Edinburgh University library

Mathematician, astronomer and physicist, Galileo (1564-1642) was one of the greatest experimental scientists of all time. His work on gravity and motion foreshadowed Newton. He was the first person to turn a telescope on the sky and his observations confirmed the revolutionary views of Copernicus.

The *Dialogue,* first published in 1632, paved the way for our modern view of the Universe and remains a masterpiece.

10.3 Isaac Newton, *Philosophiae Naturalis Principia Mathematica* 2nd ed (Cambridge 1713)

National Library of Scotland

These two pages changed our view of the world.

(Left hand page) In his discussion of planetary motion Newton concludes that the sun and planets "gravitate" towards each other with a force proportional to the inverse square of the distance.

(Right hand page) Here he formulates the universal law of gravitation: "There is a power of gravity rending to all bodies,

proportional to the several quantities of matter which they contain" ("Gravitatem in corpore universa fieri ...")

10.4 Benjamin Franklin, *Experiments and Observations on Electricity to which are added letters and papers on philosophical subjects* 5th ed (London 1774)

Diagram of a waterspout, illustrated separately

National Library of Scotland

Originally published in 1751, this book made Franklin's international reputation. The first edition consisted of letters about electricity written to Peter Collison in London. Later editions included several papers on currents, storms and waterspouts. Franklin was the first person to print a chart of the Gulf Stream or to report that storms in the north-east move towards the south-west.

Franklin believed that electricity is a fluid composed of minute, mutually repellent particles - a theory which came closer to explaining observed phenomena than any other of the period.

His famous work on lightning conductors was based on his observation in the laboratory that pointed, earthed, bodies will "draw on electrical fluid" from a distance. Deducing lightning to be an electrical spark, he concluded that it would respond in the same way.

10.5 Robert Hooke, *Micrographia or some physiological description of minute bodies made by magnifying glasses* (London 1665)

Edinburgh University Library

Micrographia was a pioneering work - the first great book of microscopical study published when lenses were still very primitive. Its author was one of the most versatile scientists of the 17th century.

Top plate: mould on the cover of a book bound in sheepskin

Bottom plate: germinating mildew on a rose leaf

10.6 Buffon, Histoire Naturelle, *Générate et Particulière* 2nd ed, vol iii (Paris 1750)

National Library of Scotland

Georges Louis Leclerc, Comte de Buffon (1707-88), spent a lifetime studying comparative anatomy by dissection. In his *Histoire Naturelle,* a huge work which eventually ran to eleven volumes, he stressed the idea of gradual change through time.

These evolutionary views were widely discussed in France and throughout the Western world. Buffon's works were to be found in every gentleman's library.

10.7 C. Linnaeus *Systema Naturae* 13th ed, vol i (Vienna 1767)

National Library of Scotland

The Swedish botanist Carl Linnaeus (1707-78) spent most of his working life as professor of medicine in the University of Uppsala.

In his search for an underlying order in nature, he devised a new system for classifying plants and animals. Dull though *Systema Naturae* may look, it cleared away the confusion of centuries and had a lasting impact on the development of biological science.

Under Linnaeus' scheme all living things were classified by genus and species, a practice still followed today. Botanists also still use his revolutionary method of classifying plants by their sexual structures.

10.8 T. Pennant, *British Zoology* vol i (London 1768)

National Library of Scotland

Thomas Pennant (1726-98), like many natural historians of his day, had two declared aims: "to exalt our veneration of the Almighty" and to benefit mankind. Lucid and accurate, his *British Zoology* became a standard text.

Pennant lived and wrote energetically, ascribing his excellent health to riding and to avoiding supper, which he described as "the meal of excess".

10.9 Illustration from Cronscedt's *Essay Towards a* System of Mineralogy (London 1772)

A.F. Cronstedt (1722-65) was a director of mines in central Sweden. He was the first person to differentiate between minerals (each of which is chemically unique) and rocks (which are mixtures of minerals). He was also the first person to use a blowpipe systematically in chemical analysis.

The Essay became the standard handbook of the clay and was translated into several languages.

10.10 W. Cullen, *First Lines on the Practice of Physic* 4th ed (Edinburgh 1786)

Edinburgh University Library

Chemist, doctor and agricultural improver, William Cullen taught chemistry and medicine at Glasgow during Smith's days there and afterwards moved to Edinburgh.

As a doctor he challenged many established remedies and emphasized the preventative aspects of medicine, particularly diet, dress, air and exercise.

His fame as author and teacher drew students from all over Britain and from abroad, in particular America.

11. THE WEALTH OF NATIONS

11.1 Smith began writing the *Wealth of Nations* in France in 1765. He set himself to find an underlying pattern in the mass of information about past and present civilizations which he had accumulated over twenty five years of study. His approach was that of an anatomist, with civilizations instead of bodies for his subject.

Smith began with four assumptions, on which he built his empirical data:

1. Every citizen is entitled to live in a state of "natural liberty".
2. All human beings have "a natural propensity to truck, barter and exchange". This instinct is the basis of all commerce.
3. Most human beings are motivated by selfishness most of the time but in the economic sphere these actions frequently benefit not only the agent but other people.
4. It is a delusion that government intervention can promote the public good. National economies are so complex that "no human knowledge or wisdom could ever be sufficient to the task".

It took Smith eleven years to complete the book but the result is a masterpiece - a hard-hitting, blunt and unconventional analysis, whose impact is still felt today.

The two main themes are:

1. The effect of the division of labour on the economic structure of society.
2. The folly of regulating trade, except where national security requires it.

11.2 Smith on Free Trade

Illustration: "American Swallowing the Bitter Draught". Lord North pours the tea; France and Spain look on with interest.

British Museum, Department of Prints and Drawings

"Consumption is the sole end and purpose of production … but the interest of the consumer is almost always sacrificed to that of the producer".

(*Wealth of Nations* 487)

"All systems of preference and restraint being completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, so long as he does not violate the laws of justice, is left perfectly free to pursue his own interests ...".

(*Wealth of Nations* 687)



"Man has almost constant occasion for the help of his brethern and it is vain for him to expect it from their benevolence only"
Wealth of Nation 26: Kay *Portraits no. 153*

"To give the monopoly of the home-market to the produce of domestic industry must, 111 almost all cases, be either a useless or hurtful regulation".

(*Wealth of Nations* 456)

"Restrictions on free trade have their origin in private interest and the wretched spirit of monopoly".

(*Wealth of Nations* 474)

"The capricious ambition of kings and ministers has not been more fatal to the repose of Europe than the impertinent jealousies of merchants and manufacturers".

(*Wealth of Nations* 493)

Trade with America "should naturally have proved advantageous to the new, as it certainly did to the old, continent. The savage injustice of the Europeans rendered the event ruinous and destructive to several of these unfortunate nations".

(*Wealth of Nations* 448)

11.3 Letter from Adam Smith to John Davidson, Kirkcaldy, autumn 1771

Edinburgh University Library

After his return from France Smith devoted himself to writing the *Wealth of Nations*. For 6 years he lived with his mother in Kirkcaldy. In 1773 he moved to London, probably to be at the centre of events as the quarrel with the American colonies over trade and taxes grew more intense.

