

Adam Smith

History of Economic Thought — Lecture 3

Hunt & Lautzenheiser, ch. 3, pp. 40–64

ECO 4343 / 5343 · Fall 2026 · Scott Cunningham

Last week's paradox was private vice, public benefit

- ▷ Bernard Mandeville's *Fable of the Bees* argued that the vices of individuals make the hive rich.
- ▷ Adam Smith spent his career arguing against that claim, starting with the first sentence of his first book.

Today we meet the man who wrote the answer.



Part I

Who was Adam Smith?

The founder of economics has no recorded birthday

- ▷ He was baptised 5 June 1723 (Old Style) in Kirkcaldy, Fife — the parish register records the baptism, not the birth.
- ▷ His father, a Writer to the Signet and Comptroller of Customs for Kirkcaldy, died a few months before Smith was born.
- ▷ Smith was an only child, never married, and lived with his mother, Margaret Douglas, whenever he was in Scotland, until her death in 1784.

We are dealing with documents here, not myths —
and the documents do not even give us a birthday.

Glasgow took him at fourteen, and gave him a teacher he never stopped crediting

- ▷ Smith matriculated at the University of Glasgow in 1737, age 14 — not remarkable for Scotland then.
- ▷ He studied logic, mathematics, Newtonian natural philosophy, and moral philosophy, and never graduated.
- ▷ His teacher was Francis Hutcheson, Professor of Moral Philosophy, 1737–1740 — Smith later called him “the never to be forgotten Dr Hutcheson.”

A fellowship at Oxford was a life sinecure, not a teaching job

Smith held the Snell Exhibition at Balliol College, Oxford, 1740–1746, and left before it expired.

- ▷ College income came from centuries-old endowments — mostly rents on land the colleges owned.
- ▷ Fellows were required to reside in college, take holy orders, and remain unmarried.
- ▷ The college was a corporation of celibate clergy managing its estates; teaching was not what a fellowship was for.

Oxford paid its professors whether or not they taught, so they stopped teaching

- ▷ At Balliol, formal payments to fellows for tuition first appear in the accounts in 1772–73 — twenty-six years after Smith left.
- ▷ Some professors did not even live in the town; the Regius Professor of Greek in the 1790s lived in London.

“In the university of Oxford, the greater part of the public professors have, for these many years, given up altogether even the pretence of teaching.”

— Smith, WN V.i.f

Adam Smith was never a professor of economics

- ▷ Economics was not yet a subject you could hold a chair in.
- ▷ Smith held two chairs at Glasgow: Logic (1751), then Moral Philosophy (1752).
- ▷ His moral philosophy course had four parts, and the fourth — “police, revenue and arms” — is what we now call political economy.

Year	Event
1752	Smith becomes Professor of Moral Philosophy, Glasgow
1759	<i>Theory of Moral Sentiments</i>
1776	<i>Wealth of Nations</i>
1790	Smith dies
1805	First British professorship named Political Economy (Malthus, Haileybury)
1825	Oxford's Drummond Chair of Political Economy (Nassau Senior)

The first British chair of political economy was created 29 years after *Wealth of Nations*, and 15 years after Smith died.

Recall: Mandeville said private vice was public benefit

“... the seemingly strange paradox that the vices most despised in the older moral code, if practiced by all, would result in the greatest public good.”

— *HL on Mandeville*, p. 32

- ▷ Mandeville's argument: humans are basically selfish, and that selfishness is what makes commercial society run.
- ▷ Smith's first book, published 1759, was written to answer him.

The Theory of Moral Sentiments (1759): how do we come to judge?

Judging is calling a friend generous, a stranger rude, or oneself ashamed for a thing just said — something we do every hour.

- ▷ **Why** we do it: we live among others whose approval and disapproval shape our place among them.
- ▷ **How**: we project ourselves imaginatively into the other's situation and check whether our feelings match theirs.
- ▷ Smith calls this projection **sympathy**.
- ▷ Eventually it goes inside: an **impartial spectator** watches us back — Smith's account of conscience.

