

An Inquiry Into the Nature and Causes of the Wealth of Nations Study Guide

An Inquiry Into the Nature and Causes of the Wealth of Nations by Adam Smith

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Plot Summary

This is a very famous piece of nonfiction literature of the modern world. It is late 18th century. It was part of a new level of social learning and proliferation of public knowledge. Adam Smith was prominent during his lifetime and was known to have a prestigious friend, the atheist philosopher David Hume who was Scottish. Hume writes substantially regarding the unification of the nation of England with the country of Scotland. While not a prevailing theme, it is alluded to more than once.

The Scottish author delves into and presents one of the greatest initial formulations of economics the English speaking world has ever known. Several principles are laid out and explained in this landmark work in its field. The work is thorough and substantial, running to 900 pages and being subdivided into a number of books. There are 4 types of Introductory material in the work. Then there is Book 1, which contains 11 Chapters. Each chapter is designated using the Roman Numerals. This is followed by Book 2, which has 5 chapters; book 3 has 4 chapters; book 4 has 9 chapters, and book 5, the final book has only 3 chapters. There are further details about the book's structure at the end in the Structure section of the summary. Together, these basic principles form the modern basis for economics.

This book is able to serve a set of purposes. One of these is to be an introduction to the topic of economics, particularly international economics. Another is for the contemporary figure to become even better read in the classics than ever before. Yet again, the book is also a great participant in posterity: the whole of knowledge moves through time, and this work by Adam Smith gives great insight into the period in history after the world had largely recovered from the Middle Ages in Europe but is still at the dawn of the genuinely modern age.

By the end of the work readers have a rather sensible understanding of basic economics. Readers are apt to have an improved awareness of how governments fund themselves. The author shows how international trade works through multiple case examples. This book is valuable to general readers. It can also be helpful for specialists in a variety of fields.



Book 1, Chapter 1

Book 1, Chapter 1 Summary and Analysis

In this text, the introductory material has been created by an esteemed scholar. The Preface makes this explicit. The topic of the discussion is whether or not any spelling changes have been made and how this influences the accuracy of the different editions. Scholars are aware of and respect that preservation is part of their work. Edwin Cannon, of the London School of Economics is the author of the Preface. His note is dated 1904. What follows is the Editor's Introduction. Here, the writer is another editor, scholar Max Lerner. He explains how the first published editions of the book came out in two volumes during the 1770s. The realities of the Christianized European world came into play. The editor explains that in the first volume, Catholic and Protestant forms of Christianity are found in association with the politics of the East India Company. The Protestants were persecuted during the time of the first volume. During the time of the second volume of the same masterwork, the same people were seen as being in a more moderate situation. The edition used to create the summary is the Rand House Modern Library printing: New York was one of the city's the Introduction by Max Lerner is dated 1937.

This Editor informs readers about Adam Smith when he explains that this is not the type of man to write his own Index when he writes a book. At the end of this Introduction, the editor begins to explain what main principles are forthcoming in the main text. One of these is ordinary industriousness. Another is security and another crucial feature is the division of labor. He remarks that the division of labor is the true source of abundance. Security proves to be a function mainly of the highest social classes along with the main body of the society, the men in particular. This is explained more fully later on. Next the editor begins to write about the state of Britain. He writes about the emergence of government. He writes that at first, government was a very fragile creation. He refers to the most essential features of trade - that it is beneficial to both. He writes of government - that it is meant to serve the people. During the time this was written, child labor is legal. He writes of what happened. The way child labor was handled was not the same in every part of England. Also, he reports that the boy children who did work, often grew unruly and rebellious towards their parents. He writes that these same boys often suffered from having their educations neglected since they were sent to work instead.



Book 1, Chapter 2

Book 1, Chapter 2 Summary and Analysis

One of the main points of the Editor's Introduction is that the work was not written in a short time. It took over 27 years for the author to assemble the entire manuscript. Once the work gets started in earnest, it becomes very clear that that author is actually setting out the main principles of a theory. The division of labor is the first of these. Here he describes how the sociological differentiation has fostered specialization and efficiency. The division of labor is determined largely by the marketplace. Trade routes and the like become vital the more that trade is extended to distant locations.

There are two crucial principles at work at this time. One is that the annual product of a nation is its real wealth, while money is merely used as an indicator of the actual products of the labor in an economy. This is a fact which people can lose sight of.

Book 1 "Of the Causes of Improvement in the productive Powers of Labour, and of the Order according to which its Produce is naturally distributed among the different Ranks of the People," (p. xi). Of the Division of Labor is described over the course of 10 pages. This is followed by the principles of how this works. The author starts by saying that he doesn't think the origin of the division of labor shows wisdom on the part of humanity. However, he also admits that it turned out to have been a very good idea. He points out that humanity has had a tendency towards trade; this tendency goes back far into prehistory. Later, he asserts: give me something that I want, and you will get something you want - is the proper method and attitude towards trade, whether that is between individuals or on the larger scale.

Chapter 3 begins the explanation of how and why trade is limited. Obviously, one of the most important reasons for this has to do with what can be produced in any given location. There are a number of reasons for variations in these matters. The author begins close to home, showing how many of these principles he is teaching are found and applied in the Highlands of Scotland. He explains that there is a set of essential services which are needed for the maintenance of a village. When these needs are met, then their presence is not repeated within 20 miles. This is due to the simple truth that the competition for these positions is actually fierce. A town of certain populace is required in order to be able to support any given profession to a specifiable level.



Book 1, Chapter 3

Book 1, Chapter 3 Summary and Analysis

The author provides important information throughout the experience. He includes some prevalent points. In chapter 4 he shows that what is so vital to making this form of economy work is that an individual produces far beyond his or her capacity for consumption and then trades off the excess - everything that goes beyond his own consumption, to the others in the same community. The author also includes that one of the first official forms of exchange was cattle. Anything traded for cattle could be valued and this value calculated by cattle. He goes on to show how this can be awkward as if he wants to buy salt using livestock, as he will have to buy as much as the value of the item used to pay. Next the author describes the origin of money. William the Conqueror began this idea, and it turns out it was an excellent one. The use of metals as money led to the creation of "money" - that is, coined and stamped pre-weighed metals officially recognized by the public authorities.

