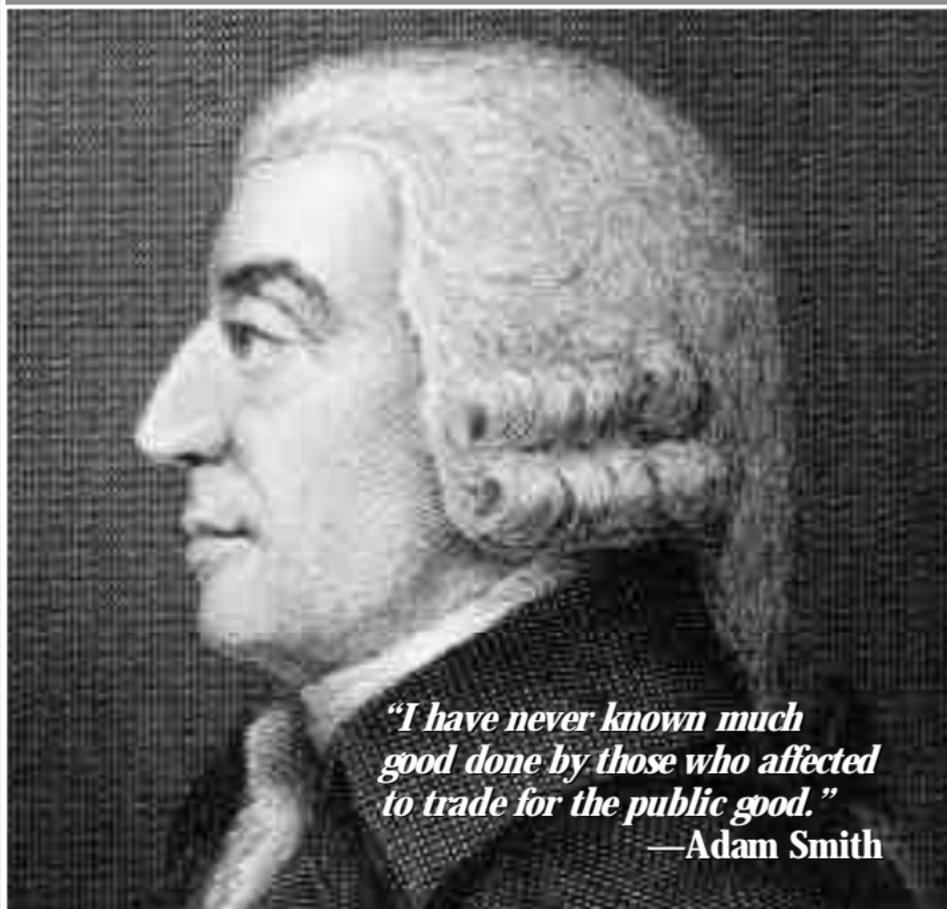


LIBERTY FUND PRESENTS



*"I have never known much
good done by those who affected
to trade for the public good."*

—Adam Smith

Adam Smith and the Wealth of Nations

Teacher's Guide for the Film

ABOUT ADAM SMITH

Adam Smith was born in Kirkcaldy, Scotland. At fourteen (not an early age for that time), he entered Glasgow University. Three years later, he was awarded a scholarship to Oxford University. It was his

experience during this stay at Oxford that was the basis for the critical remarks about universities found in *The Wealth of Nations*.

Smith was appointed Professor of Logic at Glasgow in 1751, and shortly afterwards, Professor of Moral Philosophy. He lectured on theology, ethics, jurisprudence and political economy.

In 1759, his first book—*The Theory of Moral Sentiments*—established his reputation. He sought to understand human behavior principally in terms of sympathy, propriety, virtue and duty. He sought to

understand what it was that led us to care about the welfare of others.

With the publication of *The Theory of Moral Sentiments*, he gave less attention to his theories of morals, and more to jurisprudence and political economy.

In 1763, he made the decision to give up his university post, becoming a tutor to the young Duke of Buccleuch. The boy and his mentor traveled mainly in France, where Smith came to know many of the intellectual leaders of the country. While on this trip, he began a treatise on economics, completing it ten years later. It was published as *The Wealth of Nations*, and on this work rests the continuing acknowledgement of Smith as the father of economics.

He died in 1790.



ABOUT THE FILM

“Adam Smith and The Wealth of Nations” traces the life, career, and basic beliefs of one of history’s greatest thinkers.

Beginning with his frugal Scotch background, the film examines the events and influences that made Smith the father of economics. But best of all, the movie looks at Adam Smith’s ideas. Provocative ideas, that culminated in the book we called *The Wealth of Nations*. It was a work that revolutionized the world of economics. Many say it revolutionized the world itself.

“Adam Smith and The Wealth of Nations” outlines many of the man’s most interesting and controversial theories. For instance, Smith believed that a system of natural liberty allowed the self-interest of the individual to be harnessed for the good of society. How? Through what he called the “division of labor and the accumulation of capital.” He argued that the free market is an ingenious mechanism which regulates itself through supply and demand.

A man of great intellect and wit. Smith was a major force in modern history. This film shows why.

GETTING READY

Let your group know when and why they’ll be seeing “Adam Smith and The Wealth of Nations.” It would be a good idea for students to prepare for it, so announce the showing in plenty of time. You might ask students to bring in newspaper items, current ads or pertinent articles, as well as information on current economic theories.

“The discipline of colleges and universities is in general contrived, not for the benefit of the student, but for the ease of the master.”

