

Wealth of Nation

A Scottish economist Adam Smith studied the nature and causes of national wealth and wrote a report which was first published in 1776. It was published during British agricultural Revolution; this made a tremendous influence economists, government and organizations. As far as free markets are concerned, Smith argued that if capital was attainable naturally on its own accord that it would, without the aid of government, getting into the most fruitful hands, as the individual thrive to improve his own status.

The first book discusses about 'the causes of this improvement in the productive powers of nature, and the order, according to which its produce is naturally distributed among the different ranks and conditions of men in the society' as explained in the first chapter (introduction). This book explains the means of distributing wealth as, wages, profits and rent. In chapter three the extent of the division of labor is bound by the extent of the market. The number of the specialist which can be is directly proportional the number of people involved in mutual exchange.

Book two Smith teaches of the nature of capital stock, of the manner in which it is regularly accumulated, and of the different quantities of labor which it sets into motion, depending on the various ways in which it is applied. As explained in the introduction of the book the increment of stock is relevant since it is presupposed to the further division of labor. The main argument in this book is that, in every further stage of specialization supposes that, there must be required resources set aside.

In his third book Smith shows how the development of labor productivity in rural occupations could not occur in Europe until towns and long-distance



trade had developed, since the importance of property as an incentive to advancement in production. The division of labor assisted many development projects in town industries at first, since due to political reasons the king endorsed self government, thus better government, and thus good government, in towns, while tyrannical landlords inhibited industry in the countryside.

In book four which is based on the book three, it is concerned with theories of political economy that have influenced the public conduct of princes and sovereign countries, and the main effects as explained in introduction and plan in page 3. To begin Smith and skinner (1999) say political economy, which is viewed as a branch of the science of a statesman or legislator, proposes two distinct objects; first, to give a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves; and secondly, to supply the state or commonwealth with a revenue sufficient for the public services (5). According to Smith political economy is the corresponding art in relation to country.

The major approaches of political economy which are described in this book four are normally referred as 'mercantile' and 'physiocrat' approaches. It was believed that, the first theory or approach which increases nation's wealth is export industry followed by the agriculture industry. However Smith argues that a nation's wealth is increased by whatever industry is most profitable, this means whichever industry or sector is has surplus production and is available to support further division of labour.

In modern economy the control of industry is not given to individuals. Most of the firms are big and their management administers to a many various activities, staffs are not personal profit seekers but do as they are instructed. In modern society every man is not left absolutely free to follow



his/her own interest in his/her own way, but in most cases they do according management option.

Tom accomplishes the plan of the book; book five is about the revenue of the sovereign, or common wealth as introduction and plan reviews in page 3. In the first four books Smith was majoring more on individual revenue and wealth, but in the fifth book is more about the nation's revenue and wealth. This book shows necessary expenses of the government, taxation, and public debt.

The main point of the book is reviewed in the book four which explains that wealth is determined by the division of labor, which in turn relies on accumulation of stock, and that is determined by the profitability. Thus Smith argues that the best way in which government can raise wealth is allow individuals to freely search for the most profitable employment of their labor or capital. This is because every individual is determined to search for the most advantageous contract for any capital with authority.

In conclusion Ashraf, Camerer, and Loewenstein (2005) say Smith knew that consumption of goods, as well as wealth and greatness, all provided only "frivolous utility", he believed that the productivity of market economy was determined by the believe that "wealth brings happiness". Smith (1999) say it is this deception which rouses and maintains in continual motion the industry of mankind. This is what prompted to cultivate the ground, to construct houses, to form cities and commonwealths, and to discover and advance all the sciences and arts, which has effects to the entire globe.



References

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