In Kirkcaldy he chose work and solitude, a stern contrast to the glamour of Paris.

> "My business here is study my amusements are long solitary walks by the sea-side."

His correspondence shows that his Edinburgh friends seldom managed to tempt him across the Forth and that he was depressed and subject to nervous ailments. Here he complains about wind in his stomach. A few months afterwards Hume warned him: "if you continue to hearken to the Complaints of this Nature, you will cut yourself out entirely from Human Society, to the great Loss of both Parties".

11.4 Plan of Adam Smith's house and garden, 18 High Street, Kirkcaldy

Kircaldy Museum and Art Gallery

Sadly, the house has been demolished. This plan was enlarged from a drawing by John Jeffries Wilson published in 1844.

11.5 Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (London 1776)

Einburgh University Library

The Wealth of Nations was published on 9 March 1776. It cost £1.16s.

It was soon translated into several languages, and for two centuries governments and political theorists in the West have debated Smith's ideas. More recently they have been studied even further afield.

11.6 "It has Depth and Solidity and Acuteness"

Letter from Hume to Smith on the publication of the *Wealth of Nations,* 1 April 1776

Royal Society of Edinburgh: on loan to the National Library of Scotland (RSE ii 56)

"Euge! Belle! Dear Mr Smith: I am much pleased with your performance ... It has Depth and Solidity and Acuteness, and is so much illustrated with curious facts that it must at last cake public attention."

11.7 Kirkcaldy Penny, a Scottish trade token

National Museums of Scotland

Tracie tokens, which were exchanged for goods in the same way as ordinary money, were first struck in the last decade of the 18th century to alleviate the acute shortage of small coins. They were issued and used locally.

The so-called "Kirkcaldy Penny" was issued in 1797 and commemorates the *Wealth of Nations*.

11.8 The division of labour
Pin making at various stages of manufacture
Dunfermline Museum
Smith begins the *Wealth of Nations* with a discussion about the division of labour. As jobs become more specialized, so does our dependence on each other. Specialization also increases production. Both factors sharpen our need to trade and, Smith argues, shape the pattern of commerce in any society.

Smith, like other writers before him, cites pin manufacture as a notable example of the division of labour. Although the board illustrates manufacturing techniques 100 years later, his point still holds.

"The important business of making a pin is divided into about eighteen distinct operations ... a workman on his own with no machinery could scarce make one pin in a day ... ten men performing distinct operations and with adequate machinery make among them upwards of forty eight thousand pins in a day."

(*Wealth of Nations* p. 15)

11.9 Patterns of employment
Factory-produced cotton; plate printed; English c. 1780
National Museums of Scotland {*1933.616*}

Smith wrote the *Wealth of Nations* when traditional patterns of employment were being disrupted by the growth of factories. The incorporations of tradesmen, whose restrictive practices and long apprenticeships he so much deplored, gradually began to lose some of their power.

11.10 The Old Custom House, London, 1753
From G. W Thornbury. Old and New London *(1753)*

The Customs House can fairly be regarded as the centre of the economic life of the Empire.

11.11 Protectionism versus free trade
The case against Scottish wine

Smith was totally against taxing imported goods to protect the home market, which he stated "must in almost all cases, be either a useless or hurtful regulation".

His argument ran as follows:

"It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. What is prudence in the conduct of every private family, can scarcely be folly in that of a great kingdom. . ."

"By means of glasses, hotbeds and hotwalls, very good grapes can be raised in Scotland, and very good wine too can be made of them at about thirty times the expense for which at least equally good can be brought from foreign countries. Would it be a reasonable law to prohibit the interpretation of all foreign wines, merely to encourage the making of claret and burgundy in Scotland?"

(Wealth of Nations 458)

11.12 Benjamin Franklin, *The Interest of Great Britain Considered with Regard to her Colonies* 2nd ed (London 1774)
National Library of Scotland

Franklin met Smith during his visit to Scotland in 1759.

In the early days of the quarrel between Britain and her American colonies, Franklin proposed that the American colonies should send representatives to the British Parliament.

In this pamphlet, which was first published in the l 760's, Franklin warns Britain that the colonies will unite against her if her "most grievous tyranny and oppression" continues.

11.13 Tea and the American War of Independence
Silver tea caddy; maker's mark of Aaron Lestourgeon, London, l 777-8

National Museums of Scotland

Tea and the Boston tea party (1773) became symbolic of the anger and frustration felt by the American colonies. Smith was deeply disturbed by the schism and "very zealous in American affairs".

Under the Navigation Aces, all imports and exports to the colonies had to be carried in British ships, even goods from a third country. By this means the British government ensured that Britain always had large numbers of seaworthy merchantmen, which could be commandeered in time of war. The prohibition was very damaging to the colonies and one of the principal sources of grievance that led to the American War of Independence.

Smith supported the Navigation Acts as an effective defensive measure, but he argued that all other duties and restrictions should be abolished.

11.14 Skirmish at Lexington 1775

From B.J. Lossing, Pictorial Field Book of the Revolution *vol i (New York 1851)*

Emotionally Smith sided with the colonises, believing - like Hume - that they had long been treated with "savage injustice". The ideal solution, he stated in the *Wealth of Nations,* would be to let them go altogether. By the time the government asked him to write a Memorandum on the subject in l 778, he knew British pride would never sanction such a course. Nor did he really hope for what he regarded as the next best solution - a sore of imperial union with American representation proportional to the taxes paid by each colony, much as advocated earlier by Franklin.

11.15 William Pitt, the younger, by James Gillray

Photograph: National Portrait Gallery, London

Pitt was Prime Minister from 1783 to 1801 and again from 1803 to 1806.From an early age he was one of Smith's disciples. He put several of Smith's recommendations on trade and taxation into effect, most notably free trade between Britain and Ireland when parliamentary union with Ireland was concluded in 1800.

The extent of Smith's influence on other politicians, many of whom were his friends, has always been a matter of debate.

11.16 Adam Smith on money and banking

Anne, one guinea piece, 2nd issue 1713

George II, five guinea piece, 1st issue 1741

George III, one guinea piece, 1st issue, 1766

George III, one guinea piece, 1st issue, 1768

George III, one guinea piece, 1st issue, 1769

George III, spade half-guinea piece, 2nd issue, 1793

George III, spade half-guinea piece, 2nd issue, 1796

Sovereign stocking

Pocket scales

Bank notes of the period

All items from the Royal Bank of Scotland

Smith lived in an age when modern banking was in its infancy. The system then evolving in Scotland lacer spread to the rest of the United Kingdom and other parts of the world. Smith's comments about credits and note issues reveal that he knew the banking system intimately and he believed that it made a positive contribution to economic growth: "That the trade and industry of Scotland, however, have increased very considerably. . . and that the banks have contributed a good deal to this increase, cannot be doubted."

Smith's views on money and inflation adhered to an early version of the "real bills doctrine". He understood the dangers inherent in the system of "paper money". He could also see its advantages and considered that the bankers were sufficiently aware of the clangers to operate the system successfully. Coins were often in shore supply and subject to "clipping". Many traders used pocket scales to ensure that the coins they received were full standard. Paper money was therefore a more convenient system, especially as it made credit easier to obtain.

