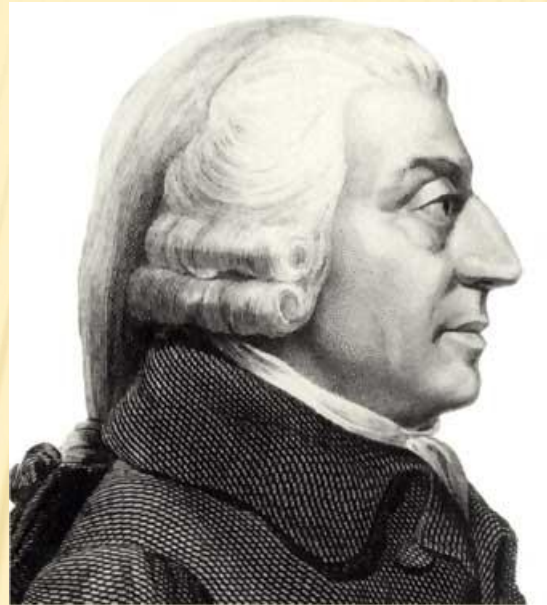
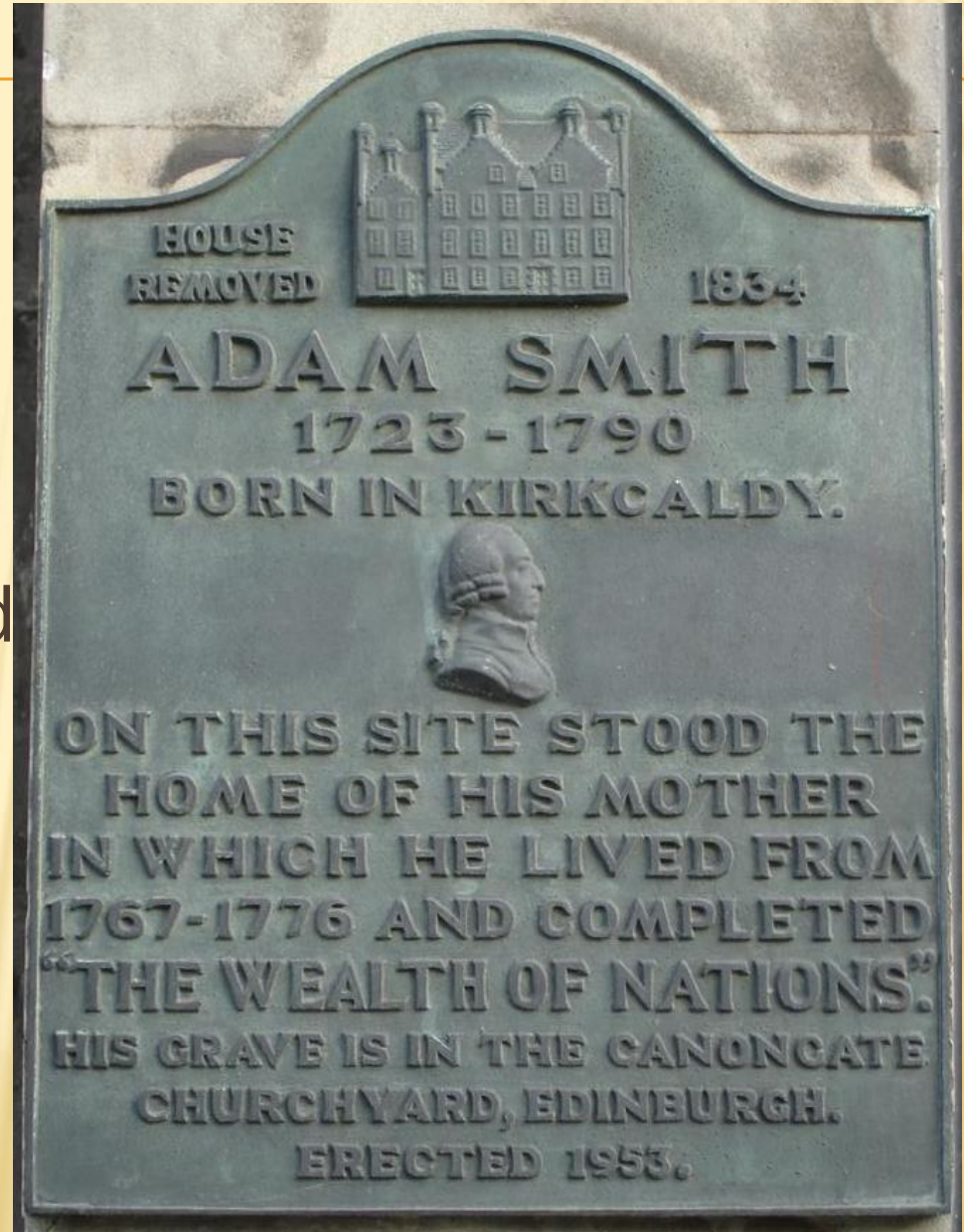