Secrets in manufacturing and trade and monopolies then become an important part of the discussion. The author discusses the significance of a secret, say, to produce a specific pigment through the dying process. However, he does not overtly mention those processes which govern the mining, and production of the metals, especially those used by the automotive and military let alone culinary areas of society. These are some of the most important secrets known to humankind. The preservation of the knowledge of metal mining, and smithing or other working is genuinely vital for the type of civilizations presently available. In the event of their loss, ceramics and plastic technologies provide the greatest alternatives. The secret knowledge surrounding these practical crafts are complex. The monopoly, the author explains occurs when a market is under served: the market's needs go partially unmet and the expense of getting the little they do get is extremely high. The vast majority of people in contemporary society agree that it is better, as a cultural trend, to disallow monopolies due to the abuses of power that they can cause. Even though this is true, Adam Smith also puts forth another observation that appears to be a counter argument: in an atmosphere where there is no competition for a good or service, the price is lowest. This may create the opportunity to make certain things look quite differently depending upon the lens used to view them.



Book 1, Chapter 4

Book 1, Chapter 4 Summary and Analysis

The author differentiates between real and nominal price. Here he explains all the additional factors that play into the value of a given item, described here as a commodity. The amount of labor involved is included in an estimation of the real price of an object or service. He shows how it can be that an item can be more highly valued but still have a lower price. This includes a number of factors, but the money will buy more in one location "lower cost of living" may be one way of describing the relevant difference in this case, could make the surface lower price, far greater.

Wages are a main topic of the second portion of the book. Adam Smith declares that wages do not make as much sense or follow a precision of order that one might hope. He admits that the economist's desire to find effective structure in the organization has despaired in this case. He writes that the same work can in fact be compensated by surprisingly differing levels of pay. The amount paid is influenced by a number of factors.

The Profits of Stock is chapter 9 of the first Book of this massive work. When the author wrote this book, Holland was a richer nation than England. Smith also writes of news of the special economic conditions found exclusively in new colonies. Stocks rise and fall in an economy as do wages. However, each important part of this - wages and stock prices, are not affected the same way. Increases in stock tends to lower profits partly because it is usually found in close association with increased wages. The use of cash is another influence. Cash flows are higher where there is much to be gained through the use of it. Where there is less money that can be made using money spent, then often enough there will be less spent there.

Taxes are explained in general terms. This is a portion of the revenues from productive efforts upon any land that go to the government. Adam Smith writes about the taxes set by the court of the King of Spain and by the king himself. The tax paid to the King of Spain for Peruvian silver from the mines was 1/5th in 1736. At the same time, the Duke of Cornwall in England was able to command a 1/20th tax on the metal tin. There was a tax cut on silver, but this did not ruin the price of silver and the tin market was not badly influenced by this.



Book 1, Chapter 5

Book 1, Chapter 5 Summary and Analysis

The first Book within the entire work contains 11 chapters. Here, we come to the last chapter. Adam Smith introduces major concepts that formed the first published theory of economics. He completes his explanation of nominal versus real price by showing how the amount of silver contained in the British coins of the 1700s is the nominal price of wheat. Next, Smith gives more details about the metals markets. He tells a true story about how two small island nations had something and needed something. What they had was surface gold nuggets. What they were short on was food. Enthusiastic Spaniards learned that they could trade corn for gold. Despite severe misunderstandings and at least some misplaced aggression, this worked. Smith explains that in the world's marketplace: gold and corn are set as valuable in direct relation to one another. While most readers have heard of South American gold, Adam Smith points out that in 1545, the discovery of silver mines in Peru was of the greatest economic importance. This made the idea of colonizing Peru sound and holding it well worth the trouble. At the time, Spain was not doing well financially. "Since the discovery of America, the greater part of Europe has been much improved. England, Holland, France and Germany, even Sweden, Denmark and Russia, have all advanced considerably both in agriculture and as manufacturers," (p. 202).

However painful, the introduction of currencies and commerce, as well as European products advanced human society in the Americas. Smith gives perspective when he writes that the Spanish armies in the American colonies had maxed out at 500 men. These numbers may have seemed smaller to Smith than they seemed to others, but to the 21st century readers this would almost be viewed as a small group. Corn, cattle and horses and metal worked items were the main imports to the Americas in exchange for the silver and gold. Smith lays out a few more important economic principles. The location and movement of resources and items produced by an economy and the relationship between the world famous supply & demand is discussed. Then the author writes about how his homeland Scotland has been affected by the political and trading union with England. He writes that the English were paying a better price for the Scottish wool. At the same time, the English demanded so much of it that the market was greater narrowed.

End of Book 1

End of Book 1 Summary and Analysis

This covers the final material of the first book. Here Smith begins to explain what is meant by limited and uncertain markets. Every market has a limitation to it. One perfect example of uncertainty is a mine. Perhaps it is not clear what can be done with the products. Uncertainty of markets can occur whenever a market needs to expand in order to find more demand for its surplus of supply. A market does not need to expand when the demand can be entirely met locally. Because of this, however, lack of demand can reduce prices and can cause the loss of productivity. Real markets are based upon the creation of a surplus of something. When no demand is found for a surplus good productivity normally declines since to produce any more than will be used is a waste of energy. There is another major component involved: whenever there is an extension in a market there is also an increase in the amount of labour required in order to transport the goods into the new market. The condition of an infrastructure will affect this. Well maintained transport routes will preserve prices whereas routes that are in bad shape will raise costs by putting excessive wear on the transport devices.

Practical and realistic, the author turns to the presence of the metals within any nation at any given time. The first factor is the presence of the mines and their productivity. The second is the purchasing power of any nation to buy the surplus from these same mines. He follows this with a description of smuggling. Smuggling is transport and marketing without paying duties/taxes. This can happen because the goods themselves are illegal, or due to regulations surrounding the importation and exportation of goods. Import and export duties are often caused in the 21st century by a blend of real trade conditions and politics.

Next, Smith refers to gains created by technological improvements. Productivity has massively increased through the use of labor saving devices and often the same amount of time and effort spent in productive labor. He cites that first the rock & spindle, but later on the spinning wheel revolutionized the textile industry. Numerous tools that improved the creation of threads and yarns and then loading the looms used for weaving took the textile industry levels further.

Book 2, Chapter 1

Book 2, Chapter 1 Summary and Analysis

There are 3 divisions of the people within a society. Smith put these in as conclusions of Book 1, but they are mentioned here because there was not room to fit them into the previous summary chapter. Each of these three types of people has a direct relationship to the interests of the society. However, the way they relate to those interests are strongly influenced by which category of the three they are in. The first group are the independently wealthy people. These people have the means to be able to provide investment capital and to perform works by moving their money around on a rather grand scale. The common good is best served when such people are of good character. Under such conditions they give wisely and are also philanthropic in their practices. The second group are the wage earners. These people earn their livings by working with and for others as part of larger organizations. They may serve one or multiple work-teams in the interest of the community and society. They are normally financially dependent upon the business they work for or with. The third group is the business owners. These people live by profit, which they earn through the successful running of any business or businesses they own and run.

