ADAM SMITH

Of the Natural Progress of Opulence (pp. 207–217)

1: The major commerce of a civilized society is the interchange of goods between town and country. The country provides the town with raw materials, and the town provides the country with manufactured products. Both town and country benefit.

2: The development of the country must come before that of the town because the country provides basic necessities, whereas the town provides conveniences and luxuries. Some towns acquire their basic necessities from the nearby countryside, whereas others must rely on more distant places. As a result of this disparity, opulence (affluence) develops at different rates in different places.

3: Human beings are naturally inclined to prefer farming to manufacturing and trade. Those who spend their resources cultivating their own land have more control of their economic welfare than do those who engage in trade.

4: To cultivate their land efficiently, farmers need the help of artisans (artificers), who settle together, along with various retailers, to form towns. The economic condition of towns improves in direct proportion to the increased productivity of the surrounding country.

5: In the American colonies, where uncultivated land is plentiful, artisans use any excess goods they produce to buy nearby land, which they then cultivate. As farmers they enjoy an independence that they lacked as artisans.

6: On the other hand, in countries where little or no uncultivated land remains, artisans sell any excess goods to distant areas and thus become manufacturers.

7: Just as farming is preferable to manufacturing, so too domestic manufacturing is preferable to commerce with foreign nations. But if a nation does not have sufficient wealth to cultivate all its land and to manufacture all its raw materials domestically, then that nation will benefit by exporting raw materials to foreign nations.

8: And so in the natural progress of economic development, wealth is used first for agriculture, second for manufacturing, and third for foreign commerce.

9: But this natural progress has to some degree been inverted in all the nations of modern Europe.

Paragraphs 1-3: The history of the rise of the middle class and the development of the capitalist system.

7-11: The rise of the middle class and the development of the capitalist system.

12-22: The development of the middle class and the rise of the bourgeoisie.

23-30: By the middle of the 18th century, the middle class had become a powerful force in society.

31-34: Although forces burst the fetters of the old social order, the bourgeoisie began to create a new social order.

35-38: The bourgeoisie seek to protect their interests and their power.

39-46: The bourgeoisie seek to protect their interests and their power.
ADAM SMITH (1723–1790) was born in Kirkcaldy on the eastern coast of Scotland. He attended Glasgow University and received a degree from Oxford, after which he gave a successful series of lectures on rhetoric in his hometown. This resulted in his appointment as professor of logic at Glasgow in 1751. A year later he moved to a professorship in moral philosophy that had been vacated by Thomas Craggie, one of his former teachers. He held this position for twelve years. Smith’s early reputation was built entirely on his work in moral philosophy, which included theology, ethics, justice, and political economy.

In many ways Adam Smith’s views are striking in their modernity; in fact, his work continues to inform our understanding of current economic trends. His classic and best-known book, An Inquiry into the Nature and Causes of the Wealth of Nations (1776), examines the economic system of the modern nation that has reached, as England had, the commercial level of progress. According to Smith, a nation has to pass through a number of levels of culture—from hunter-gatherer to modern commercial—on its way to becoming modern. In this sense, he was something of an evolutionist in economics.

Wealth of Nations is quite different in both tone and concept from Smith’s earlier success, Theory of Moral Sentiments (1759). The earlier work postulates a social order based, in part, on altruism—an order in which individuals aid one another—whereas Wealth of Nations asserts that the best economic results are obtained when individuals work for their own interests and their own gain. This kind of effort, Smith assures us, results in the general improvement of a society because the industry of the individual
benefits everyone in the nation by producing more wealth; the greater the wealth of the nation, the better the lot of every individual in the nation.

There is no question that Smith was an ardent capitalist who felt an almost messianic need to spread the doctrine of capitalism. He maintained throughout his life that Wealth of Nations was one with his writings on moral and social issues and that when his work was complete it would encompass the basic elements of any society.

In “Of the Natural Progress of Opulence,” Smith outlines a microcosm of the progress of capitalism as he understood it. His purpose is to establish the steps by which a nation creates its wealth and the steps by which a region becomes wealthy. For the most part, he is interested in the development of capitalism in Great Britain, including his native Scotland. His perspective includes the natural developments that he observed in his own time in the late eighteenth century as well as developments that he could imagine from earlier times. Because he wrote and published his book just before the American Revolution and the subsequent industrial revolution, his primary concerns are farming and agriculture. In earlier sections of Wealth of Nations, Smith focused on metal—silver and gold—as a measure of wealth, then later on corn (by which he usually meant wheat or barley) as a measure of wealth. In this selection, he is more emphatic about land as a convenient instrument of wealth.