12. THE DIVISION OF LABOUR

12.1 INCREASED PRODUCTION

Experiment in which visitors try our the effects of the division of labour for themselves.

12.2 Economic consequences

Illustration: "The Tailor's Shop" by David Allen, *National Galleries of Scotland*

In the *Wealth of Nations* Smith argues that the structure of any society is determined by the extent to which its citizens depend on each other for the necessities of life. "The woollen coat, for example, which covers the day labourer, as coarse and rough as it may appear, is the produce of the joint labour of a great multitude of workmen." These include

Shepherds
Wool sorters
Carders
Dyers
Scribblers
Spinners
Weavers
Fullers
Dressers
Merchants
Ship builders
Sailors
Sail-makers
Rope-maker
} to bring dyes from distant parts of the world

Miners
Furnace builders
Charcoal burners
Brick-makers
Brick-layers
Mill-wrights
Forgers
Smiths
} to make the shears used by the shepherd
And so on.

He concluded "without the assistance and co-operation of many thousands the very meanest person in a civilized society could nor be provided, even according to, what we falsely imagine, the easy and simple manner in which he is commonly accommodated".

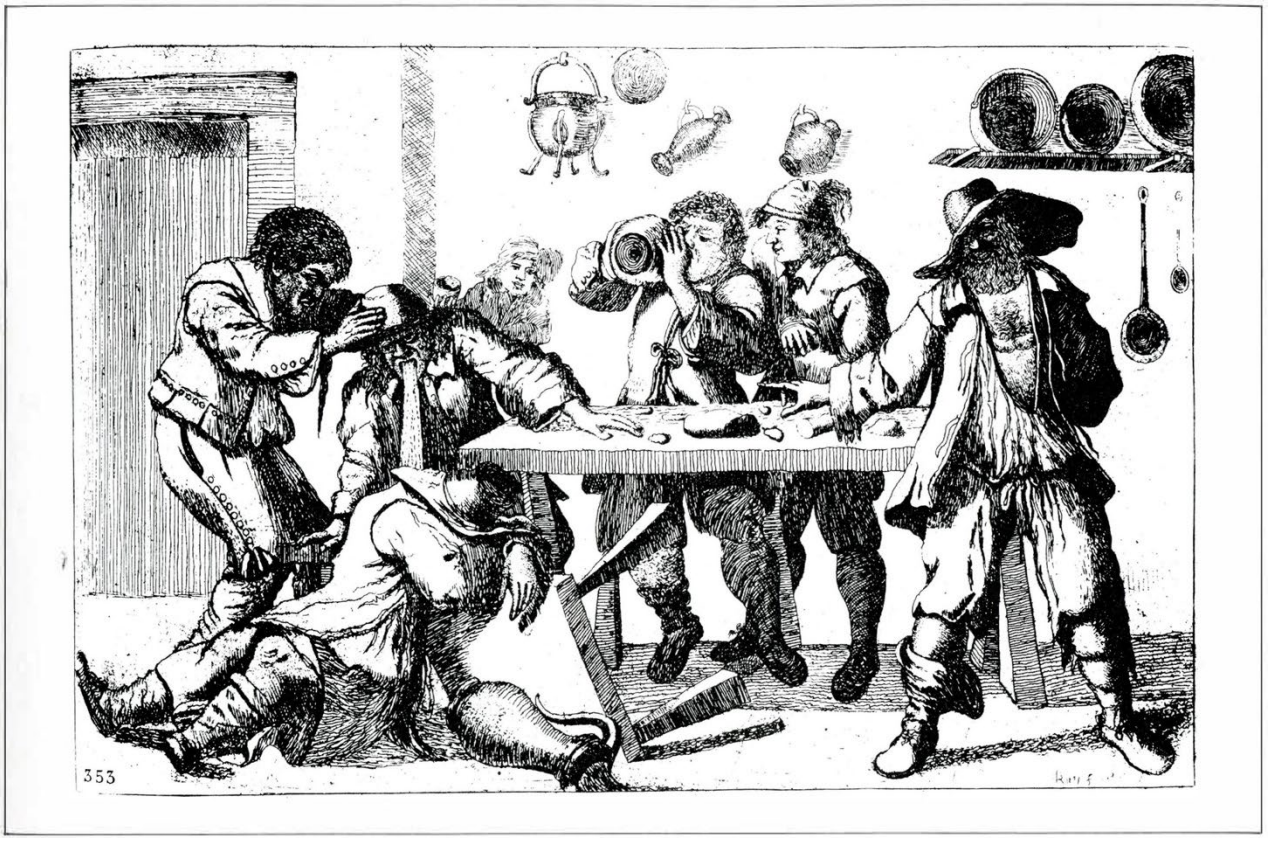
(*Wealth of Nations* 22)

12.3 Social effects and the role of education

Smith lived during the early stages of the Industrial Revolution. With the advent of water power and then steam power, increasing numbers of workers were moving off the land and into the new factories.

Aware of the unhealthy and demoralizing effects of factory work, Smith urged government action, especially in education and physical education. He pointed out char not only the people, but the government, would benefit:

> "The more the people are instructed, the less liable they are to the delusions of enthusiasm and superstition, which, among ignorant nations, frequently occasion the most frightful disorders. An instructed and intelligent population besides are always more decent and orderly ... and less apt to be misled into any wanton or unnecessary opposition to the measures of government".
>
> (*Wealth of Nations* 788



"Through want of education he has no amusement but riot and debauchery"
Wealth of Nations 782: Kay *Portraits no. 353*

13. SMITH ON TAXATION

Illustrations: James Gillray "The Friend of the People, and his petty tax gatherers, paying John Bull a visit" (1806)

1. "The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities."
2. "The time, manner and quantity to be paid, ought all to be plain and clear."
3. "Every tax ought to be levied at the time, or in the manner in which it is most convenient for the contribution to pay it."
4. Taxes should not be difficult to collect; nor discouraging to useful industry; nor "liable to subject the people to the frequent visits, and the odious examination of tax-gatherers."

(*Wealth of Nations* 825)

Poll-taxes

"Capitation taxes, so far as they are levied upon the lower ranks of people, are direct taxes upon the wages of labour.

"Capitation taxes are levied at little expense; and, where they are rigorously exacted, afford a very sure revenue. It is upon this account that in countries where the ease, comfort and security of the inferior ranks of people are little attended to, capitation taxes are very common."

(*Wealth of Nations* 869)

14. CONSUMPTION AND EXPENDITURE "THE INVISIBLE HAND"

a. Child's gold rattle with coral cteether. Maker's mark of William Dempster, Edinburgh, c. 1750 {A 1957.118}
b. Hot water or tea urn. Maker's mark of Alexander Gardiner, Edinburgh, 1759-60 {AMEQ.1190}
c. Teapot and jug; Sèvres {l873.13.1a}
d. Figures of Juno and Jupiter, Bow {224.117 and a}
e. Place {1867/27.35}
f. Jug {l926.397}



"Place, that great object which divides the wives of aldermen, is the end of half the labours of human life"
Theory of Moral Sentiments 57: Kay *Portraits no. 158*

g. Wine glasses {1918.132; 1925.825; 1936.250}
h. Porcelain bust of George II. Liverpool? {1882.19}
i. Iron scroll butt pistol with silver inlay, by Jo Murdoch c. 1780 {LH.13}

All items from the National Museums of Scotland

As the exhibition has already shown, one of the central arguments in the *Wealth of Nations* is that trade should be left unregulated (always supposing that national security is not at stake).