1723-1790

SMITH'S LIFE

Born in 1723 at
Kirkcaldy in Scotland



Kirkcaldy 1767-1776

The house was torn down in 1834. Here is the successor building at No: 218-222 High Street, pictured. It was built in 1834 and is itself a historic building.



PANMURE HOUSE

A building named the *Panmure House* was Smith's home in Edinburgh, Scotland during 1788 to 1790.

In 2008, Adam Smith's Panmure House was purchased by the Edinburgh Business School.



ON Panmure House

- ✖ https://www.youtube.com/watch?v=IsNpMen9kYQ&ab_channel=AdamSmith%27sPanmureHouse
- ✖ https://www.youtube.com/watch?v=FqzIJf2jjQE&ab_channel=EdinburghBusinessSchool
- ✖ https://www.youtube.com/watch?v=LA_zYVJR4AE&ab_channel=EdinburghBusinessSchool

HIS LIFE (1/2)

- ✖ At the age of **fourteen**, he was matriculated at the University of Glasgow.
- ✖ Got some classes from **Francis Hutcheson**
- ✖ **Got** into contact with **David Hume**
- ✖ Lectured on **rhetoric** and **belles-lettres**, **jurisprudence** and **moral philosophy**.
- ✖ In 1751 Smith was appointed as **professor of Logic** in Glasgow University.
- ✖ Soon left the chair of logic for that of **MORAL PHILOSOPHY**.



University of Glasgow



MORAL PHILOSOPHY

- ✗ What's right and wrong for individual ?
- ✗ What's virtue and vice ?



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The Adam Smith Statue



On the 4th of July 2008, the ASI unveiled the world's first major public monument to Adam Smith – the great Scottish economist, philosopher, and author of *The Wealth of Nations*.

The monument, which takes the form of a 10-foot bronze statue on a massive stone plinth, sits on Edinburgh's Royal Mile – right in the heart of Scotland's capital city, where Adam Smith worked and died.

Adam Smith

- Introduction
- The Wealth of Nations
- The Theory of Moral Sentiments
- Adam Smith Quotes
- The Adam Smith Statue



From my student Arda Balci

Edimbourg
30 June 2025

THE ADAM SMITH STATUE

- ✗ On the 4th of July 2008, the statue unveiled the world's first major public monument to **Adam Smith** – the great Scottish economist, philosopher, and author of *The Wealth of Nations* (1776)
- ✗ The monument, which takes the form of a 10-foot bronze statue on a massive stone plinth, sits on **Edinburgh**'s Royal Mile – right in the heart of Scotland's capital city, where Adam Smith worked and died. The statue was created by Alexander Stoddart, Scotland's leading monumental sculptor, and was unveiled by Nobel Laureate Economist Professor Vernon L. Smith.



THE ADAM SMITH INSTITUTE (LONDON)

History and Mission

- ✗ The Adam Smith Institute was founded in the 1970s, as post-war socialism reached its high-watermark. Then, as now, its purpose was to educate the public about [free markets](#) and [economic policy](#), and to inject sound ideas into the public debate. It has always been [a practical think-tank](#) rather than an academic organization, and despite its strict political independence, it has endeavored to work with policymakers to deliver real change, and to make free market ideas reality. In its early days, the Institute was known for its pioneering work on [privatization](#), [deregulation](#), and [tax reform](#), and for its advocacy of [internal markets in healthcare](#) and [education](#).