Division of Stock begins with an explanation of the two ways that capital can be used. One of these ways is better than another. Using capital to create and market merchandise is one of the two ways. This is not the best way, according to Adam Smith. The better use of stock is whatever improves the value of the land that is already present, preferably "without changing masters" (p. 262). One example of this would be to change open lands to well-cultivated fields. Another might be to take farm fields that have gone out of use and to place businesses there to help increase revenue and regain the chance for profit at the same location.

There are 4 divisions of General Stock within any nation. One type is for immediate consumption. The second type is for fixed capital. Fixed capital allows for improvements of efficiency without having to make alterations to changes of command. The 3rd type is improvements of the land to include all activities that lend themselves to cultivating the soil or otherwise improving the profitability of a given location.

Fourth and final: all the useful abilities of an individual can be included as a main form of the division of stock within a nation.

Book 2, Chapter 2

Book 2, Chapter 2 Summary and Analysis

Adam Smith next writes about two types of rents: gross rent and neat rent. Rents are profits obtainable from the land. It is important to notice that this does not mean what it does to contemporary readers who are familiar with rental properties. Repairs and other works to keep the land profitable are included in the gross rent. The neat rent can remain the same even when the gross rent changes.

Circulating capital is the next important concept. When Adam Smith wrote this book, England had 18 Million in "Pound Sterling" currency circulating in the nation. Prior to the creation and use of paper money, the cash value was rooted in the value of the metal from which the coin was made. Next, the author writes about how the amount of circulating currency does not need to be equal to the costs found in the nation. There are channels of circulation. There is normally a set amount of funds that any channel can handle. In this regard, funds channels are very much like the earthen part of waterways. When their maximum level is reached, they will overflow. This is what it is when readers hear of markets being flooded by goods, or by how flooding a market with any product can drive down the price offered for that same item.

The example the author uses is simply that if there is a financial channel designed to handle 1 Million in currency, and 1.8 Mil runs through it, than something has to happen with the other 800,000. The standard method for managing such a situation is to send the surplus abroad. Due to transfer, the form of a payment is changed. Whenever coinage is relocated, its value as the metal that it is needs to be noted. When these kinds of transfers are made, there method of payment may be changed. In this case Adam Smith describes a case where the overflow was sent overseas in the form of cash coinage. What happened in country as a direct effect of the transaction was that paper used as currency was retained; whereas, metal that might have stayed in the country otherwise was sent to the other nation.

Book 2, Chapter 3

Book 2, Chapter 3 Summary and Analysis

This is the continuation of the discourse of "Book 2" of the original text. The author explains that there was a specific attitude of a certain class of men [and women] in Europe. This was that a certain type of people who viewed themselves as the leadership would look upon any human residents as part and parcel of any lands. This can be a very unpleasant and disconcerting thought for contemporary free people. If these "guys" came to your area and decided they owned your location, they would have simply included you as part of their property. This was not caused by the organizational form of slavery but simply exhibits the kind of mentality involved. It was an objection to that which eventually resulted in things like citizenship and voting rights: one of the first monuments of altering this view in Europe is the Magna Carta; another is the bloody French Revolution. These people, who have been referred to by some as the peasants, in the time of Adam Smith's writings are referred to as "bondsmen." While admittedly they are not slaves, they also are not viewed as real citizens by those who sometimes use their labor and sometimes beat them down; sometimes just take from them and on other occasions protect them and provide leadership, capital, a government and guidance.

On page 321, the author provides a very straightforward account of events. He writes that where capital predominates in a financial system, there is industry. Industry includes a variety of activities. Where revenue prevails there tends to be idleness. Where revenue is low, there is idleness with poverty. When revenue is high, the idleness can take place in association with spending luxuriously on consumer goods. Capital is increased by parsimony and decreased by prodigality and misconduct. Prodigality is essentially using funds in any way other than re-investing them so as to create profits. Smith writes that the European economic situation has improved: there have been occasions when the improvements were very subtle and easily went unnoticed whereas at other times the changes made were more drastic. The author compares the circumstances in Europe to those of the Americas. He writes that the lifestyle of the American Natives in the 1700s is more like the Europeans were living when Caesar brought the cultural and technological advancements with the Roman Empire throughout much of Western Europe. This resulted in good roads, organized drainage and numerous other modernizations.

Book 2, Chapter 4

Book 2, Chapter 4 Summary and Analysis

Smith makes a comment about the human condition. As far as he can tell, he asserts that there tends to be at least a small element of discontent found in individuals. This restlessness can give rise to industry. It is one of the few remarks the author makes about the human condition.

Next, Adam Smith informs readers about borrowing and lending. Lenders want borrowers who will use the money to increase the value and profit of that money. There are various rates offered on loans to governments and to private industries and individuals. For borrowers, a difficulty can be that unless they are borrowing in order to turn a profit through a business venture in the usual sense, it can be difficult to borrow. For this reason, borrowing occurs most where there are business people who use the money and then turn it around. They repay their debts, profit in hand. Much of their profit is then reinvested into the business.

How they use the money is explained in general terms in chapter 5 of Book 2: "Of the Different Employment of Capital." First he explains what capital is. He writes that there are 4 types of capital. 1) basics, also known as "rude produce" (p. 341), 2) manufacturing & transformative industries - here one thing is turned into another, 3) distribution of goods, 4) division - and the consumer/user end of the market. Costs include all of the time and various sorts of labor that are involved in the creation, distribution and division of products. Division is the only stage of the process which prevents customers from being forced to receive far more of something than they might want. If it were not for this, everyone would be forced to do what readers know as buying in bulk. If you want two apples you can only get them by buying a bushel or more. If you want a steak or a glass of milk then you are going to have to buy a cow. That's how much of a difference this stage in the process makes. Costs and profits are both covered by the sales end of the procedure. The money retailers bring in pays back every preceding stage in the process and, in a well run business, includes some profit.

During the time in history when Adam Smith wrote his book, the most profitable business endeavor on the planet was farming. In the case of farming both the humans and the animals qualify as productive laborers.

Book 2, Chapter 5

Book 2, Chapter 5 Summary and Analysis

The chapter title of this is comical yet still accurate. He begins to describe how internationalism can affect a market. Some of this is surprising, while some of it conforms to expectations. The reason being that these are the same kinds of issues we find on the market today. Many products go through their entire process within one nation. Other products include another country in at least one phase of the project. He uses the example of the Sicilian fashions of the 1700s. He writes that many of these clothing items are made from fabric fibers produced there in Sicily, but either at that stage or later when they are in the form of yarn and cloth they are shipped out. In this other nation, the yarn or cloth is transformed into clothing items. These are then shipped back to Sicily where consumers buy them and wear them.