This argument rests, in turn, on Smith's long-standing belief that most of our selfish instincts operate for the common good and therefore should be left unchecked.

> "The homely and vulgar proverb that the eye is larger than the belly, never was more fully justified than with regard to a proud and unfeeling landlord. The capacity of his stomach bears no proportion to the immensity of his desires, and will receive no more than that of the meanest peasant. The rest he is obliged to distribute about him ... to those who provide and keep in order his baubles and trinkets, all of whom thus derive from his luxury and caprice a share of the necessities of life ... In spite of their natural selfishness and rapacity, the rich are led by an invisible hand to divide with the poor the produce of all their improvements."
>
> (*Theory of Moral Sentiments* 184)

The image of the "invisible hand" occurs again in the *Wealth of Nations* and has been much discussed by scholars. Nevertheless it is almost certainly a casual metaphor, not a claim that society is divinely guided.

This case displays some of the "baubles and trinkets" which the rich were buying in Smith's day.

15. THE FUNCTIONS OF GOVERNMENT

Smith held that the duties of sovereigns and their governments were threefold:

a. defence
b. maintaining a legal system
c. funding major public works

Taxes should be levied to pay for these, and no other, functions. Attempts to manipulate the economy for the public good were doomed to failure because of the complexity of human societies. Nobody, Smith argued, knew enough about the way they worked to design legislation that would have the desired effect.

15.1 Defence

a. Cavalry carbine c. l 780 {1988-46-1}
b. Painted canvas knapsack of private soldier. *97th (Invernesshire) Regiment of foot,* 1795 (1978.11.164). This is a very rare item as most knapsacks fell to pieces in the field.

Both items from the National Museums of Scotland

Defence was a critical political issue in Britain in Smith's day. Standing armies were feared, then as now, because the government could set them against their our countrymen. There were demands throughout Scotland for counties to be allowed to form militia, that is, voluntary and part-time armies. England had always had this right; Scotland was finally granted it in 1797.

Smith argued that, paradoxically, standing armies increased, rather than decreased, the liberty allowed to citizens of their own country:

> "Where a small tumult is capable of bringing about in a few hours a great revolution, the whole authority of government must be employed to suppress and punish

every murmur and complaint against it ... a sovereign who feels himself well supported can safely pardon or neglect chem."

(*Wealth of Nations* 707)

15.2 The Law

a. "court of Session" by John Kay

b. Edinburgh Special Constable's bacon, lace 18th century {NC 283}

c. Bacon or Tipstaff of Messenger-at-Arms, lace 18th century {NC 284}

d. Joug or pointed collar from a church in East Fife, early 18th century {MR U}

e. Iron manacle with key used in Dornoch jail, 18th century {MR 28} f. Iron manacle, early 18th century {MR 29}

g. "Gentleman being hanged for murdering his wife": Ann Ronan Picture Library

h. "Massacre of Protestants by Spanish forces in the Netherlands": Ann Ronan Picture Library

According to Smith, the fundamental purpose of law was "to protect, as far as possible, every member of society from the injustice and oppression of every other member of society". He believed that legal systems developed gradually in early societies as some individuals accumulated property at the expense of others. "The avarice of the rich ... and the indignation of the poor are ... passions steady in their operation and universal in their influence".

(*Wealth of Nations* 709)

Although he emphasized that the desire for property is much the commonest cause of crime, Smith acknowledged that laws are sometimes needed to control, or punish, human passions.

To Smith, the most culpable and destructive of all passions were "those of religious and political prejudices; which, more than any other, animate the insolence of the oppressors and the hatred and indignation of the oppressed". When writing these words he had Ireland particularly in mind.

(*Wealth of Nations* 944)

15.3 Public works

Model of Eddystone lighthouse

National Museums of Scotland {1859. 414.6}

Register House, Edinburgh

Photograph: Joe Rock

Smith was totally against government attempts to direct the economy for the public good. He held that the whole idea was a delusion "for the proper performance of which no human wisdom or knowledge could ever be sufficient". Perhaps surprisingly, he did lay on government the duty of funding major public works "which no individual can erect or maintain because of their magnitude or because the profit can never repay the expense".

The Eddystone lighthouse, 14 miles off Plymouth, falls into this category. It was designed by John Smeaton and completed in 1759.

Register House, Princes Street, Edinburgh, designed by Robert and James Adam, was also built with funds from central government. The foundation was laid in 1774.

16. SMITH'S INTERNATIONAL INFLUENCE

Nearly all of Smith's library has survived, though the books are now in several different places. After Smith's death they passed to his heir, David Douglas, and then were subsequently divided between his two daughters. From there, by various routes, the greatest single concentration ended up in the Edi11burgh University Library, with the rest divided between the University of Tokyo and Queen's University, Belfast.

Considered subject by subject, the largest category was literature (including the classics), followed by law, policies,

geography, political economy, history, science, philosophy, biography and travels. English and French were the predominant languages with some books in Greek, Latin and Italian.

Smith's scientific interests have been considered separately in section 10. In this section, as in section 10, editions which Smith owned are shown, but not the actual copies, except in one instance. The subjects range from classical to topical.

The *Theory of Moral Sentiments* and the *Wealth of Nations* were both translated into several European languages soon after they were published. Further translations of the *Wealth of Nations* appeared in the 19th century, for example, into Russian. Today Smith is read even further afield and there are translations into Chinese, Japanese and Korean as well as Czech, Serbo-Croat, Swedish and Turkish. A selection is shown here.

It is impossible to assess the exact influence that Smith's economics have had in these different countries. However, it is certain that, 200 years after his death, Smith is more widely read than ever before.