Activities

- ✗ As well as engaging in traditional think tank activities – like conducting research, publishing reports, and holding seminars and conferences – the Institute has also, throughout its history, paid a great deal of attention to developing the next generation of [policymakers](#) and [opinion formers](#), with its well known and highly regarded youth programs forming a major part of its activities. The Adam Smith Institute also prides itself on being forward-looking and media-savvy, and being quick to embrace new technology and new opportunities to promote its ideas.

HIS FAVORITE SUBJECTS

- ① Sympathy
- ② Division of labour
- ③ “Invisible hand” and related subjects like “natural liberty”, “government intervention”, “free trade” etc.
- ④ Smith’s theory of labor value

-
- ✖ AS is a Scottish philosopher

The Scottish Enlightenment

- ✖ Francis Hutcheson (1694-1746)
- ✖ David Hume (1711-76)
- ✖ Sir James Stuart (1712-80)
- ✖ Adam Smith (1723- 90)



A VIDEO ON SCOTTISH
ENLIGHTENMENT (IN 18TH AND
EARLY 19TH CENTURY):

[HTTPS://WWW.YOUTUBE.COM/WAT
CH?V=ZG4SGDWVDHC&AB_CHANN
EL=EDINBURGHSCIENCE](https://www.youtube.com/watch?v=ZG4SGDWVDHC&ab_channel=EdinburghScience)

Part of the Europe-wide Age of Reason, the Scottish Enlightenment was an intellectual movement that ranged across the fields of **philosophy, chemistry, geology, architecture, poetry, engineering, technology, economics, sociology, medicine** and **history**.

The 18th century is often described as Scotland's 'Golden Age'.

Scottish Enlightenment figures included David Hume, James Hutton, Robert Adam, Joseph Black, James Watt, Alison Rutherford, Adam Smith, Francis Hutcheson, Adam Ferguson and Thomas Reid.

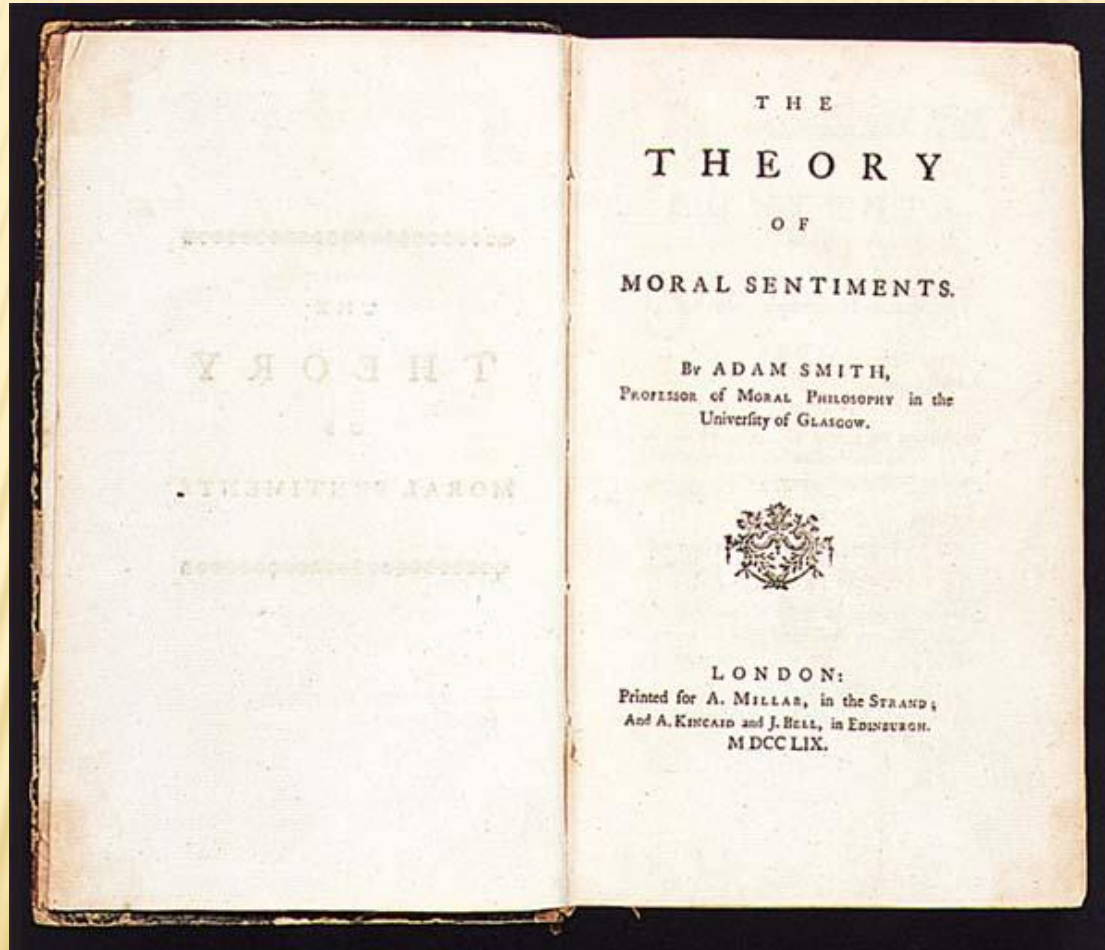
In **Edinburgh, Glasgow** and **Aberdeen**, great thinkers sought to understand the natural world and the human mind.