Adam Smith explains that the capital of a manufacturer needs to stay in the country more so than other types of capital does. Then he explains extended markets and productivity. This book was written in the 1700s. Marketing only ever took place where a surplus was created and hence it sought other demand. In this way, the product could be traded where it was valued instead of allowed to go to waste. However, when a product was created in surplus and a market was sought but not found, then productivity would drop in reaction to the knowledge that anything produced might not do anything other than go to waste. He writes that there are limits to capital and that these limits are well known. Adam Smith explains the truth about self-sufficiency and interdependence. He writes that every nation fares better, and is able to make more progress when interdependence one upon the other is cultivated and used. He writes that to separate out any nation so it is forced back into self-sufficiency would cause it to suffer a real setback. The state of such a nation would probably be retarded by how much it now could not do that it could do when there was plenty of international interdependence. Foreign trades take longer than domestic trading. Domestic transactions are often able to be completed from end-to-end inside of a year. Foreign exchanges frequently take 2 to 3 years to complete their cycle. The author reminds readers that beneath all the money there is real trade. The example he uses is that if sugar and rum are traded out by Jamaica in exchange for Virginian tobacco with the excess of the tobacco being used to buy clothing from Spain the realities that this involves will show in the exchange of the goods and in the timing of the events directly connected with the trade. This concludes "Book 2 - Of the Nature, Accumulation & Employment of Stock".



Book 3, Chapter 1

Book 3, Chapter 1 Summary and Analysis

During this "Book" the author endeavors to show how nations progress. He asserts that beyond any shadow of a doubt, each nation makes better progress through being interdependent than would be possible if isolated. This seems self-evident in many ways. Ironically, it also flies in the face of ideas that self-sufficiency means separation and isolation from others. While togetherness can undermine progress, often enough it has the reverse effect. He also recognizes that since the wealth of one location is not identical to that of another what is needed to make the best advancement is not the same for each nation. As mentioned earlier, there were nations that had plenty of gold, but not enough corn.

The author also differentiates between what takes place in the countryside and what occurs in the city. He reports that each has an important part of the work in general terms. The countryside is normally where the raw materials are produced. The more urban areas then manufacture and refine whatever products the country people have supplied. In fair exchange, the city folk then send made items back to be retailed to those same people so farmers and forest managers can have such things as cookware and furniture. The author shows that some of these principles are relatively "timeless." For example: "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," (p. 360).

Capital is directed 3 ways: 1) agriculture, 2) manufacturing, 3) foreign commerce. Only when lands produce far above subsistence levels does inheritance change from being equally distributed among all into something designed to consolidate and preserve unity of power and finances within the family. First born sons as heirs is a system of succession designed specifically for these conditions. The highest ranking peoples were often involved in creating and securing boundaries for territory. This made it virtually impossible for them to devote themselves to improving held territories- as a consequence, this task was handled by other social strata.



End of Book 3 & Book 4, Chapter 1

End of Book 3 & Book 4, Chapter 1 Summary and Analysis

The author writes briefly about the peasantry: a form of "mild slavery" wherein residents are viewed as part and parcel of the landscape they inhabit and as such, fall under ownership along with the land. There are a few limitations, including that spouses are not to be sold separately from one another in the event of a sale. He notes both a 12th century Catholic priest's written objection to slavery and also the 18th century Quaker removal of slavery from Pennsylvania. He then admits that freemen are less lazy about working since they get to actually benefit from doing so in a manner forbidden of slaves. The lord of the land would normally take 50% of the produce of the land but would also have the duty of supplying the tools and seeds or other tools necessary for the work to be performed.

Book 4: "Of the Systems of Political Economy." Adam Smith states that a political economy is for the purpose of making it so that a local population can financially support themselves through work. The first chapter of this "book" within the book is "Principles of the Commerce/Mercantile System." Smith writes that money works in 2 ways: 1) as a measure of value, and 2) as an instrument of commerce. Due to the relevance of metals in money, the author then reminds readers about the silver and the gold of the world. Spain and Portugal had attained control of the mines for these metals in the Americas. As a result, these nations had rather large quantities of gold and silver. Smith explains that Spain and Portugal put severe taxes or other duties to discourage the exportation of these metals through commerce to other nations of Europe. He explains that for other countries who wanted gold and silver, they had to find ways to draw it out of those countries that did have it. He points out that this is no different from the situation of figuring how to get wine from those locations that did have vineyards and how to get the Chinese to sell out at least some of their silk.

Smith goes on to explain that money is just one small part of a nation's economy. He further explains that goods and money are attracted to one another. Goods are motivated by the nature of the economy to move themselves towards money. This happens more commonly than money going to where there are goods that can be traded for it. Finally, he points out that the real reason people want money is for what they buy with it, not just to have it in and of itself.



End of Book 4 & Book 5, Chapter 1

End of Book 4 & Book 5, Chapter 1 Summary and Analysis

In the 1700s, Holland was a place of extensive international trade. They were very possessive of their control of the exchange of goods. As such, they went out of their way to push out or to prevent the British from gaining control of the import/export aspect of the market. Smith follows this by saying that the "act of navigation, is, perhaps, the wisest of all the commercial regulations of England," (p. 431). The author's final note for "Book 4" is as of 1776, he is certain that there will never be entirely free trade throughout the various nations of the British Isles again. Readers can consider to what extent those rules resemble the "Free Trade Agreement" for the 3 nations of North America in the late 20th and early 21st centuries.

Book 5 is the last of the "books" that make up the entire work. Chapter 1 is "Expenses for the Commonwealth." This has been further subdivided. First, Adam Smith writes about expenses that stem from national defense. Readers today will have heard about the defense budgets for their own nation. This matter was just as relevant centuries ago. The other expenses discussed are: Expenses of Justice, those of the Public Works and of Public Institutions. Unlike other chapters, this one has been divided into articles. The first one is about Public Works and Institutions used to Facilitate Commerce; these are subdivided into general and branches of commerce. The second article written on expenses covers the Institutions for the Education of Youth. This is a case where there is a major difference in the nations of Europe about education and what it is for. Whereas for present day North American readers, education is for life enhancement, job preparation, cultural improvement, and citizenship. The European nations in the ancient times and all the way up to the time that Adam Smith writes about believed education was essentially to make sure that boys grew up to be men fit for military service. This is why athletics were so crucial in the development of education. Badges were awarded for success, as still found in Scout Troops and systems like it. The best of the athletes would compete in games, including the Olympics that are still running today. This is also why that in those nations that did not have women warriors (which was most), they would not be apt to spend so much on preparing the girls to be warriors since that wasn't a goal. The last article in this chapter is devoted to educational institutions for people of all ages, rather than those dedicated to the children. Universities are one of the most prevalent of these found both during the author's lifetime and today. The final expenses addressed are those associated with "Supporting the Dignity of the Sovereign."