Sympathy in Smith is not “empathy” or kindness — it is the tool by which we judge.

Individualism was already in the air; Smith's book takes it seriously

From last week's Part IV, the moves that had already been made:

- ▷ Protestant justification by faith removed the priest — **each person's own conscience** became the seat of moral judgment.
- ▷ Hobbes reduced every motive to self-interest.
- ▷ Mandeville claimed private vice was public benefit.
- ▷ North argued the merchants should be left alone.

Smith concedes the premise: the individual is the sovereign judge. But his book quietly shows that the judge *inside* you — the impartial spectator — is other people, imagined.

The premise is individualist. The mechanism turns out to be social.

The book's first sentence is the reply to Mandeville

What does Smith *concede* to Mandeville, and what does he *refuse*?

“How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it.”

— Smith, *TMS* I.i.1.1

Published 1759, from Smith's Glasgow moral philosophy chair.

Sympathy is not kindness. It is imagination

“As we have no immediate experience of what other men feel, we can form no idea of the manner in which they are affected, but by conceiving what we ourselves should feel in the like situation... By the imagination we place ourselves in his situation... and become in some measure the same person with him.”

— TMS I.i.1.2

*“Sympathy... may now, however, without much impropriety, be made use of to denote our fellow-feeling with **any** passion whatever.”*

— TMS I.i.1.5

Sympathy takes any passion as its object — anger, greed, resentment — not just suffering. It is not the word “empathy.”

Conscience is other people, internalized

A person raised alone “could no more think of his own character... than of the beauty or deformity of his own face”; society is “the mirror which he wanted before.”

— *TMS III.1.3*

“I divide myself, as it were, into two persons... the examiner and judge... and the person whose conduct is examined.”

— *TMS III.1.6*

Smith’s name for the internalized judge: “the man within the breast” (*TMS III.3.4*).

Smith thought the pursuit of wealth runs on a mistake nature built into us

The poor man's son who spends his life pursuing wealth finds too late that "power and riches" are "enormous and operose machines" that leave him "always as much... exposed... to anxiety... and to death."

— TMS IV.1.8

"It is well that nature imposes upon us in this manner. It is this deception which rouses and keeps in continual motion the industry of mankind."

— TMS IV.1.10

Growth runs on a deception nature installed on purpose. Keep this in reserve — it returns when we get to capital accumulation.

TMS has its own invisible hand — seventeen years before *Wealth of Nations's*

A landlord's stomach cannot hold his whole harvest, so he is “obliged to distribute” it among those who serve him, and they

“are led by an invisible hand to make nearly the same distribution of the necessities of life”

— *TMS IV.1.10*

as if the earth had been divided equally.

What it produces: a **distribution**. What drives it: the size of a stomach.

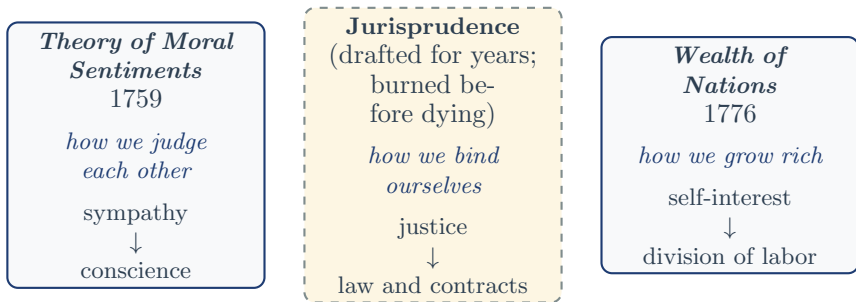
This slide only establishes that the phrase's first use is here, in the ethics book. The full comparison to *WN* comes later.