Today, many historians believe that the ideas and advances that emerged from the Scottish Enlightenment helped to shape the modern world.

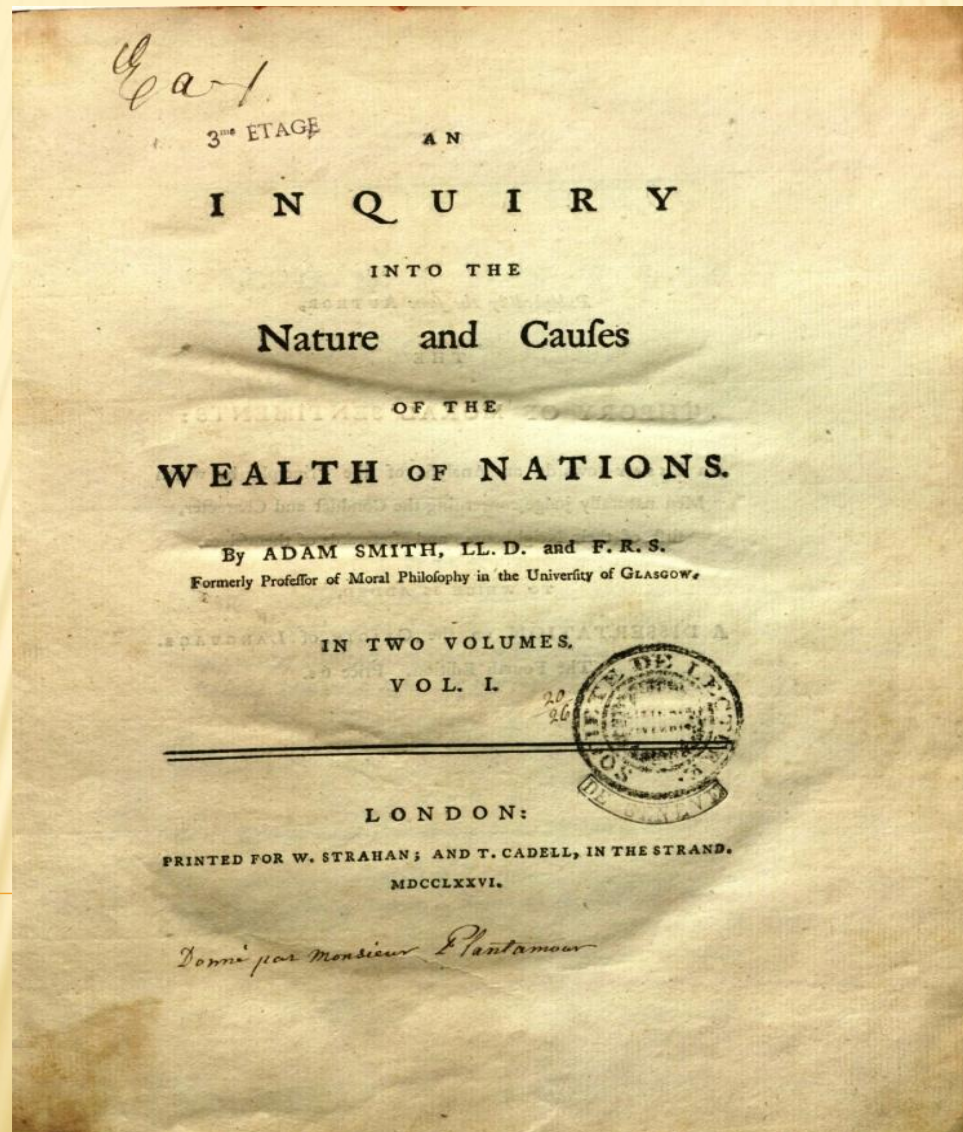
THE SCOTTISH ENLIGHTENMENT

- ✗ Followed Bacon, Newton and the scientists of the 17h century
- ✗ Historical focus
- ✗ A major theme in their studies was also “human nature”
 - primitive society
 - agrarian society
 - exchange society

THE THEORY OF MORAL SENTMENTS (1751)



AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS (1776)



CLASSICAL POLITICAL ECONOMY

or

(CLASSICAL SCHOOL OF ECONOMIC THOUGHT)

or

(POLITICAL ECONOMY)

- ✗ Jean-Baptiste Say (1767-1832)
- ✗ Thomas Robert Malthus (1766-1834)
- ✗ David Ricardo (1772-1823)
- ✗ Robert Torrens (1780-1864)
- ✗ Edward West (1782-1828)
- ✗ John Ramsay McCulloch (1789-1864)
- ✗ Nassau William Senior (1790-1864)
- ✗ James Mill (1780-1864)
- ✗ John Stuart Mill (1806-1873)
- ✗ Karl Marx (1818-1883) (YES and NO)

CHARACTERISTICS OF CLASSICAL SCHOOL

- ✗ In growth and development (First theories on growth)
- ✗ The distribution of income between
 - + Labour (wage)
 - + Land (rent)
 - + Capital (profit)
- ✗ The concentration on the cost of production as the main determinant of prices.

CHARACTERISTICS OF CLASSICAL THINKING (KURZ 2016)

- ✖ 1.
- ✖ 2.
- ✖ 3.
- ✖ 4.
- ✖ 5.
- ✖ 6.
- ✖ 7.
- ✖ 8.

HIS LIFE (2/2)

- ✗ Left his chair in 1764 of logic for that of MORAL PHILOSOPHY in Glasgow University in order to accompany the Duke of Buccleughas as tutor on a study tour to France.
- ✗ During the latter part of his stay in France, Smith took part in the meetings of the physiocrats. This tour lasted two years and it's during this tour that Smith began to write his *Wealth of Nations*. But he of course worked on it a lot and publishes finally in 1776.