Book 5, Chapter 2

Book 5, Chapter 2 Summary and Analysis

The second chapter of Book 5 focuses on taxes. "The revenue of a Tartar or Arabian chief consists in profit...It arises...from the milk and increase of his own herds, of which he himself superintends the management...It is in this earliest and rudest state of civil government only that profit has ever made the principal part of the public revenue of a monarchical state," (p. 769). From here, Adam Smith goes on to explain how he has found that traders and sovereigns are of two different character types. At this point, it is worth mentioning that sovereign has more than one meaning. It can mean an individual, such as a monarch, but it can also mean an entire commonwealth, or a "board of trustees." To put it into common updated language, sovereigns would be "politicians," and traders are the business people of a location.

Readers may be shocked at one of the author's observations. The real reason that the sovereign's tend to do badly in business is because their agents are wasteful and extravagant and think that their sovereign is "made of money" of an endless supply, which isn't true. Readers will note that this is the kind of complaints made about some aspects of out-of-control government spending and objections to the most recent "bailouts" of the automotive industry. The real complaint is this same one mentioned by Adam Smith: the agents have been wasteful with the funds and this mismanagement made the endeavors far less profitable and effective than they might have been otherwise.

Smith writes about the East India Company. He writes that when they kept themselves to conducting trade they did well. However, they then dared to switch over to being sovereigns. At this point they developed problems, due to the radical change in the nature and quality of the demands placed upon them. After that, Smith tells readers of two other business endeavors. One is about the canton of Berne. This location makes its money by lending money to other nations. The biggest customers are France and England. In contrast, the city of Hamburg has found a way to keep up the flow of currency within its own population. The city of Hamburg keeps money circulating within itself thanks to having created a massive "pawn shop" - a source of commercial trade and collateral loans for its own people.

Book 5, Chapter 3

Book 5, Chapter 3 Summary and Analysis

Here is the last portion of the summary. This Part is about Public Debts. The debts of a nation are always an issue. The author brings light to how debts are created and managed. There are two main types of debts. First are debts incurred for extraordinary services. The most common these are for military expenses, both those of personnel and those of ordnance. The expenses are incurred but not paid for, and hence, there is a debt there. Another item included in this is that there are arrears for subsidies made to princes - foreign princes in particular. The second kind of debt is are actually a means of payment made to clear up primary debts. These are Navy and Exchequer bills.

Funds are often borrowed from one part of the government in order to be used by another area of the same government. The government is an assemblage of departments and sections with their own budgets, funded by their own streams of income. The majority of money that a government borrows, according to Adam Smith, is money it borrows from itself. The implications differ depending upon the departments most affected. This is that there is an additional stream of income that comes when the monies are repaid as the lender receives interest payments.

Government funding usually takes place in the form of anticipations and by annuity. These can both be arranged as short term, fixed amounts or as longer term. There is one other form, perpetuity- this is as close to infinitely as humans can get for this context. Anticipations are funds that are predicted on the basis of the nation's productivity whether that of farming or manufacturing. The author points out that if countries would permit full cycles of borrowing based upon an anticipation and ceasing to borrow until the entire thing has been repaid then this would improve fiscal conditions generally. Often, he admits, governments are pushed into situations where they take loans based upon returns. Last, is raising the denomination of coins. Here, the metal value of a coin is changed, reducing the metal value of the currency. At the same time, the government minting it declares the new coins to have the same monetary value as the previous coins. Then the government pays off debts using the lower cost of the new coins. Smith writes that this is really only making partial payments but claiming that these are full payments and just leaving it at that. Americans today will note the zinc instead of copper penny as one recent case of our coins having "raised denominations."



Characters

Adam Smith

This is the author of the work. He is a 18th century Scotsman who has managed to both write and to have published one of the world's classics on economics. As far as is known, Adam Smith was the first to ever assemble an actual orderly theory of economics. His work is also a sign of Europe's recovery from the so-called Dark Ages when feudalism proved that life isn't necessarily better when people overpower the king and dismantle the highest, unifying strata of society. He was a professor of moral philosophy in Glasgow, Scotland.

Before Smith's lifetime "democratic republics" had existed with some success in parts of the world. By the end of his life, the English colonies had asserted their independence from the British, and unlike Peru, they didn't have the silver mines that made them "worth the struggle to hold onto" for the British Crown and Parliament.

Smith does not directly refer to himself during the course of the writings. At the same time, he does use knowledge that he has acquired through whatever means, in order to express and to clarify his ideas. The author is one of the great minds of the 18th century. His narrative voice is present throughout the work. He does not attempt to disguise himself during the writing and is rather objective. His presence is integrated into the entire work.

King of Spain

This man is almost never mentioned by name; however, the author writes of him repeatedly during the the book. One of the reasons is that the holdings of the Americas were incredibly important to changes in international markets. He is mentioned mainly in reference to his taxation on the metal from the mines of what is now known as Latin America. During the time that the author wrote this book Spain was still led by this monarch.

This entity is mentioned strictly in terms of being an active, politically functional monarchy. The relevance of Spain to the European economic situation is relevant throughout the entire length of the book. As such, the King and his country are both highly relevant to the events that the author cites. The King is neither mentioned nor discussed as a person in terms of his individuality but is always written of with respect to his economic policies.

There are no other details provided by the author regarding the government of Spain. He writes of Spain in general terms and predominantly with respect to their New World colonies and their control over the metals gold and silver on the international market.



Edwin Cannan

The editor of this book who is only referred to at the very front of the book. He is a scholar and is cited as both an MA and LL.D.. At the time that he worked on the edition used to create the book summary he was a professor at the University of London. His field was Political Economics making it quite clear why he would have been chosen to edit this particular project.

There can be no doubt about it. Edwin Cannan was proud to be a part of this project and the book was probably beneficial to his career.

Max Lerner

This man is mentioned on the very front pages of the book. He is the author of the book's introduction and is a scholar. He is described as the editor of a prestigious "The Nation." He and the man mentioned above are both of the kind to cross centuries during their lives: born into the 19th century they lived most of their lives as 20th century men.

As in the case with most editors, the contribution that he made to the work beyond the Introduction is largely invisible. Through the Introduction he is able to provide readers with more of the context necessary to understand the author's work better than they might otherwise. The Introduction is 66 pages long, noted by the old Roman numeral method.