His primary point is related to what he sees as a natural progression. People in the country have land on which they plant crops, which they sell, in part, to people in the town. The people in the town, lacking land but possessing skills such as weaving, building, and the like, create a market for the goods from the country. They take the product of the land and, with the surplus beyond their daily needs for food and sustenance, manufacture useful goods. In turn, they sell the desirable goods to people in the country, and both manage to accumulate wealth in the process. In this view the manufactures of the town are important but by no means as essential as the food that sustains the nation. Indeed, Smith regards surplus production as the key to the move toward wealth, which accumulates into opulence.

It is interesting that Smith does not emphasize the trade of goods among nations. He does emphasize the fact that the interchange between the country and the town in England also has a counterpart in international trade. However, Smith seems a bit uneasy in contemplating the usefulness of international trade as a means to accumulate wealth. Land, he reminds the reader, is secure, controllable, and not likely to yield to the whimsy of foul
Of the Natural Progress of Opulence

The great commerce of every civilized society is that carried on between the inhabitants of the town and those of the country. It consists in the exchange of rude for manufactured produce, either immediately, or by the intervention of money, or of some sort of paper which represents money. The country supplies the town with the means of subsistence, and the materials of manufacture. The town repays this supply by sending back a part of the manufactured produce to the inhabitants of the country. The town, in which there neither is nor can be any reproduction of substances, may very properly be said to gain its whole wealth and subsistence from the country. We must not, however, upon this account, imagine that the gain of the town is the loss of the country. The gains of both are mutual and reciprocal, and the division of labour is in this, as in all other cases, advantageous to all the different persons employed in the various occupations into which it is subdivided. The inhabitants of the country purchase of the town a greater quantity of manufactured goods, with the produce of a much smaller quantity of their own labour, than they must have employed had they attempted to prepare them themselves. The town affords a market for the surplus produce of the country, or what is over and above the maintenance of the cultivators, and it is there that the inhabitants of the country exchange it for something else which is in demand among them. The greater the number and revenue of the inhabitants of the town, the more extensive is the market which it affords to those of the country; and the more extensive that market, it is always the more advantageous to a great number. The corn which grows
within a mile of the town, sells there for the same price with that which comes from twenty miles distance. But the price of the latter must generally, not only pay the expense of raising and bringing it to market, but afford too, the ordinary profits of agriculture to the farmer. The proprietors and cultivators of the country, therefore, which lies in the neighbourhood of the town, over and above the ordinary profits of agriculture, gain, in the price of what they sell, the whole value of the carriage of the like produce that is brought from more distant parts, and they save, besides, the whole value of this carriage in the price of what they buy. Compare the cultivation of the lands in the neighbourhood of any considerable town, with that of those which lie at some distance from it, and you will easily satisfy yourself how much the country is benefited by the commerce of the town. Among all the absurd speculations that have been propagated concerning the balance of trade, it has never been pretended that either the country loses by its commerce with the town, or the town by that with the country which maintains it.

As subsistence is, in the nature of things, prior to convenience and luxury, so the industry which procures the former, must necessarily be prior to that which ministers to the latter. The cultivation and improvement of the country, therefore, which affords subsistence, must, necessarily, be prior to the increase of the town, which furnishes only the means of convenience and luxury. It is the surplus produce of the country only, or what is over and above the maintenance of the cultivators, that constitutes the subsistence of the town, which can therefore increase only with the increase of this surplus produce. The town, indeed, may not always derive its whole subsistence from the country in its neighbourhood, or even from the territory to which it belongs, but from very distant countries; and this, though it forms no exception from the general rule, has occasioned considerable variations in the progress of opulence in different ages and nations.