- ✗ In 1778 Smith accepted the post of Commissioner of Customs in Scotland, so worked as a civil servant.

SMITH WROTE ON

- ✕ The history of astronomy
- ✕ The origin of language
- ✕ The relationship between music, dance and poetry

DAS ADAM SMITH PROBLEM

- ✗ This is the name of an **historical debate** among German Authors in 1960's and then discussed by Smith's interpretation from all around Europe.
- ✗ The relationship between TSM and WN was explained by different commentators.

THE THEORY OF MORAL SENTMENTS

- ✗ The sense of propriety,
- ✗ The sense of approbation
- ✗ The sense of judgement of merit and virtue.
- ✗ The concept of sympathy (the basic kindness, as the basis of liberalism)
- The ability to see things from someone else's point of view.
- To see our own behaviour from the perspective of an “impartial spectator”.

1. SYMPATHY

- ✖ The ability to see things from someone else's point of view.
- ✖ To see our own behaviour from the perspective of an impartial spectator.
- ✖ That means that we try to view our own behaviour from the point of view of **the impartial spectator**.

TMS

- ✗ what makes it possible for men to live in society?
- ✗ How it is that selfish desires can be restrained in order to prevent men from injuring one another?

Because

- ✗ we want to please others
- ✗ We have a desire for the approbation of other people

THE MAIN QUESTION

TMS

- ✗ What makes it possible for men to live in society?
- ✗ How it is that selfish desires can be restrained in order to prevent men from injuring one another?

Answers:

- ✗ To please others
- ✗ A desire for the approbation of other people

WN

- ✗ How a commercial society can prosper, even though man are pursuing their own interests, this famous invisible hand?

SO FURTHER GUIDANCE IS NEEDED. WHAT KIND OF GUIDANCE?