(a) *Metaphysique de L'Áme,* tr M.A. Eidous, 2 vols (Paris 1764). Smith's copy.
Edinburgh University Library

(b) Copy letter of Smith to the Danish Consul, Peter Anker, about a proposed translation of the *Wealth of Nations,* October 1780.
Glasgow University Library (Gen 1035/133)

(c) *Theorie der sittlichen Gefühle,* tr L.T. Kosegarten (Leipzig l 795)
National Library of Scotland

(d) *Untersuchung der Natur umd Ursachen von Nationalreichthumern,* tr J.F. Schiller & C.A. Wichmann, vol i (Leipzig 1776)
National Library of Scotland

(e) *Ricerche sulla natura, e la cagioni della ricchezza della natione* vol i (Naples 1790)
National Library of Scotland

(f) *Läsning i blandade amnen,* tr H.A. Nordstrom, vol i (Stockholm 1797)
National Library of Scotland

(g) *Investigacion de la natureza y causes de la riqueza de las naciones,* tr D.J.A. Ortiz (Valladolid 1805)
National Library of Scotland

(h) *Essais Philosophiques,* etr P. Prévost, vol i (Paris 1797)
Edinburgh University Library

(i) *Der Wohlstand der Nationen,* tr C.H. Beck (Munich 1974)
Andrew Skinner

(j) *Eine Untersuchung über das Wesen und die Ursachen des Reichtums der Nationen,* tr E. Band (Leipzig 1963)
Andrew Skinner

(k) *In Commemoration of the Bicentenary* eel Kunyu Keizai Kenkyu Sho (Tokyo 1983)
Andrew Skinner

(l) (Commentary) Noboru Kobayashi, *Works on the History of Economic Thought,* vol xi (Tokyo 1989)
Andrew Skinner

(m) *The Wealth of Nations* (in Korean)
Kirkcaldy Museum & Art Gallery

17. SMITH'S LIBRARY

17.1 Aristotle, *Opera Omnia* vol i (Paris 1629)
National Library of Scotland
Although Aristotle lived in the 4th century B.C. his influence persisted and it was still very strong in the 18th century, particularly as regards philosophy and literary criticism. Smith frequently quoted him.



"Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor"
Wealth of Nations 715: Kay *Portraits no. 291. 130*

17.2 Geoffrey Chaucer, Works ed J. Urry (London 1721)
National Library of Scotland

"The frequency with which Smith not only referred to the English poets but quoted chem used to surprise his listeners."

(*"Life of Adam Smith"* by Dugald Stewart).

The pilgrim in the engraving is Chaucer himself.

17.3 Grotius, *De jure belli et pacis* ("Concerning the laws of war and peace") vol i (Amsterdam 1735)
Edinburgh University Library

Smith lectured on jurisprudence at Glasgow for many years and planned, but never completed, a major work on the subject. A set of student lecture notes was discovered and published in 1896. A second set, which came to light in 1958. was published in the Glasgow edition of Smith's works in 1978.

Smith greatly admired Grotius, of whom he said: "Grotius seems to have been the first who attempted to give the world a general system of natural law." The concept of natural law was fundamental to Smith's own thinking, forming the basis of his belief that human beings were entitled to the maximum liberty and the minimum of government interference.

17.4 Montesquieu, *De l'Esprit des Loix* (Concerning the foundation of law) (Amsterdam 1758)
National Library of Scotland

Charles Louis de Secondat, Baron de la Bréde et de Montesquieu (1689-1755), was one of the most influential writers of the French Enlightenment. *De L'Esprit des Loix* discusses legal systems, forms of government, taxation, economics, manners, customs and religion. Montesquieu deplored the increasing power of the French king and argued for moderation and religious toleration. Though his views continued to gain ground in intellectual circles after his death, they were nor enough to check the political slide to despotism and then to revolution.

A student of Smith's at Glasgow remarked that his lectures on jurisprudence followed a plan "which seems to have been suggested by M. Montesquieu; endeavouring to trace the gradual progress of jurisprudence, both public and private, from the rudest to the most refined ages".

Montesquieu's belief char primitive communities develop legal systems as their citizens acquire property was a point of view shared by Smith.

17.5 J. Rameau, *Génération Harmonique ou Traité de Musique Théorique et Practique* (Paris 1737)
National Library of Scotland

Jean Rameau (1683-1764) was the most distinguished French musician of his day, excelling first as an organist and then as a theorist and composer.

His most notable theoretical achievement was to show that it was possible to build up a natural harmony on a fundamental bass instead of employing accepted figures of composition. He was also the first person to study inverted chords.

We know disappointingly little about Smith's musical tastes except that he loved opera and joined the Edinburgh Musical Society after he settled in Edinburgh. At the time musical tastes were changing fairly rapidly, especially among the well-to-do. Orchestral music was increasing in popularity; folk songs appeared in genteel versions; and Italian violins were widely copied and bought by all classes of society, gradually supplementing the bagpipes as an accompaniment for dancing by the end of the century.

17.6 Robert Smith, *Harmonics* vol i (London 1759)
Edinburgh University Library

Smith owned several books on the theory of music and the physical properties of sound.

This work is mainly concerned with "the nature and constitution of imperfect consonances ... one of the most difficult and important problems in harmonics" which, according to the author, no previous writer had attempted to explain.

The practical aim of the book was to find better techniques for keeping musical instruments in tune.

17.7 R. Wallace, *A Dissertation on the Numbers of Mankind in Ancient and Modern Times* (Edinburgh 1753)
Edinburgj University Library

Wallace discussed the effects of social, medical, moral and religious factors on population, concluding that the ancient world would have been more vigorous and more populous than the modern world. Hume, writing on the same subject, took the opposite view, and a polite but very well publicized debate between the two authors ensued.

In the *Wealth of Nations,* Smith devotes no attention to population statistics - perhaps because he had no faith in them - and only mentions population increase and decrease in fairly general terms.

17.8 R. Price, *Observations on Reversionary Payments* 2nd ed (London 1772)
National Library of Scotland

The population of western countries was thought by some people to be declining, and this caused great anxiety. To his book dealing with the method of calculating annuities, life assurance and the National Debt, Price added a letter to Benjamin Franklin on life expectancy.

Comparing data from London with data from a Shropshire village, he showed that half the children in London died before the age of 3, and that the average life expectancy was 16, as opposed to 33 in Shropshire.

Price concluded that "great cities become checks on population of too hurtful a nature".

17.9 W. Creech, *An Account of the Trial of W. Brodie and G. Smith* ... (Edinburgh 1788)
Edinburgh University Library

In 1787, William Brodie, a deacon of the Incorporation of Edinburgh Wrights and Masons and a town councillor, executed a daring and successful series of burglaries; fled after a raid on the Excise Office; and was eventually apprehended in

Amsterdam. He and one of his associates were hanged in October 1788.

Brodie's sangfroid titillated the public. For lunch on the day of his execution "the partook of a mutton chop and a glass of pore", and he joked with his friends as he helped the hangman to adjust the noose. The scandal caused by this previously respectable citizen is still remembered.

17.10 G Bellamy, *An Apology for the life of George Anne Bellamy, late of Covent Garden Theatre, written by herself* 3rd ed, vol i (London 1788)
National Library of Scotland

George Anne Bellamy (17311?-88) was equally celebrated for her success on the stage (mainly in tragic roles), her success in society, and her scandalous love affairs - which included being abducted by Byron.

Many people in Scotland, particularly the stricter Presbyterians, regarded the theatre with abhorrence and in 1764 a new playhouse in Glasgow was burnt clown the night before Bellamy was due to appear there.

She wrote her autobiography in an attempt to alleviate the debt which overshadowed the end of her life. Several editions were needed to satisfy public curiosity.

17.11 Pewter inkstand, with the original ink bottle and sand dredger, used by Smith when writing the *Wealth of Nations*
Kirkcaldy Museum & *Art Gallery*

The inkstand was presented to Mr Adam of Blairadam by Adam Smith's trustees. Subsequently it found its way through various hands into the possession of the Kirkcaldy Town Council.