Machiavelli

Prince Machiavelli is mentioned during the Introduction. The reason for this is simply that a great deal of work was done by some of the prominent men of the 1600s and 1700s to formulate their thinking on some of the most important topics humans face. This included politics, economics and society.

This Prince Machiavelli is well known for having been highly literate. His work has often been viewed negatively from the 20th and 21st century republics where "representative democracy" is the form of government primarily used. He was not even remotely "democratic" in his views and was far from apologetic about any of it. Whether others liked or disliked his account of the righteous place for dominance and submission in society, he has retained the reputation as having furthered dialogue, discourse and literature on the subject of politics among human kind.

Karl Marx

This is another one of the great political thinkers of the modern world. He formulated a political philosophy that was rooted in humanity's ability to have the common good in mind along with a sense of brotherhood. In many respects this man's work served as a



counterpoint to the writings of men such as Machiavelli. Marx held a much higher view of human beings. In his model, the basic drive to work as a group and to help one another is a reliable characteristic of humans, so much so, that the political theory of communism was developed from this essential point. His book *DAS KAPITAL* is mentioned during the Introduction.

King William

King William of England is mentioned during the final chapters of the work. During Book 5, he is written of as having been in the unfortunate position of having been King when there was a Revolution in his country. This had a direct bearing on a decision made by the Bank of England to actually stop normal business operations. This King is not referred to anywhere else throughout the entire work.

Queen Anne

Queen Anne of England is mentioned during the 5th Book of this book. She is referred to regarding a policy decision. She reduced the market rate from 6% down to 5% during the 1700s. This comes up in the context of a greater discussion. She is not mentioned at any other time in the entire work.

Alexander III

This man is mentioned for something that he did in the 12th century. He did this while he was a Roman Catholic church representative. The type of cleric that he was is not specified by Adam Smith. What he did was to actually write a document in which he blatantly opposed the cultural practice of slavery. The mention of Alexander III occurs on page 367 of the original text used to create the summary.

Duke of Cornwall

This man is mentioned early in the work. His name comes up alongside that of the one of the first citations of the King of Spain. The Duke is referred to solely in reference to taxation policies of the 1700s. The Duke set a tax of 1/20th on tin. There were mines in Cornwall. The author is relating this to the silver mines possessed by Spain but located in Peru.



Objects/Places

Mines

In the first portion of the book, the author normally means metal mines. During this part he explains how much of the precious metals currently on the surface of the planet and in use have been retrieved from mines through a great deal of effort. When they pay off they are fantastic, but the author shows how risky this field is: he explains that most high level investors scoff and laugh at those who seek to invest in speculations on mines.

The location of mines holds a tremendous influence on what occurs with respect to the international economic picture. The production and output of mines and how and where what has already been mined has a constant role to play in the economic scene.

Peru

This location is introduced as the home of the richest silver mines in the known world during the 1700s. At the time Adam Smith writes the book, these are being mined. Peru has been taken under the dominion of the Spaniards at this point in history. While not the only good that Peru has to offer, Europeans benefited from their silver deposits. The nation comes into the picture during the first book in the whole work.

Cuba

This island nation is mentioned during the first third of the book. The reason is that there is gold there. The author describes surface gold. Naturally occurring nuggets have been found there. The natives like them and know they are valuable and inedible. The Cubans are delighted when they learn that they can get food in exchange for the pretty little rocks.

Guinea

This is another small island nation located off the coast of the Americas. This place is also mentioned for the precious metal gold. The author states that this is another place where there is surface gold, meaning that at least some is accessible without having to even dig.

Colony

When this book was written there were numerous colonies. A colony is a large tract of land, often including the populace that has come under the military and sometimes



fiscal control of an external government. The colonies of Great Britain, of England and of the Spanish are highlighted during the first half of the book. Those that come under the English and Spanish include the remainder of the British isles and the vast majority of the Americas. While there are far more colonies than these, these come up the most in Adam Smith's book

Tax

This is a portion of the revenue that comes from any major economic endeavor that goes to a particular government. This is often done for two reasons. One is that the government's organization and often military forces have helped to secure and will help maintain conditions that allow the economic activity to continue. Another is caused by a simple element of greed connected with dominance. The most powerful government of an area exacts a fee from those within its jurisdiction.

Currency/Coin

This is an object, normally a metal used as a medium of economic exchange. The author describes how this device came to be used. Although self-evident, it bears repeating that the coin is dependent upon the functioning metal mines and the whole system of "mints." Carefully weighed, measured and marked by a government as regulated by a respected legal organization, coins made of valued metals were a quantum leap forward for human economic practices. Smith explains that when first done it was that the coins were wanted for their metallic value. This system has shifted in the 20th century.

Wool

Here, the golden fleece of Scotland is described. Due to the history of the phrase, Adam Smith does not write "the golden fleece"; however, he explains that the wool market - which is the fleece of sheep in Scotland was of the greatest economic significance during the time he wrote this book. The price of Scottish wool was driven down throughout Scotland by union with the English. The market was narrowed but improved. Other commodities improved in parts of Scotland that counterbalanced the devaluation of wool. Fleece really was the main source of gold on the market in Scotland, which is why the phrase "golden fleece" applies.

Livestock

This is another powerful commodity which the author writes about during the first half of the book. These are divided primarily into sheep and cattle. Cattle is mainly cows, but in some locations will include goats, chickens and other animals that create and serve as food for humans. When writing about the English colonies in America Adam Smith writes about how the effects of raising cattle in the Americas has forced them to make



changes. He writes that at first the land was so lush for grazing that they just let the cattle walk through the forests where they grazed and were well fed. However, at the time of writing the book, Smith reports that this tactic no longer worked. The land had been grazed out, and so, when treated the same way, the cattle did rather badly.

Rock & Spindle

The author refers to this as a form of technology used to turn fleece into spun yarn. At the time of writing, this method has been outmoded by the spinning wheel.

Spinning Wheel

This is also brought up during a discussion of the significance of technology on the real cost of producing materials for the market. It is noted as a technological advance. This device made it possible to double the rate of production of spun yarn. This meant that either the same work could be done in half the time or twice the old work could be done in the same amount of time.

Cornwall

This is a location in England. It is mentioned with respect to a political Revolution and to a Duke. The only other thing about it is that there are some mines there. The Duke is described as having set a 1/20th tax on the metal tin.

Exchequer Bills

These are an item that can serve the function of money. They can be used to pay off debts. These are mentioned late in the book during the description of Public Debts and how they are managed. Exchequer bills have been used to pay off debts for extraordinary services. When used in this way, the debt is actually merely shifted, rather than genuinely paid off.