Two books, one system — asking different questions

	<i>Theory of Moral Sentiments</i> (1759)	<i>Wealth of Nations</i> (1776)
Question	How do we come to judge each other?	How does a nation grow rich?
Mechanism	Sympathy — imaginative projection into another person's situation.	Division of labor, accumulation of stock, self-interest coordinated by markets.
Domain	Everyday social life.	The commercial economy.
Editions	Six in Smith's lifetime; last 1790, after <i>WN</i> .	Five in Smith's lifetime; last 1789.

Smith called them parts of one system, and spent his last five years enlarging *TMS*, not *WN*.

The system Smith planned was three books, not two



All three describe the same creature — a social one, anticipating how others will respond, and adjusting.

The middle book was jurisprudence, and Smith destroyed it himself

TMS 1759 promises “another discourse” on “law and government.” The Advertisement to the 1790 6th edition says: “In the Wealth of Nations, I have partly executed this promise.”

- ▷ Smith taught jurisprudence at Glasgow for over a decade; student notes from 1762–63 and 1763–64 survive.
- ▷ He was still trying to write his own version at the end of his life, and was never satisfied with it.
- ▷ Days before he died in 1790 he ordered his executors to burn sixteen volumes of manuscripts; they did.

By Smith's own choice, the middle book of a three-book system exists only in student notes.

The “Adam Smith Problem” was invented in Germany a century later, and it was refuted

TMS asks how strangers come to share moral judgments; *WN* asks how strangers come to feed one another — the same underlying question, two mechanisms, from one man.

- ▷ 19th-century German scholars (Hildebrand, Knies, and especially Skarżyński) claimed Smith’s 1764–66 trip to France converted him from a sympathy-based ethics to an egoistic economics.
- ▷ In 1896 Edwin Cannan published Smith’s 1763 Glasgow lecture notes — taken *before* the French trip — and they already contained the economics of *WN*.

Smith did not switch from ethics to economics. He was teaching both at Glasgow together, years before the trip that was supposed to have changed him.

He was still refining the moral book the year he died

Some readers see *TMS* and *WN* as in tension; others see one whole. Smith himself gave no sign of seeing a break between them.

- ▷ In 1790, months before he died, Smith published a 6th edition of *TMS* with a wholly new Part VI, “Of the Character of Virtue.”
- ▷ Part VI’s new chapter is titled **“Of the corruption of our moral sentiments, which is occasioned by this disposition to admire the rich and the great.”**
- ▷ He never revised *WN* again after 1786.

The last new chapter Smith wrote was a warning about what commercial society does to moral judgment.

The influences that shaped Smith — and the antagonist he wrote against

- ▷ **Mandeville** is the position Smith spent his career refuting — from the first sentence of *TMS* onward, and by name among the “licentious systems” in Part VII.
- ▷ **Hutcheson**, his teacher, made virtue a matter of benevolence detected by a moral sense; Smith thought judgment mattered more than any sense organ for it.
- ▷ **The Stoics**: self-command and the discipline of the passions run through *TMS*.

He quit a professorship paid by the student, for a tutorship that paid triple

- ▷ Glasgow chair income, 1751–1764: roughly £150–£170 a year, mostly student fees — professors who didn't teach didn't get paid.
- ▷ In 1764 he resigned — refunding fees to students mid-session — to tutor the young Duke of Buccleuch in France, for £300 a year plus a £300-a-year pension for life.

Recall Oxford: professors paid whether or not they taught, so they stopped teaching. Smith lived on the other side of that incentive.

The tutorship came from a five-star book review

Hume's letter reporting *TMS*'s reception (12 April 1759) reached Charles Townshend, who told a friend

“he wou’d put the Duke of Buccleugh under the Authors Care.”

— Hume to Smith, 12 April 1759

The tutorship, the pension, and the six years of freedom to write *WN* all descend from that one letter.