17.12 Snuff mull, once the property of Adam Smith
Kirkcaldy Museum & Art Gallery

Its exact history is unknown. In the early 19th century it belonged to William Smith of Kirkcudbright, who also owned a Certificate of Customs signed by Smith. It then passed to his daughter's family and later to J.Y. Lockhart and William Black of Kirkcaldy.

The initials "A.S." are on the lid.

18. COMMISSIONER OF CUSTOMS
Last years in Edinburgh 1778-90

18.1 "Private Directive from the Commissioners of Customs about taxes on goods carried round Scotland by sea," 2 September 1784
Edinburgh University Library

In 1777 Smith applied for a vacant pose as one of the five Commissioners of Customs in Scotland. He was appointed the following year. The news that the apostle of free trade was going to work for the Customs was greeted with disbelief and sarcastic comment in some circles. Smith's motives will probably never be known for certain but the salary of £600 muse have been at least a partial incentive.

The Commissioners met four days a week and dealt with fairly routine business, such as appeals against assessments; petitions from exporters and importers; illegal practices at distilleries; smuggling; and the payment of salaries. Until the last three years of his life when his health declined, Smith attended regularly, averaging 175 meetings a year for the first nine years.

He put his inside knowledge to good effect when he was revising the *Wealth of Nations*.

18.2 Panmure House in the Canongate, Edinburgh
Photograph: Joe Rock

Smith lived here from his appointment as Commissioner of Customs in 1778 until his death. With a pension of £300 a year from his clays as a tutor and £600 from the Customs

Office, Smith's circumstances were very comfortable. He settled in Panmure House with his mother, a cousin Janet Douglas who acted as housekeeper for him, and a young cousin David Douglas (later the judge Lord Reston) whom Smith educated and made his hair.

An English visitor wrote in his diary: "Felt strongly the impression of a family completely Scotch".

18.3 Margaret Smith, mother of Adam Smith

Photograph of lost oil painting: Kirkaldy Museum & *Art Gallery*

Smith and his mother were always very close. They lived together for 6 years while Smith was writing the *Wealth of Nations* in Kirkcaldy, and again in Edinburgh from l 778 until Mrs Smith's death in 1784. Smith, by then nor very robust himself, felt her Joss "a very heavy stroke".

18.4 Medallions by James Tassie:
Smith with his wig on and Smith with his wig off (1787)

Mrs Elisabeth Colvin and National Galleries of Scotland

Smith never sat for his portrait but his biographer, Dugald Stewart, reported: "The medallion of Tassie conveys an exact idea of his profile, and of the general expression of his countenance."

The first medallion shows him in contemporary dress; the second shows him as a philosopher in the antique mode.

Tassie was a Scot who made his name in London, portraying most of the eminent men of the day. He used a new type of extra hard paste which he had developed in Dublin in association with Dr. Quinn. His first success was with replicas of carved antique gems.

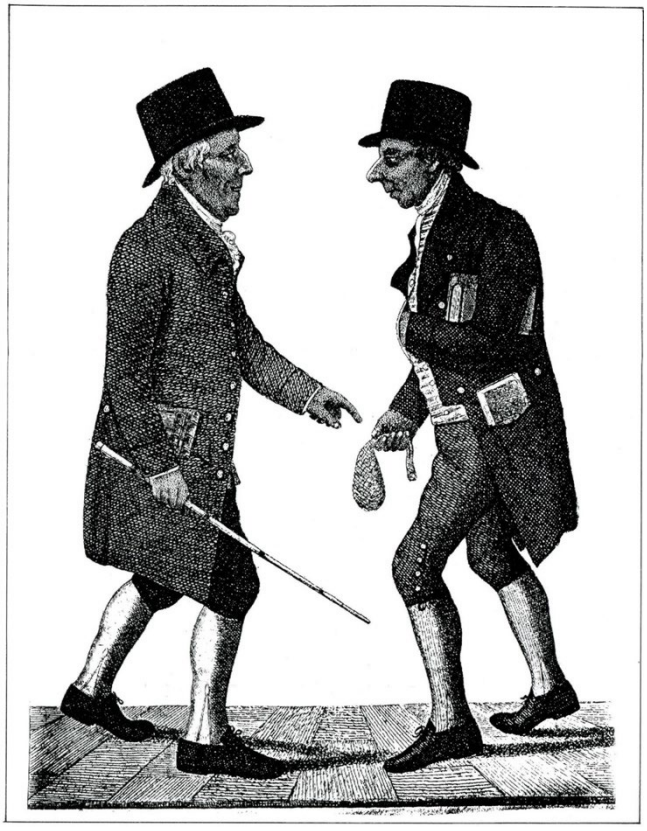
18.5 Joseph Black, chemist (1728-99) by David Martin (1787)

Royal Medical Society

Black and Smith were friends from the time that they were professors together at Glasgow University. Black's great achievements date from this period.

First, he discovered carbon dioxide, showing at the same time that different substances react together in different, but constant, proportions. Secondly, he showed that heat is absorbed when a substance changes from a solid to a liquid at its melting point or from a liquid to gas at its boiling point, though there is no change in temperature - the concept known as "latent hear".

Black moved to the chair of chemistry in Edinburgh in



"The desire of bettering ourselves ... comes with us from the womb, and never leaves us till we go into the grave"
Wealth of Nations 341: Kay *Portrait no. 308*

1766. He and James Hutton, became Smith's constant companions in his later years.

18.6 James Hutton, geologist, farmer, industrialist and philosopher (1726-97) by Henry Raeburn (c. 1780)
Scottish National Portrait Gallery

Hutton is sometimes referred to as "the father of modern geology" because he established that the earth is hot, that its age is very great and that its crust is continually being recycled. He thus freed geological thinking from a Biblical time scale and from the idea of a perfect, and permanent, creation.

He lived most of his life in Edinburgh and was very friendly with Joseph Black. When Smith arrived they became a sociable triumverate.

Black and Hutton were Smith's literary executors. We know from Hutton that it was "one of them" who, at Smith's earnest entreaty, burnt most of his unpublished manuscripts before he died.

18.7 Smith at home
Sèvres sugar basin
National Museums of Scotland

Smith's friends nearly all lived within walking distance. During the week he liked them to drop in without an invitation and every Sunday they gathered round his supper table. The mixed company of academics, doctors, lawyers, soldiers and businessmen was often complemented by visitors to the city.

Sir Walter Scott as a young man met Smith socially. As quoted by John Rae *(Life of Adam Smith.* 1895) Scott wrote: "We shall never forget one particular evening when he put an elderly maiden lady who presided over the tea table to great confusion by walking round and round, stopping ever and anon to steal a lump from the sugar basin, which the venerable spinster at length placed on her own knee, as the only method of securing it from his uneconomical depre-clarions." Smith bought "what good housewives call breakfast sugar" and was paying eightpence a pound for it in 1786 (Letter from Smith to Sir John Sinclair).

Smith's only other known partiality was for fresh fruit in due season, particularly strawberries.