Denominations

This term is used in a financial rather than religious way in the book. This is also brought up late in the book and is related to currency and coinage. When a coin changes its denomination this normally has a bit of a sad meaning. Here the metal used to make up the coin is switched out for something cheaper. Then, the coin is declared as having the same value that it had before, even though by the value of the metal it is made of it does not. This process is explained in book 5.

East India Company

The East India company is mentioned repeatedly, especially during the middle portions of the book. During the discourse on international trade one of the points is that this company is named for what it connects Europeans with. This company was the portal to East India and to the East Indies. They were very protective of their privileges, which is explained in the book. Later on, the author explains that this same organization tried to switch over from being a trading company to a sovereign organization but it did not work.

Themes

Mutual Benefit in International Trade

The author writes repeatedly about the mutuality of trade whether it is done locally or internationally. One of the first major types of trades he writes about are the metals of the Americas and their effect upon the European economies. Europeans ventured to the Americas and exploited the locals in order to obtain gold. This is one of the 20th century ways of describing what happened. People who know this story will have a different perspective on how Adam Smith shares the same information. From his view, Europeans had a great deal that the peoples of the Americas wanted and from which they could benefit greatly. Those in the Americas were in luck because they were also in possession of things of great value, such as gold and silver. This put them in a wonderful position to trade.

There were language barriers and cultural obstacles to making effective and successful trades to everyone's satisfaction. While Cubans had surface gold, they needed food which could be imported along with cultivation technologies in exchange for the precious metals. The natives did not have the same mining technologies as the Spaniards and did not automatically want to make the same exchange as the Europeans. Despite that this led to large scale conflicts; in the long run a great deal of helpful trading took place. The South Americans learned about the wheel and were able to upgrade their farming methods, as well as much more.

These locations are but one example of how international trading has helped the peoples of many nations for millenia. He writes also of how there are times when it is best for everyone when those best able to perform high quality work efficiently are used in tandem with one another to get the best results. This means that once the educational process is addressed, people work in accordance with their talents and skills so the shoe maker makes better shoes for the tailor than that same tailor could have made for himself. In exchange, the shoemaker gets his cloths from the tailor instead of trying to make them himself when his time is better spent making more shoes.

Smith also writes about how the international political unification of the British Isles has economic consequences. In this case, it allows Scottish wool to be fleeced and made use of at decent prices on the isles of Britain, reducing shipping fees for at least some of the international trade. Readers will notice immediately that wool fleeced from Scottish herds of sheep is still used to make high quality wool, marketed with great pride, internationally in the 21st century.



Economics

This work is a masterpiece in certain ways. The editors admit that much of what Smith writes has been discovered before. What makes this book so different is that Adam Smith is uniting and putting into one place all of the pieces of the systems of economics known during the 1700s in Europe. There are a number of principles and concepts which the author sets down.

Trade is apt to occur wherever there is something of value on one side of the trade that is needed by the other side. This occurs in a myriad of ways. Money, Adam Smith explains, began as an exchange of a metal for some other object or service. He reminds readers at more than one point during the book that while money may seem to have become an item to have for its own sake, it is typically used either for the substance of which coins are made or is merely the representation of some other trade.

Prices, he explains are set largely in accordance with what has been done to prepare and to move an item from one location to the point-of-sale. This shows up today as well: the only way to reduce prices is to either reduce profits or to increase efficiency. More efficient methods means that the cost of creating, moving and distributing the product is less expensive. For this reason, one of the most famous ways for getting lower prices is removing one or more of the "middle men"; another is to buy in bulk. Each of these relies upon a variation that removes the amount of labor that goes into the project en route to the customer. In this regard, Adam Smith's observations are often observable in the present day making it easier for readers to see how these principles work for themselves.

These are but a few of the numerous principles of economics set forth by Adam Smith. What makes Adam Smith's work so wonderful is that it includes the bulk of knowledge about economics all in one place. It is for this reason that it is viewed as a classic in economics.

Politics

The economic situation is greatly affected by political conditions. Trade embargoes can be performed as a punishment or as an objection to the political policies of a nation. In other cases, something along the same lines might happen just to protect something - such as a market within one nation, or some other type of trading privilege. The case most in point here is that of wool within the British Isles. The wool trade was changed by the unification of Scotland with England. Despite complaints from Scotland, which still occur centuries later, there were some very real benefits when these two small countries of the same island formed a political union and made special trade agreements as a consequence.

There are some European monarchies of great importance in this book. The Spanish and English monarchies and the British Parliament are among those powers most written of especially during the first half of the book. This is because Adam Smith writes



quite a bit about how the American colonies have played a part in the international economic situation. The King of Spain is mentioned the most, showing that during the 1700s it was not necessary for a nation to be a democracy for it have prevailing trading regulations. The consolidated British monarchy is probably the other main feature.

The American Revolution began the same year that the original published edition of AN INQUIRY INTO THE WEALTH OF NATIONS came out on the market. For American readers, this gives it an especial point of reference and of relevance. Canadians, Mexicans and the other nations of the Americas have all obtained their own national independence since the time the book was written. There remain strong cultural, political and trade conditions that reflect the former associations.

Politics is not the dominant theme throughout this work. In this case, economics are primary. At the same time, the author does a very good job of showing how these two are interlaced. Much of the present conditions are seen to be rooted in the conditions that were the present at the time this book was written and published in the first place.

Style

Perspective

The author is a Scotsman of the 18th century. He is among the more educated people of his time and well respected in his field. The author is highly self-aware, which is exceptionally helpful. He manages to include a sense of self-awareness regarding his own limited perspective within the body of his writing. At the same time, it is clear that his writing is objective and worldly even granted these obvious limitations.

Another characteristic of the author's historical and cultural position is shown by what was going on in the world at the time. The author writes repeatedly of the unification of the multiple nations of the British Isles. Readers today will react to this differently depending upon their own view.

The author does not write explicitly upon the subject of women's rights. Mainly, he shows that rights for various classes of men was quite a challenge. If nothing else both male and female readers are able to see how the march of progress does seem to have brought gains in human rights especially among the lower classes of people. On a final relevant note, the author essentially blames the Dark Ages of feudalism on the populace's lack of ability to form or maintain levels of government and society that are needed.

Tone

The tone of the work is educational. The scope of it is grand, and it is in part for this that it is so famous. The author writes in a manner that is accessible. Everyone secondary education will be able to read it, though it takes some effort to master it. The work serves as a compendium, in that an entire course or set of courses in economics could be formed from the body of knowledge contained within this one "book of books."