In France he met the Physiocrats — and told them where they were wrong

- ▷ The tutorship took Smith to France for eighteen months, 1764–66.
- ▷ In Paris he met the leading Physiocrats: **François Quesnay** (Louis XV's court physician) and **Anne-Robert-Jacques Turgot** (later Finance Minister).
- ▷ Recall last week: Quesnay's *Tableau* said the nation's surplus came from agriculture alone — manufacturers were the “sterile class.”
- ▷ What Smith kept: attention to production (not exchange) as the source of wealth, and the attack on mercantilist regulation.
- ▷ What he rejected: the claim that only agriculture is productive.

In WN IV.ix Smith calls Physiocracy “perhaps the nearest approximation to the truth” yet published — then dismantles its central claim.

He wrote *Wealth of Nations* back home, living with his mother

- ▷ Toulouse (about 18 months) and Paris, 1764–66; met Voltaire in Geneva, Quesnay and Turgot in Paris.
- ▷ Kirkcaldy, 1767–1773, then London, 1773–1776, finishing the book.

He wrote most of *WN* at home in Kirkcaldy, after he had already seen Toulouse, Geneva, and Paris.

The man who showed free trade beats tariffs spent his last twelve years enforcing tariffs

- ▷ In 1778 Smith became Commissioner of Customs for Scotland, salary about £600 a year, on top of the £300-a-year Buccleuch pension.
- ▷ He held the post until his death in 1790 — it was his father's old line of work, and he took it seriously.

Not a contradiction to play as a gotcha. A fact that earns its place.

Hume wrote him more letters than anyone else he knew — and Smith once voted against him

- ▷ They met around 1749–50 in Edinburgh and were unmistakably close by 1751; of 170 surviving letters from that period, 56 are between Smith and Hume alone.
- ▷ In 1751 Smith was an elector when Hume ran for the Glasgow Chair of Logic — the chair Smith himself was vacating.

“I should prefer David Hume to any man for a colleague; but I am afraid the public would not be of my opinion.”

— *Smith to William Cullen, Nov. 1751*

Hume lost.

Hume joked with Charon about dying. Smith published a softened version

- ▷ Hume died 25 August 1776, five months after *WN* appeared.
- ▷ In his last weeks Hume joked he had no excuse ready for Charon, ferryman of the dead; Smith's public account (the 1776 letter to Strahan) softened Hume's anticlerical line to “prevailing systems of superstition,” cutting what he had written privately days earlier.

Two versions of the same joke — one private, one for print. What Smith cut is visible.

Praising his dead friend cost Smith more than attacking British trade policy

“A single. . . harmless Sheet of paper, which I happened to Write concerning the death of our late friend Mr Hume, brought upon me ten times more abuse than the very violent attack I had made upon the whole commercial system of Great Britain.”

— *Smith to Andreas Holt, 1780*

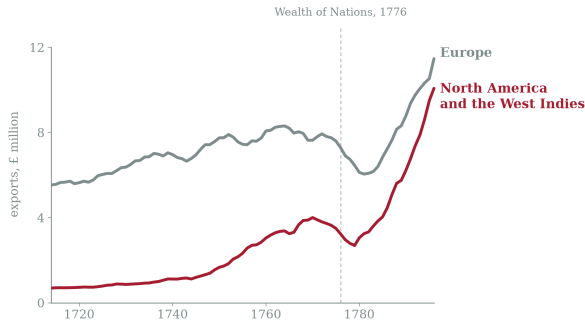
- ▷ A Church of England clergyman published a pamphlet accusing him of celebrating atheism.
- ▷ Smith never replied publicly.

Wealth of Nations was written mostly in a small Fife port town

Place	Years he lived there
Kirkcaldy	1723–37, 1746–48, 1767–73 (← writing <i>WN</i>)
Glasgow	1737–40, 1751–64
Oxford	1740–46
Edinburgh	1748–51, 1778–90
Toulouse	1764–65
Geneva	1765
Paris	1765–66
London	1773–76

He wrote most of *WN* at home in Kirkcaldy, living with his mother, after he had already seen Toulouse, Geneva, and Paris.