18.8 The Oyster Club
On Fridays Smith, Black and Hutton used "to unbend themselves with a few friends" over oysters and apple pie. The select coterie they gathered round them included academics, industrialists and visitors to the city. They met in various taverns in the Grassmarket, shifting venue as their whereabouts was discovered and uninvited guests became "clamorous and troublesome".

The Club kept no records and, in spite of its reputation, did not survive its founders.

18.9 The piping competition
John Kay, "Geordie Sime". Edinburgh Portraits *no.* 218

Smith not only lived sociably among his friends, he entertained many visitors to the city and liked to show them different aspects of Scottish culture. He conducted the French geologist Faujas de St Fond to a piping competition, an experience which the Frenchman found quite bewildering.

Smith himself was sympathetic to Gaelic culture. Like many other Lowlanders whose enthusiasm was greater than their knowledge, he was duped by Macpherson's *Ossian.*

18.10 Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* 4th ed (London 1786)
Edinburgh University Library

There were five editions of the *Wealth of Nations* before Smith died in 1790, and many afterwards. The 3rd edition, containing many alterations and additions, Smith regarded as his final version.

Most of the new material was data supplied by his work at the Customs Office: "Some new arguments against the corn bounty; against the herring bounty; a new concluding chapter upon the mercantile system."

The 4th edition was printed unaltered. It has been chosen for display because it is from Smith's own library.

18.11 Adam Smith, *The Theory of Moral Sentiments* 6th ed. (London 1790)

Edinburgh University Library

There were few changes from the second to the fifth edition. The 6th edition contains new material, notably on conscience, moral approbation, self command and suicide.

Smith took 18 months to make the changes. He worked, as always, very slowly, added to which he spent long hours in the Customs Office. Also in these years in Edinburgh he was continually diverted, as he owned, by his books and his friends.

This copy comes from the Dugald Stewart Collection in the Edinburgh University Library. Vol i is inscribed "Mr Professor Dugald Stewart from the author".

18.12 *Essays on Philosophical Subjects*

"Portable Observatory" made by John Miller, Edinburgh, 1770s.

National Museums of Scotland

After Smith's death in 1790, Humm and Black published the papers which Smith had allowed to be preserved. There are seven essays, all early works which Smith had hoped to build into "a connected history of the liberal sciences and elegant arcs". They are entitled:

"The History of Astronomy"

"The History of the Ancient Physics"

""The History of the Ancient Logics and Metaphysics"

"Of the external senses"

"Of the Nature of that Imitation which takes place in what are called the Imitative Arts"

"Of the Affinity between Music, Dancing and Poetry"

The "History of Astronomy", elating back to Glasgow days, is the most notable. After stating that scientific curiosity is generated by "wonder and surprise", Smith went on to suggest that scientific hypotheses are devised to fill gaps in observed data, a point of view that finds parallels today.

Popular interest in astronomy increased markedly during the 18th century. The instrument displayed is a particularly small example of a "portable observatory" popularized by the works of George Adams, instrument maker to King George III and a major London wholesaler. Its maker, John Miller, worked with Adams for a short time in the 1760s. The telescope can be set up for the latitude of the observer to take measurements in celestial co-ordinates.

18.13 Dugald Stewart, Smith's biographer, by Henry Raeburn

Photograph: National Galleries of Scotland

Dugald Stewart (1753-1828), professor of moral philosophy at Edinburgh University, was a friend of Smith and frequented Panmure House. His biography is the first of few. Its 50 pages of measured prose are still a useful source of information about Smith's public and private life. The biography appeared in *Transactions of the Royal Society of Edinburgh* vol 3 (1794) and was subsequently appended to *Essays on Philosophical Subjects.*

18.14 Adam Smith walking to work

John Kay. "Adam Smith" *Edinburgh Portraits* vol i *(1836)*

> "have two great works upon the anvil; the one is a Philosophical history of all the different branches of Literature, of Philosophy, Poetry and Eloquence; the other is a sort of theory and History of Law and Government. But the indolence of old age, though I struggle against it, I feel coming fast upon me, and whether I shall ever be able to finish either is extremely uncertain."

Smith never did complete either of these projects. The only fragments that he allowed to remain are published in *Philosophical Essays*.



"I have two great works upon the anvil . . . but the indolence of old age I feel coming fast upon me"
Letter from Adam Smith to le Duc de la Rochefoucauld. 1785

ROOM 3

FROM ADAM SMITH TO THE PRESENT DAY

The actors in the wealth-creating process which Adam Smith described and analysed are still the principal decision-makers in the modern world economy:

Consumers

Producers

Savers

Business Executives

Government

Many nations interact in markets. Separately and jointly they determine how wealth is created and distributed.

Modern economic analysis constructs models of human behaviour and uses computers and statistical data to map this process at work and predict changes in it.

"RUNNING THE BRITISH ECONOMY"

This is a Computer Simulation Programme from the Esmée Fairbairn Research Centre, Heriot-Watt University, Edinburgh EH14 4AS.

Players find themselves in the same position as the Chancellor of the Exchequer. By adjusting government expenditure, tax and VAT rates and money supply, they attempt to bring down unemployment, stop inflation and balance the budget. As in real life, they have to contend, not only with domestic issues, but with "exogenous shocks" - outside forces which affect the economy.

The Esmée Fairbairn Research Centre's computer simulations are widely used in schools, universities and executive programmes.

The equipment was kindly loaned by Hewlett-Packard Ltd.

THE STOCK EXCHANGE

Most of the issues that Adam Smith discussed - for example, domestic taxes, import duties, monopolies, wage levels, unemployment, collective bargaining, and government spending - are still fiercely debated today. One factor he ignored, however, was the Stock Exchange, then still in its infancy.

A stock exchange is, basically, a market which brings together those in need of money, those with money to invest, and those who wish to change their investments from one company to another. Stockbrokers are the middlemen between the buyers and the sellers.

Since the late 17th century, the British government has been borrowing money by selling bonds on which it pays a fixed rate of interest. Companies may do the same, or they may offer shares in their capital for sale. The first company which financed itself by issuing shares sent three ships to look for the North-East passage in l 553, but the idea of shares only caught on gradually. In Adam Smith's day, most businesses still borrowed locally from private individuals or from banks. In London, stockbrokers met informally in coffee houses until the late 1760s when they organized premises of their own, the first Stock Exchange.

In the 19th century, the Stock Exchange traded mostly in government bonds. In the present century, increasing amounts of money have been raised by new issues of shares in stock markets round the world. The markers are principally influential, however, as the places where investors can buy and sell existing shares.

COMMERCIAL INSTINCTS

East wall

1. "There is in human nature a certain propensity to truck, barter and exchange one thing for another ... It is common to all men, and to be found in no other race of animals ... Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog"

(*Wealth of Nations 25)*

Photographs:

Street market, Paris, 1753 (Institut Français d'Ecosse)

Fish market at Rungis, c. 1985 (Institut Français d'Ecosse)

Floating market, Damnersaduk, Thailand, 1987 (Rachel Jones)

Street market, Kathmandu, 1987 (Rachel Jones)

2. "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their own self-interest."