Adam Smith also writes in a manner that is objective. Principles are shown through examples. In this way, he is able to display for readers how the principles work. He does this using a number of nations as examples including his own nation. In his case, the affects on the international trade between Scotland and England are most relevant. The examples may seem sweeping in how general they are, but that is because they are based upon basic trends.

The author comes across as pleasant. He writes in an effort to clarify. His narrative voice is quite informative. While it is clear that he writes from a Scottish male 18th century bias, he makes no effort to hide this. Because he does not disguise this at all, readers can see it clearly. The author does show that he understands that his bias affects his perceptions.

Again, the work is well written. It is informative and educational. While it can serve a general market, it is more for the very curious, especially those interested in economics. It is monumental in that it gathers together knowledge about economics and puts these ideas together so they form what can be called "the first official theory of economics." The author contrasts domestic and international economics and displays multiple cases of how they interact. As a consequence, readers can look at their own nations today and see how these same principles are functioning in the world at this time.

Structure

The structure of the book is somewhat complex and is not entirely consistent. There are 5 books, in addition to 4 distinct pieces of introductory material. The Table of Contents is perfectly clear. The introductory items are: "Introduction to the Modern Library Edition" by Max Lerner. Max is also mentioned during the Important People section for his role as the author of this part. The Modern Library edition means that the version used to make the summary was part of a much larger series. The Modern Library was a set of classics produced by Random House publishing company. This first piece is 14 pages long. Next there is a "Preface," which is 4 pages long. It is followed by a lengthier Editor's Introduction of 34 pages. After that there is another "Introduction" designed to bring the reader into a higher level of interest.

Finally, the text proper begins. There are 5 Books to this work. Book 1 has a bulky title: "Of the Causes of Improvement in the productive Powers of Labour, and of the Order according to which its Produce is naturally distributed among the different Ranks of the People," (p. xi). This is followed by 11 chapters. Of these, chapter 10 has 2 Parts, whereas chapter 11 has 3 Parts. Book 1, runs 247 pages. Book 2 is called "Of the Nature, Accumulation, and Employment of Stock," (p. xiii). There are 5 chapters in this book. The titles of each chapter are succinct; not one of them is called a Part in the Table of Contents. Book 3, like the others actually is demarcated using the Roman Numeral 3 - III. There are 4 chapters in this book and again, there no Parts. It runs 35 pages in length. Book 4: Of Systems of Political Economy begins on page 397 and runs until page 627. This book has 9 chapters. The final book of the book is Book 5: "Of the Revenue of the Sovereign or Commonwealth," (p. xvi).



Quotes

"The text of the present edition is copied from that of the fifth, the last published before Adam Smith's death. The fifth edition has been carefully collated with the first," (p. xix).

"The annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which is annually consumes, and which consist always either in the immediate produce of that labour, or in what is purchased with that produce from other nations," (p. 1vii).

"The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, judgment with which it is any where directed, or applied, seem to have been the effects of the division of labour," (p. 3).

"This division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion. It is the necessary, though very slow and gradual, consequence of a certain propensity in human nature which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another," (p. 13).

"Every man is rich or poor according to the degree in which he can afford to enjoy the necessaries, conveniences, and amusements of human life. But after the division of labour has once thoroughly taken place, it is but a very small part of these with which a man's own labour can supply him," (p. 30).

"The real price of every thing, what every thing really costs to the man who wants to acquire it, is the toil and trouble of acquiring it," (p. 30).

"There is in every society or neighborhood an ordinary or average rate both of wages and profit in every different employment of labour and stock. This rate is naturally regulated, as I shall show hereafter, partly by the general circumstances of the society, their riches or poverty, their advancing, stationary, or declining condition," (p. 55).

"If in the same neighborhood, there was any employment evidently either more or less advantageous than the rest, so many people would crowd into it in the one case, and so many people would desert it in the other, that its advantages would soon return to the level of other employments," (p. 99).

"The money price of labour in Great Britain has, indeed, risen during the course of the present century. This, however, seems to be the effect, not so much of any diminution in the value of silver in the European market, as of an increase in the demand for labour in Great Britain, arising from the great, and almost universal prosperity of the country," (p.201).



"In the long-run, therefore, the operations of this bank increased the real distress of the country it meant to relieve; and effectually relieved from a very great distress those rivals whom it meant to supplant," (p. 300).

"That the industry of Scotland languished for want of money to employ it, was the opinion of the famous Mr. Law. By establishing a bank of a particular kind, which he seems to have imagined might issue paper to the amount of the whole value of all the lands in the country, he proposed to remedy this want of money. The parliament of Scotland, when he first proposed his project, did not think proper to adopt it," (p. 301).

"That wealth consists in money, or in gold and silver, is a popular notion which naturally arises from the double function of money, as the instrument of commerce, and as the measure of value. In consequence of its being the instrument of commerce, when we have money we can more readily obtain whatever else we have occasion for, than by means of any other commodity," (p. 398).

"In years of scarcity, the inferior ranks of people impute their distress to the avarice of the corn merchant, who becomes the object of their hatred and indignation. Instead of making profit upon such occasions, therefore, he is often in danger of being utterly ruined, and of having his magazines plundered and destroyed by their violence. It is in years of scarcity, however, when prices are high, that the corn merchant expects to make his principle profit," (p. 495).

"The bank of England is the only company which sends any considerable quantity of bullion to the mint, and the burden of the annual coinage falls entirely, or almost entirely, upon it," (p. 521).

"Since the discovery of America, the greater part of Europe has been much improved. England, Holland, France and Germany; even Sweden, Denmark and Russia, have all advanced considerably both in agriculture and in manufactures," (p. 202).

"...without changing masters," (p. 262). [I have included context above, but since I quoted it in the body of the summary felt I should include it here as well.]

"...rude produce," (p. 304) [same as with #16]

"The wealth of ancient Egypt, that of China and Indostan, sufficiently demonstrates that a nation may attain a very high degree of opulence, though the greater part of its exportation trade be carried on by 'foreigners'" (p. 360).

"...the act of navigation, is, perhaps, the wisest of all the commercial regulations of England," (p. 431).



Topics for Discussion

Why is corn set equal to gold in the international market?

How international in outlook was the author?

What is rent with respect to land in the context of the first portion of the text?
Differentiate this from rent as something paid for the use of lodgings one does not own.

Why do foreign trades often take longer, 2 -3 years, rather than only 1 year as in local exchanges?

What is an annuity?

Why do governments borrow from themselves?

What are the four types of capital?

Briefly describe each of the 3 ways that capital can be applied.

What was the main effect of the East India company's control of the trade routes to East India from Europe?

What does Adam Smith describe as the main economic change caused by the Union of England and Scotland?