The Atlantic trade Smith watched from Glasgow multiplied fifteen-fold in his lifetime



North America and the West Indies rose $\times 14.6$ over 1714–1796; Europe rose only $\times 2.1$.
Smith's thirteen Glasgow years sit on the steep part of this curve.

In one twenty-six-acre campus: a chemist, a printer, and a guild-excluded instrument-maker

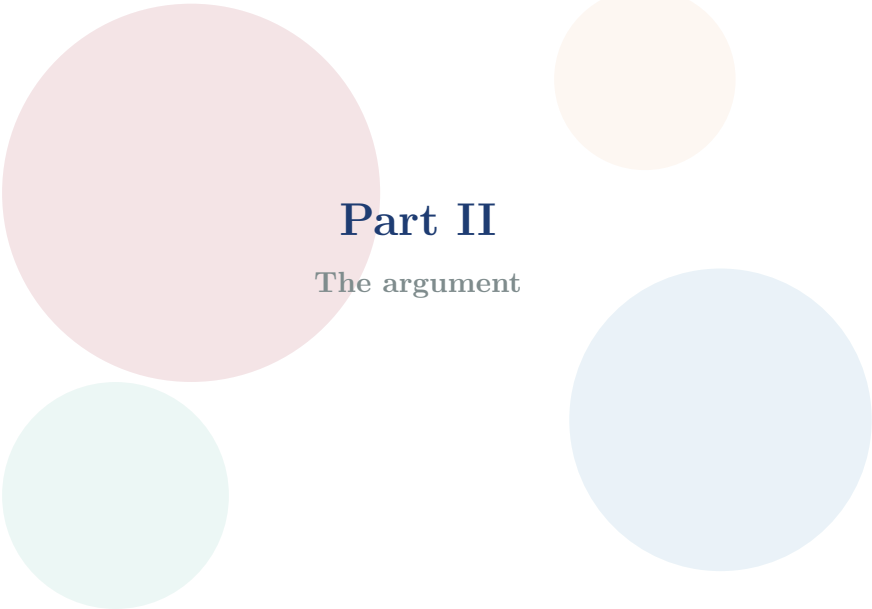
- ▷ Joseph Black discovered latent heat in the Glasgow chemistry lab during Smith's tenure; the Foulis brothers' university press produced Britain's first school of design, fifteen years before the Royal Academy.
- ▷ Glasgow's guild of hammermen refused **James Watt** — who a few years later would build the separate-condenser steam engine that made the industrial revolution — a shop because he was not a burgess's son, so the University made him its instrument-maker and gave him a workshop on college ground.

Smith sat in the faculty meetings that authorized all of it — but the record does not support that he personally rescued Watt.

He ordered sixteen volumes of his own manuscripts burned

- ▷ Smith died 17 July 1790 at Panmure House, Edinburgh, age 67, after a long final illness.
- ▷ His literary executors — the chemist Joseph Black and the geologist James Hutton — burned his unpublished papers at his instruction, in his presence, about a week before he died.
- ▷ Sixteen volumes were destroyed, very likely including the theory of jurisprudence he had promised in 1759 and never finished.

The piece that would have connected *TMS* to *WN* went up the chimney.



Part II

The argument

First: fifteen minutes of quiet reading

- ▷ Hunt & Lautzenheiser, chapter 3, pages 40–49.
- ▷ Everyone reads to themselves.
- ▷ Underline, mark in the margin, disagree.

One question to hold as you read:

Where does Smith locate the origin of civil government?