—Adam Smith

You may wish to ask an economist in the community to address your adult group. Just be sure to prepare your audience, so they’ll be able to get more out of the film at discussion time.

INTRODUCING THE FILM

You will want to introduce the film. It is important to your audience to know what they will be seeing...and why. You might tell the group to look for different points of interest, and topics to cover after the showing. You may want to point out that Adam Smith is considered the father of economics...but there have been other equally influential economists. See if your audience can name any of them, or explain their theories. Be sure to let your viewers know that there will be a question and answer period after the showing.

Here is an example of the kind of introduction you might find effective:

“The film we are about to see, presented by Liberty Fund, Inc., is called ‘Adam Smith and The Wealth of Nations.’ It is an intriguing look at the man who is considered the father of economics. Let’s take a look at some of his ideas.”

THE WEALTH OF NATIONS

The Wealth of Nations is a monumental work. Covering all aspects of economic life, it has both breadth and depth.

Adam Smith discusses such subjects as the minute specialization of labor in the manufacture of pins, “...the late disturbances in the



American colonies”, the wastefulness of the student’s life at Oxford, and the statistics on the herring catch since 1771 (the book was published in 1776). After reading the entire 900 pages, a reader comes away with a living picture of Britain in the 1770s.

“Consumption is the sole end and purpose of all production”

—Adam Smith

But more important, the reader comes away with Smith’s purpose: not to advance the interests of any class, but to promote the wealth of the entire nation.

And wealth, as he saw it, consisted of goods which all people could consume. This was a democratic—and for that time, radical—principle that Smith adhered to with remarkable consistency.

The Wealth of Nations is no textbook. Smith was writing to his peers; he produced a document that he expected to be used in the conduct of governments. *The Wealth of Nations* presents a persuasive argument for a new approach to economic policy.

THE PRINCIPLES

Over the years, Adam Smith's principles have been discussed and detailed, and pondered and rehashed in countless texts. Yet few—if any—of these books explore these principles with the skill and complex detail found in the *The Wealth of Nations*.

The principles themselves? They are relatively simple. Smith assumed that, in economic life, the main motivating force governing man's actions was self-interest. He argued that, with the right institutional framework, men following their own self-interest would serve the general good.

This institutional framework did not call for extensive government regulation. The best program is to leave the economic process alone. This has come to be known by a number of labels: free enterprise, economic liberalism, non-intervention.

All of this is now familiar enough. Largely through Smith's book, these principles helped to guide the then rapidly expanding economic activity.



“To Prohibit the great people (the American colonies), . . . from employing their stock (capital) and industry in the way they judge most advantageous to themselves, is a manifest violation of the most sacred rights of mankind.”

—Adam Smith

LEADING A DISCUSSION

One of the most helpful parts of any film showing is the discussion that follows. You may want to use these discussion points and projects as the basis for your talk.

- A. How did the “mercantile system” work, and what was the philosophy behind it?
- B. How did the “mercantile system” differ from the economic system Adam Smith advocated?
- C. What was the role of government in Smith’s philosophy?
- D. Smith believed the only source of wealth was production resulting from labor and resources. Have we changed that theory any? Is it still much the same? Why?
- E. How does the division of labor bring about an increase in production? How is it affected by the extent of the market?
- F. How does the operation of a pricing system regulate a market economy? Why did Adam Smith consider that the operation of the market promises the general good? Why was Adam Smith opposed to extensive government regulation? Do you consider his views relevant today?
- G. What influence do you think the economic theories of Adam Smith had on the American colonies and the American revolution? Do you think his views could have helped to justify the revolution? Or to prevent it? Why or why not?
- H. Can you identify any of Smith’s ideas at work in our present society?
- I. As a study project, research the life of Adam Smith to find the men, ideas, and the political and economic philosophies that influenced the theories found in *The Wealth of Nations*.
- J. The “Classical School” of economic thought originated with *The Wealth of Nations*, and included the writings of such English economists as Ricardo, Malthus, Mill, as well as the French economist, Say. Examine the ideas of these men, and compare them to the other schools of economic thought such as Mercantilism, Cameralism, Marxism and that of the Physiocrats.
- K. “I have never known much good done by those who affected to trade in the public interest.” Discuss.

SELECTED MATERIALS:

On the History of Economics:

Economic Theory in Retrospect. Mark Blaug.

A History of Economic Thought. 3rd Edition. Eric Roll, Prentice-Hall, no date.

The Unbound Prometheus. David Landes. Cambridge University Press, 1969.

The Industrial Revolution in the Eighteenth Century. Paul Mantoux, Harcourt Brace, 1928.

An Economic History of England: The 18th Century. T.S. Ashton, Methuen, 1955.

Cambridge Economic History of Europe, two volumes. Cambridge University Press, 1952.

From the Adam Smith Library. Reprints of Modern Classics. Augustus M. Kelley Publishers, New York.

Books on the Life of Adam Smith:

The Life of Adam Smith. John Rae, 1895

Adam Smith and the Scotland of His Day. C.R. Fay, 1956.

Adam Smith, as Student and Professor. William R. Scott, 1937.

Biographical Memoirs of Adam Smith. Dugald Stewart. 1793.

Modern Comment of Adam Smith's Work:

The Spirit of '76 and Other Essays. Carl Becker, J.M. Clark, William E. Dood, 1927.

Adam Smith 1776-1926. J.M. Clark, Paul H. Douglas, Jacob H. Hollander, Glenn R. Morrow, Melchior Palyi and Jacob Viner, 1928.

Adam Smith: The Man and His Works. E.G. West, 1969.