(*Wealth of Nations* 26)

Photographs:

French family at dinner (Institut Français d'Ecosse)

Meat marker at Rungis (lnstitut Français d'Ecosse)

West wall

Stock Exchange, Tokyo, 1980s

Stock Exchange, Calcutta, 1980s

Stock Exchange, London, Dealing Room, 1989

Photographs from the International Stock Exchange Photo Library

Doorway

London Stock Exchange in the 18th century

THE NOBEL PRIZE IN ECONOMICS

The Nobel Prize in Economics is awarded annually by The Royal Swedish Academy of Sciences to those who have contributed most to the common good in the domain of Economic Science. The Prize was established in 1968 to mark the tercentenary of the Riksbank, The Bank of Sweden.

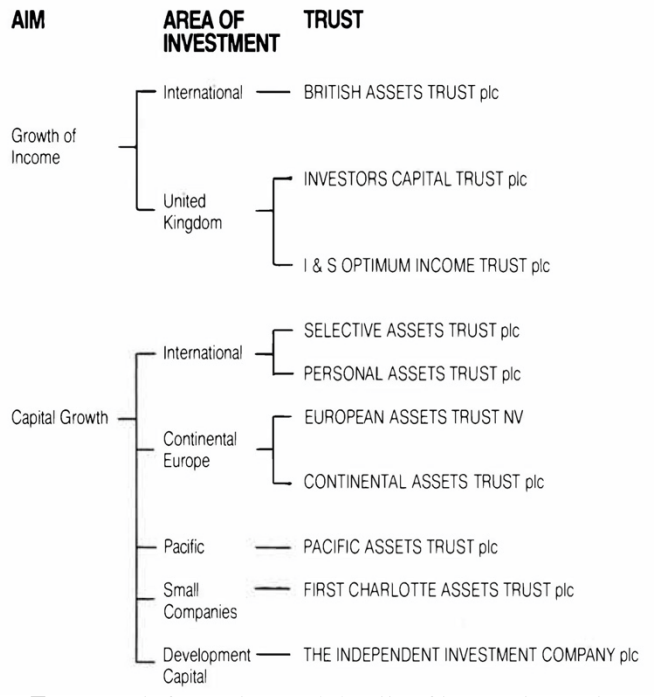
NOBEL LAUREATES IN ECONOMICS

1969 R. Frisch (Norway) and J. Tinbergen (Netherlands)
1970 PA. Samuelson (USA)
1971 S. Kuznets (USA)
1972 K.J. Arrow (USA) and JR. Hicks (United Kingdom)
1973 W Leontief (USA)
1974 G. Myrdal (Sweden) and F. von Hayek (United Kingdom)
1975 L.V. Kantorovich (Russia) and T. Koopmans (USA)
1976 Friedman (USA)
1977 J.E. Meade (United Kingdom) and B. Ohlin (Sweden) 1978
1978 H.A. Simon (USA)
1979 W.A. Lewis (West Indies) and T.W. Schultz (USA)
1980 L.R. Klein (USA)
1981 J. Tobin (USA)
1982 G J. Stigler (USA)
1983 G. Debreu (USA)
1984 R. Stone (United Kingdom)
1985 F. Modigliani (USA)
1986 J.M. Buchanan (USA)
1987 R.M. Solow (USA)
1988 M. Allais (France)
1989 T. Haavelmo (Norway)



London Stock Exchange c. 1800

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HOW INVESTMENT CREATES WEALTH

Most companies need to raise money at some time or another to finance their operations. One way for the company to do this is to sell shares of its capital to individuals or institutions willing to invest in it. Each investor in ordinary shares becomes a part owner of the company and as such is normally entitled to a share of the company's profit paid in the form of a dividend. Investors may sell their shares to anyone else at any time for the best price that they can get.

One way of determining the value of a company is by reference to the price of it, shares. The price normally moves up if there is a large demand for the shares and clown if there are more sellers than buyers. Investors can follow price changes on their television screens or in the national newspapers.

Investors aim to buy shares in companies which they think have good prospect, for profits growth. If the demand for the shares increases over a period of time, the share price will normally move up. So, if the investor then decides to sell his shares, he will realise a profit on his original investment to acid to any dividend income he may have received during the time he held the shares.

Ivory & Sime plc
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INVESTMENT TRUSTS

An Ideal Investment for Private Investors

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1. Investment Trusts are public companies, listed on The Stock Exchange, which invest in the shares of other companies in the UK and overseas.

2. Investment Trusts provide a cheap and easy way for private investors to hold a balanced portfolio of shares by making a single investment.

3. Investment Trusts are managed by experts with knowledge and experience of financial markets.

4. Many Investment Trusts specialise in particular geographic areas, or in particular types of shares.

5. Investment Trust shares are easy to buy and sell, either through a stockbroker or directly through the management company by way of Investment Trust Purchase Schemes.

6. TI1e average Investment Trust has an excellent record for long term growth.

You should be aware that the value of shares and the income from them can fall as well as rise and that past performance is not necessarily a guide to the future.

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INTERNATIONAL STOCKMARKETS

Across the globe, many companies raise finance for their businesses by being quoted on their local stockmarkets.

Today's technology allows investors worldwide to buy shares in these companies wherever they may be quoted.

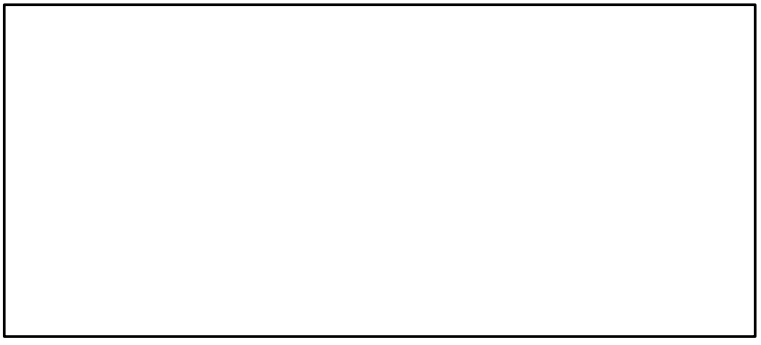
Because different regions of the world are at different stages of economic development, investors must be aware of factors such as projected growth rates for the region, political stability, the cost of raw materials and labour and the risks and potential rewards associated with a company's operation in that area.

The rewards from investing in non-domestic stockmarkets can be high but there are also risks. Normally, private investors buy shares in investment trusts if they want to have some of their money invested overseas. In this way professional fund managers select shares for them, spreading risk over a number of companies. There is a wide choice of investment trusts available which invest in specific geographic areas or economic regions.

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IVORY & SIME
International Investment Across Two Centuries

Ivory & Sime is an international investment management company. This has been the firm's only business since 1895 and, from the outlet, its investment perspectives have been global. TI1e company began by investing Scottish capital, accumulated throughout the 19th Century, in the emerging economies of Australia and America. Today Ivory & Sime's client list has become as international as its investment activities. The Ivory & Sime group of companies manages or advises on over £7 billion for a range of portfolios which include ten investment trusts through which private investors can invest their savings in the world's stockmarkets.



Ivory & Sime's Head Office in Charlotte Square, Edinburgh

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