Where Part II picks up from last week

Last week's foundations

Mercantilism: trade is zero-sum; protect the balance

The individualist turn: Protestant conscience, Hobbes, North

Mandeville: private vice, public benefit

Early manufactories, commercial society emerging

Smith's answer in Part II

Wealth grows through **production**, not exchange; capital finds its own best use

Self-interest is legitimate — and, made social by sympathy, becomes the engine of a whole system

Same pattern (unintended benefit); different framing (not “vice”)

Smith names it and builds a theory of **capital accumulation** on it

Smith's chapter has two halves — how societies form, and how they grow

Theory of history (HL § 2, pp. 44–46)

Four stages: hunting, pasturage, agriculture, commerce
Property comes first, then civil government to protect it
Progress is UNINTENDED — people pursue their ends, society changes anyway
Commercial society is the newest and most free stage

Economics of commercial society (HL §§ 3–5, pp. 46–64)

Value: labor (in the rude state), then cost of production once profits exist
Growth: profits → stock → division of labor → productivity
Coordination without central direction — the invisible hand
... but class conflict is real, and it corrupts moral judgment

Both halves rest on the same picture: people pursuing their own ends, producing something they did not intend.

Smith's theory of history starts with how people make a living

Smith taught history through the mode of subsistence — each stage a different way of feeding people, producing a different kind of society.

Stage	Production	Property	Government
Hunting	foraging	none	“neither sovereign nor commonwealth”
Pasturage	herding	cattle	civil government becomes necessary
Agriculture	settled land	land	landlord as “a sort of petty prince”
Commerce	manufacturing	stock	the three-class society

HL's qualification: not “rigidly deterministic”—no presumption that societies necessarily progressed up the ladder. HL, pp. 40–44.

Property came first — and government arose to protect it

“The acquisition of valuable and extensive property, therefore, necessarily requires the establishment of civil government. Where there is no property... civil government is not so necessary.”

— Smith, WN 670, via HL p. 45

“Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor.”

— Smith, WN 674, via HL p. 45

Smith is not the property-rights-are-prior thinker — property is historically prior, and government arises to protect it.

What looked like an enlightened, moral act was really the wisdom of God

Cities grow → lords want manufactures to buy → tenants are dismissed, serfdom becomes inefficient and ends → producers gain property rights and work harder.

“When by natural principles we are led to advance those ends, which a refined and enlightened reason would recommend to us, we are very apt to impute to that reason, as to their efficient cause, the sentiments and actions by which we advance those ends, and to imagine that to be the wisdom of man, which in reality is the wisdom of God.”

— Adam Smith, *The Theory of Moral Sentiments*

What Smith thought was most progressive about commercial society was not output — it was freedom and security for the majority of producers.

HL quote a shorter, compressed version of this passage on p. 47, reached through Skinner's introduction.

This is the primary wording.

Value, before there were capitalists to argue about it

“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 deer.”

— *Smith, WN 47–48, via HL p. 50*

In “the early and rude state of society which precedes both the accumulation of stock and the appropriation of land,” the whole produce of labor belongs to the laborer.

The labor theory dies the moment profit exists

- ▷ Once capital and land are owned separately from labor, price is wages + profit + rent, and profit is set by the value of the capital employed, not by any labor.
- ▷ That equals the labor theory of value only if the ratio of capital to labor is the same in every industry — and Smith accepted, as an obvious empirical fact, that it is not.

HL, p.61: “Only insofar as Smith abandoned the labor theory of value was he able to argue for the invisible hand and social harmony.” We come back to this thesis in full.

Smith's own order: accumulate first, then divide labor, then grow

“As the accumulation of stock must, in the nature of things, be previous to the division of labour, so labour can be more and more subdivided in proportion only as stock is more and more accumulated.”

— *Smith, WN 260, via HL p. 58*

The chain: profits → accumulation of stock → finer division of labor → productivity rises → annual produce rises → more profits. Limited by the extent of the market, and by how much stock has already been accumulated.

HL, p. 59: “The accumulation of capital... was the principal source of economic progress, and profits were the source of new capital.”

The invisible hand appears once in *Wealth of Nations*, and it's about where to put your money

“By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.”