- ✖ This guidance is provided by moral rules and by positive laws.

THE CONCEPT OF SYMPATHY AND EMPATHY

[https://www.youtube.com/watch?v=1f0eSejIzLo
&ab_channel=DrPaulFurey](https://www.youtube.com/watch?v=1f0eSejIzLo&ab_channel=DrPaulFurey)

[https://www.youtube.com/watch?v=35Wt8LhoV
HA&ab_channel=Psych2Go](https://www.youtube.com/watch?v=35Wt8LhoVHA&ab_channel=Psych2Go)

TMS

“Society may subsist among **different man**, as among **different merchants**, from a sense of its utility, without any mutual love of affection; and though no man in it should owe any obligation, or be bound in gratitude to any other, it may still be upheld by **a mercenary exchange of good offices according to an agreed valuation**”

(TMS, p. 86)

Smith, A. ([1759-90], 1976), *The Theory of Moral Sentiment*, D. D. Raphael and A. L. Macfie ed., Oxford, Oxford University Press.

ANALOGIE WITH NEWTON

✗ Newton's model of self-regulated universe, where the law of gravity determines the movement of planets.

>>>As if universe, where the **law of gravity** determines the movement of planets the society is held together by the **force of morality**.

>>>Smith replaced the Christian conception of innate moral sense with a theory based on '**sympathy**'

“A Beautiful Mind” Adam Smith needs revision

<https://www.youtube.com/watchv=Or3xj4VClx0>

WN

CHARACTERISTICS OF THE MAN

1) Man is selfish and tries to better his position

Exceptions; drunkness, gluttony, prodigality.

2) Propensity to truck, barter, and **exchange** one thing for another

3) Different individuals are quite similar to begin with but there are original differences which bring us to division of labour.

TSM AND WN

TSM (moral side)	WN (economic side)
Pursuing its own interest	Pursuing its own profit
Mutual dependency in social sphere	Mutual dependency in economic sphere
Impartial spectator in action in social sphere	Taking into account others' economic interets
How to leave a peaceful society	How to live in a prosper commercial society
Division of labor in the society	Division of labor in trade between countries and benefits

2. DIVISION OF LABOR

TO SUM UP

“In a society where man, first of all, is selfish and tries to better his position, secondly, has a propensity to truck and, thirdly, different individuals are quite similar but the inclination to truck, barter and exchange results in a **specialization of people** which reinforces the original differences. In other words **specialization of people** which reinforces the original differences result from the inclination to truck, barter and exchange.”

THE MOST ESSENTIAL FOR HUMAN IS

✕ truck, barter and exchange

Polanyi is not agree with Smith at all *in Great Transformation (1944)*

“It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow-citizens.” (WN, p. 14)

ADAM SMITH ON LABOR MARKET

- ✖ https://www.youtube.com/watch?v=JhhS5jF3Ugg&ab_channel=TheFraserInstitute

DIVISION OF LABOR

- ✗ “The Greatest Improvements in the productive powers of labour, and the greater part of **the skill, dexterity, and judgment**, with which it is anywhere directed, or applied, seem to have been the effects of the division of labour. The effects of the division of labour, in the general business of society, will be more easily understood, by considering in what manner it operates in some particular manufactures.” (WN)

PIN FACTORY

- ✖ https://www.youtube.com/watch?v=JhhS5jF3Ugg&ab_channel=TheFraserInstitute

The effectiveness of division of labour

- ✘ First to the increase of dexterity in every particular workman
- ✘ Secondly, to the saving of the time which is commonly lost in passing from one species of work to another;
- ✘ Lastly, to the invention of a great number of machines which facilitate and bridge labour, and enable one man to do the work of many.”
(WN, p. 7)

3. THE INVISIBLE HAND

- ✗ A metaphor

- ✗ Meaning:

When an individual invests his capital where his private yield is largest, at the same time, according to the principal rule, he is investing it so that the income of the whole society becomes largest.

THE GOVERNMENT SHOULD INTERVENE LESS BECAUSE...

- ✖ 1) when there is selfish way of commerce – like during the mercantilism as a doctrine and also as a **selfish way of commerce**.
- ✖ 2) when the government is not that capable to regulate the economy in the interest of the **majority of the people**.
- ✖ 3) when, in the hands of the governments, labour become **unproductive**.

