

Views on Smith

Schumpeter on Smith:

The fact is that The Wealth of Nations does not contain a single analytic idea, principle, or method that was entirely new in 1776.”

His very limitation made for success. Had he been more brilliant, he would not have been taken so seriously. Had he dug more deeply, had he unearthed more recondite truth, had he used more difficult and ingenious methods, he would not have been understood. But he had no such ambitions; in fact he disliked whatever went beyond plain common sense. He never moved above the heads of even the dullest readers. He led them on gently, encouraging them by trivialities and homely observations, making them feel comfortable all along.

But what was A. Smith's theory of value in the narrow sense of the phrase, meaning his views on the problem of causal explanation of the phenomenon of value? Since during the subsequent century economists were much interested in that problem, they eagerly discussed Smith's views about it and for this very reason we cannot pass it by. In itself, the answer is plain enough.

First of all, if the reader will look up the last paragraphs of Book I, Chapter 4, he will be able to satisfy himself of two things. On the one hand, A. Smith declares there that he is going to inquire into the rules which men naturally observe in exchanging goods either for money or for one another. This means that he was not primarily interested in the problem of value in the sense just defined. What he wanted was a price theory by which to establish certain propositions that do not require going into the background of the value phenomenon at all.

Canaan on Smith:

Very little of Adam Smith's scheme of economics has been left standing by subsequent inquirers. No one now holds his theory of value, his account of capital is seen to be hopelessly confused, and his theory of distribution is explained as an ill-assorted union between his own theory of prices and the physio-crats' fanciful Economic Table. His classification of incomes is found to involve a misguided attempt to alter the ordinary useful and well-recognized meaning of words, and a mixing up of classification according to source with classification according to method or manner of receipt. His opinions about taxation and its incidence are extremely crude, and his history is based on insufficient information and disfigured by bias.

Samuelson:

Beginning as it did in the writings of philosophers, theologians, pamphleteers, special pleaders, and reformers, economics has always been concerned with problems of public policy and welfare. And at least from the time of the physiocrats and Adam Smith there has never been absent from the main body of economic literature the feeling that in some sense perfect competition represented an optimal situation. Of course, over time the exact form of this doctrine has undergone modification (not always in any one direction), and there is considerable diversity in the attempted proofs (in the amazingly few places where rigorous proof was attempted).

Arrow and Hahn:

Whatever the source of the concept, the notion of a social system moved by independent actions in pursuit of different values is consistent with a final coherent state of balance, and one in which the outcomes may be quite different from those intended by the agents, is surely the most important intellectual contribution that economic thought has made to the general understanding of social processes. Smith also perceived the most important implication of general equilibrium theory, the ability of a competitive system to achieve an allocation of resources that is efficient in some sense. Nothing resembling a rigorous argument for, or even careful statement of the efficiency proposition can be found in Smith, however.