— Smith, WN IV.ii.9, via HL p. 60

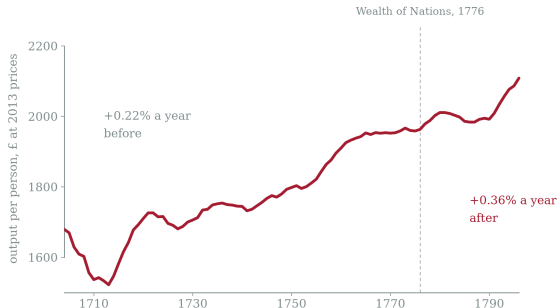
This is a claim about **capital allocation** — domestic versus foreign investment — not a claim about prices coordinating the whole economy. That later reading is Hayek's, layered on a century and a half afterward.

Two invisible hands, seventeen years apart

	<i>TMS</i> IV.1.10 (1759)	<i>WN</i> IV.ii.9 (1776)
Produces	a distribution — roughly equal shares of necessities	an allocation — capital to its highest-value domestic use
Mechanism	the size of a stomach	competition among self-interested investors
Register	consolatory, follows Smith calling the landlord “proud and unfeeling”	analytic, narrowly scoped to a chapter on trade restraints

Students told “the invisible hand means market efficiency” are surprised its first appearance is an argument that the rich cannot actually consume much more than the poor.

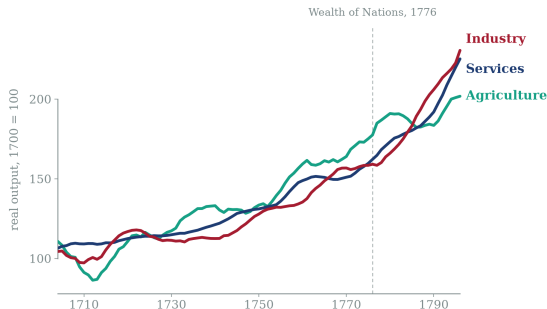
Smith published before the takeoff, not during it



Great Britain, real GDP per person at 2013 prices. Broadberry, Campbell, Klein, Overton and van Leeuwen (2015), via Bank of England, A Millennium of Macroeconomic Data v3.1, sheet A21. Nine-year averages.

Growth before *WN*: +0.22% a year. After: +0.36% a year — the pace roughly doubles across the year Smith published.

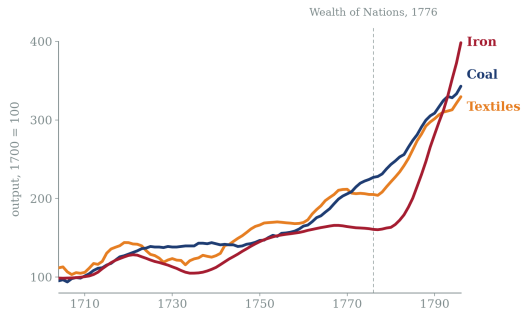
Agriculture led industry for almost all of Smith's life



Great Britain, real output by sector: Broadberry, Campbell, Klein, Overton and van Leeuwen (2015), via Bank of England, A Millennium of Macroeconomic Data v3.1, sheet A7. Nine-year averages.

Industry does not overtake agriculture — and stay past it — until 1786, a decade after *WN* was published.

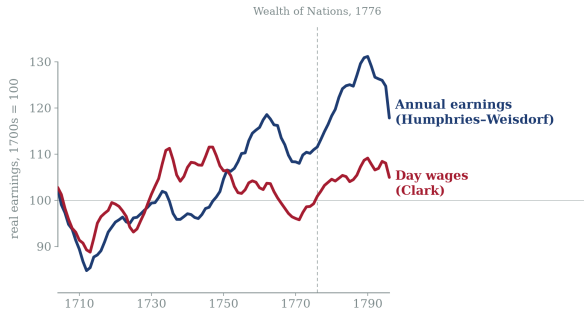
Smith could see the coal half of the industrial revolution. Not the iron half



England and Great Britain, output of key industries. Broadberry, Campbell, Klein, Overton and van Leeuwen (2015), via Bank of England, A Millennium of Macroeconomic Data v3.1, sheet A4. Nine-year averages.