WHAT IS THEN THE DUTY OF THE GOVERNMENT?

1) National defence

+

2) The administration of justice

= Night-watchman state

3) Public institutions and public works (bridges, roads, canals, harbours, postal services...)

4. THE THEORY OF LABOUR VALUE

- ✗ Value in use
- ✗ Value in exchange

THEORY OF LABOUR VALUE (I)

“If among a nation of hunters, for example, it usually costs twice the labour to kill a beaver which it does to kill a deer, one beaver should naturally exchange for or be worth two deers. It is natural that what is usually the produce of two days’ or two hours’ labour should be worth double of what is usually to produce of one day’s or one hour’s labour.” (WN, p. 65)

Smith, A. ([1776]1979), *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. By R. H. Campbell, A. S. Skinner and W. B. Todd, Clarendon Press, Oxford.

THEORY OF LABOUR VALUE

The word value, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called “**value in use**”; the other, “**value in exchange**”. The things which have the greatest value in use have frequently little or no value in exchange. Nothing is more useful than **water**: but it will purchase scarce anything; scarce anything can be had in exchange for it. A **diamond**, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had exchanged for it’ (p. 44-45).

DISTRIBUTION OF INCOME FOR SMITH

- ✘ The wages: The level of wages is considered to be a result mainly of the prosperity of the society and the amount of capital.
- ✘ The profit increases with the risk, decreases with the agreeableness of the industry and decreases in relative terms if the capital grows.
- ✘ The rent: the price for leasing land, is considered both as a monopoly price determined by the landlord and as a residual that remains after wages and profit have been deducted from the price.

COMPLEMENTARY THEORY...

- ✗ Natural price : ?
- ✗ Market price: ?

Labor theory of value :

https://www.youtube.com/watch?v=AV4yTgPCHHg&ab_channel=LearnLiberty

CONCLUSION (I) (FROM TSOULFIDIS BOOK) SMITH'S MODEL OF ECONOMIC GROWTH

It is important to bear in mind that Smith was describing an economy in transition from **feudalism** to the **market system**.

Smith had to show that, on the one hand, the emerging new social organism is viable without **any central authority** to dictate **what is to be produced** and **how the fruits of production are to be distributed among the members of such a society**.

Smith showed that although the market society functions in a completely decentralized way, **where each individual seeks to satisfy his own self-interest**, yet this society creates internal mechanisms that bind people **together in a cohesive totality**.

CONCLUSION (II)

SMITH'S MODEL OF ECONOMIC GROWTH

Physiocrats believed that **market forces** were weak and that **state intervention** was necessary to make the economy work **according to natural law**. By contrast, Smith believed that the **market mechanism** is powerful enough to cope with any obstacles that were caused by feudalistic relics.

On the other hand, Smith had to demonstrate that such a society is capable of **economic growth** which, however, is not out of control but rather contained by internally generated mechanisms.

The State was granting various kinds of monopoly privileges; for example, the commerce with the **East India** was granted exclusively to the **East India Company**

Rate of profit to fall (Kurz, p. 40)

Smith believed that the general rate of profits had a tendency to fall in the long run.

WHY?

His reasoning, however, is not tenable. He was misled by generalizing an observation that applies to a single sector in the economy to the economy as a whole. **If capital flows from one sector of the economy into another in search of a higher return on capital**, then production will decrease in the former and increase in the latter.

Correspondingly, but conversely, prices will increase in the former and decrease in the latter.

In the sector into which capital flows profitability will fall **because of falling prices**. Smith appears to have had only this latter case in mind when he argued that the increase of capital in the system as a whole will **“intensify competition”** and thus bring down the rate of profit.

But first, since he assumed free competition in the first place, competition can hardly intensify. And second, while the rate of profit in the latter sector tends to fall, the rate of profit in the former tends to rise. The overall rate of profit in the system as a whole will thus largely remain constant. It follows that capital accumulation can only lead to a fall in the general rate of profits if either the real wage rate rises, other things being equal, or less and less fertile natural resources have to be utilized, given the real wage rate. It was Ricardo who criticized and corrected Smith’s mistaken doctrine of the falling tendency of the rate of profits

Smith and his mother :

<https://www.youtube.com/watch?v=dAigrdDfkHg>