That order of things which necessity imposes in general, though not in every particular country,
butcher, the brewer, and the baker, soon join them, together with many other artificers and retailers, necessary or useful for supplying their occasional wants, and who contribute still further to augment the town. The inhabitants of the town and those of the country are mutually the servants of one another. The town is a continual fair or market, to which the inhabitants of the country resort in order to exchange their rude for manufactured produce. It is this commerce which supplies the inhabitants of the town both with the materials of their work, and with the means of their subsistence. The quantity of the finished work which they sell to the inhabitants of the country, necessarily regulates the quantity of the materials and provisions which they buy. Neither their employment nor subsistence, therefore, can augment, but in proportion to the augmentation of the demand from the country for finished work; and this demand can augment only in proportion to the extension of improvement and cultivation. Had human institutions, therefore, never disturbed the natural course of things, the progressive wealth and increase of the towns would, in every political society, be consequential, and in proportion to the improvement and cultivation of the territory or country.

In our North American colonies, where uncultivated land is still to be had upon easy terms, no manufactures for distant sale have ever yet been established in any of their towns. When an artificer has acquired a little more stock than is necessary for carrying on his own business in supplying the neighbouring country, he does not, in North America, attempt to establish with it a manufacture for more distant sale, but employs it in the purchase and improvement of uncultivated land. From artificer he becomes planter, and neither the large wages nor the easy subsistence which that country affords to artificers, can bribe him rather to work for other people than for himself. He feels that an artificer is the servant of his customers, from whom he derives his subsistence; but that a planter who cultivates his own land, and derives his necessary subsistence from the labour of his own family, is really a master, and independent of all the world.

In countries, on the contrary, where there is either no uncultivated land, or none that can be had upon easy terms, every artificer who has acquired more stock than he can employ in the occasional jobs of the neighbourhood, endeavours to prepare work for more distant sale. The smith erects some sort of iron, the weaver some sort of linen or woollen manufactory. Those different manufactures come, in process of time, to be gradually subdivided, and thereby improved and refined in a great variety of ways, which may easily be conceived, and which it is therefore unnecessary to explain any further.

In seeking for employment to a capital, manufactures are, upon equal or nearly equal profits, naturally preferred to foreign commerce, for the same reason that agriculture is naturally preferred to manufactures. As the capital of the landlord or farmer is more secure than that of the manufacturer, so the capital of the manufacturer, being at all times more within his view and command, is more secure than that of the foreign merchant. In every period, indeed, of every society, the surplus part both of the rude and manufactured produce, or that for which there is no demand at home, must be sent abroad in order to be exchanged for something for which there is some demand at home. But whether the capital, which carries this surplus produce abroad, be a foreign or a domestic one, is of very little importance. If the society has not acquired sufficient capital both to cultivate all its lands, and to manufacture in the completest manner the whole of its rude produce, there is even a considerable advantage that that rude produce should be exported by a foreign capital, in order that the whole stock of the society may be employed in more useful purposes. The wealth of ancient Egypt, that of China and Indostan, sufficiently demonstrate that a nation may attain a very high degree of opulence, though the greater part of its exportation trade be carried on by foreigners.

The progress of our North American and West Indian colonies would have been much less rapid, had no capital but what belonged to themselves been employed in exporting their surplus produce.
According to the natural course of things, therefore, the greater part of the capital of every growing society is, first, directed to agriculture, afterwards to manufactures, and last of all to foreign commerce. This order of things is so very natural, that in every society that had any territory, it has always, I believe, been in some degree observed. Some of their lands must have been cultivated before any considerable towns could be established, and some sort of coarse industry of the manufacturing kind must have been carried on in those towns, before they could well think of employing themselves in foreign commerce.

But though this natural order of things must have taken place in some degree in every such society, it has, in all the modern states of Europe, been, in many respects, entirely inverted. The foreign commerce of some of their cities has introduced all their finer manufactures, or such as were fit for distant sale; and manufactures and foreign commerce together, have given birth to the principal improvements of agriculture. The manners and customs which the nature of their original government introduced, and which remained after that government was greatly altered, necessarily forced them into this unnatural and retrograde order.

QUESTIONS FOR CRITICAL READING

1. How does manufacture eventually help agriculture?
2. Why is it more important to cultivate land than foreign trade?
3. What is special about the civilizations of Egypt, China, and Indostan?
4. Why did the American and West Indian colonies grow so rapidly?
5. In unpopulated countries, what is the natural way people treat the land?
6. How do the town manufactures profit from the country's surplus goods?
7. What is an artificer?

SUGGESTIONS FOR WRITING

1. Explain how you know that Adam Smith favors country living over town life. What seems to be his opinion of each way of living?