By 1776 coal output had already more than doubled. Iron had barely moved, then nearly tripled again in the twenty years after Smith published.

Did the condition of the laboring poor actually improve? Two measures disagree



England, real consumption earnings. Humphries and Weisdorf (2016) deflated by Allen (2013); Clark (2009, 2014).
Via Bank of England, A Millennium of Macroeconomic Data v3.1, sheet A48, columns E and V. Nine-year averages.

On the day-wage measure, 1776 was back where 1700 had been. On the annual-earnings measure, income rose — because people worked more days.

Smith against Smith

Harmony

“led by an invisible hand to promote an end which was not part of his intention” (HL p. 60)

“the obvious and simple system of natural liberty” (HL p. 58)

“It is not from the benevolence of the butcher, the brewer, or the baker. . .” (HL p. 60)

division of labor is “the greatest improvement in the productive powers of labour” (HL p. 58)

Conflict

“Civil government. . . is in reality instituted for the defence of the rich against the poor” (HL p. 45)

masters “in a sort of tacit, but constant and uniform combination, not to raise the wages of labour” (HL p. 49)

“People of the same trade seldom meet together. . . but the conversation ends in a conspiracy against the public” (HL p. 62)

division of labor makes a man “as stupid and ignorant as it is possible for a human creature to become” (HL p. 62)

The last row is the same institution, praised on page 3 of *WN* and indicted on page 734 — six hundred pages apart, in one book.

The masters could wait a year. The workers could not wait a week

Masters can hold out “a year or two upon the stocks which they have already acquired”; workmen “could not subsist a week, few could subsist a month, and scarce any a year.”

— Smith, WN 66–67, via HL pp. 48–49

Combining is authorized, or at least not prohibited, for masters; prohibited by act of Parliament for workmen. The wage bargain is not between equals, and Smith says so.

What Hunt & Lautzenheiser leave out: the “stupid and ignorant” passage is Smith’s argument for public schools

Repetitive labor renders the worker “as stupid and ignorant as it is possible for a human creature to become.”

— Smith, WN 734–35, via HL p. 62

HL quote the diagnosis and stop. In WN Book V, this passage is Smith’s premise for publicly funded elementary education — the state should act to counteract what the division of labor does to the mind.

This is the bridge forward to HL chapter 7, the Ricardian socialists — never taught in this course before.

HL's closing question: the system of natural liberty has no constituency

If government exists to protect the rich from the poor, and capitalists use government to secure monopolies, “then one wonders how Smith even hoped to achieve the ‘system of natural liberty’ in which government had only three duties.”

— HL, pp. 62–63

An alternative reading: Smith may have thought competition was **fragile**, permanently under attack by the people who profit from escaping it — which is why so much of Book IV is about merchant lobbying.

On that reading, the conflict passages are not a rebuttal of the invisible hand but the reason Smith thought the argument needed making at all.

Smith's system is incomplete. It is not contradictory

- ▷ Smith himself said, in 1790, that *WN* was a partial payment on a promise made in *TMS* — the theory of jurisprudence, the moral and legal frame that would have connected sympathy to markets, harmony to conflict.
- ▷ He never finished it. He ordered it burned a week before he died.

The tension between his two books is not a flaw in the man. It is a book he never got to write.

Next: Adam Smith II

Carrying forward:

- ▷ The division of labor and the pin factory.
- ▷ The full theory of price — natural versus market price.
- ▷ Smith's theory of wages, and the disputes between masters and workmen.
- ▷ Smith's attack on mercantilism and his policy conclusions.
- ▷ Productive versus unproductive labor.

Tuesday quiz covers Chapter 3.