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A READER'S GUIDE TO FRANCESCO FERRARA'S TRANSLATION OF ADAM SMITH'S *WEALTH OF NATIONS* (1851)

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CONTENTS

1. INTRODUCTION

Aims of this guide. Adam Smith and the WN are always a subject of study in HET courses. This guide focuses on the analysis of one of the Italian translations, that published in 1851.

2. THE AUTHOR: ADAM SMITH

Adam Smith is one of the most famous economists of all times. He is currently the object of research, interpretation, and controversy.

2.1 BIOGRAPHY

The biography of Adam Smith is well known and it is useless to repeat all its details here. Adam was born in Kirkcaldy, Scotland, on 5 June 1723. He entered the University of Glasgow when he was fourteen, as it was usual at that time, and studied moral philosophy under a quite famous Scottish philosopher, Francis Hutcheson. In 1740 he moved to the University of Oxford, Balliol College. It is known that, comparing the teaching at Glasgow and Oxford Universities, he found the former much more stimulating and modern.

After completing his student career, Smith began delivering "public lectures" in 1748 at the University of Edinburgh, sponsored by the Philosophical Society of Edinburgh under the patronage of Lord Kames. Public lectures were lectures not addressed to students, but rather to a public of adult people. His lecture topics included "rhetoric and *belles-lettres*", and later "the progress of opulence". The first hints of his interest in political economy date from that period.

In 1750, he met David Hume, a towering figure in Scottish philosophy. In 1751 Smith became professor at the University of Glasgow, where he initially taught Logic. After the death of Hutcheson in 1752 he took the course of moral philosophy. In 1759 he published the *Theory of Moral Sentiments* a book covering the first part of his course. He never published the second part, devoted to "jurisprudence" and to other "minor" subjects like "police, revenue, and arms". However two sets of students' notebook have been found and published, one at the end of the 19th century and another one in the "Glasgow Edition" published in the 1970s (*Lectures on Jurisprudence*).

Then something happened that looks strange for our modern views: at the end of 1763, Smith was asked by Charles Townshend to tutor his stepson, Henry Scott, the young Duke of Buccleuch. In order to take this occupation, Smith resigned from his professorship, at the moment in which he was very popular among students. What led him to such a radical decision? The tutoring of Henry Scott implied that Smith should accompany him during his "grand tour" in Europe, a travel that all young



aristocrats made across Europe to visit natural and architectural beauties, the ruins of the past, and artists and intellectual gathered in academies and “salons” (the cultural meeting weekly organised by aristocratic ladies). The group visited, among other towns and capitals, Geneva, where Smith met the most influent Enlightenment philosopher, Voltaire: then he moved to Paris, where he met the American publicist Benjamin Franklin, the Minister of finance and philosopher Anne-Robert Turgot, the editor of the *Encyclopédie*, Jean D'Alembert, the philosopher André Morellet and Adrien Hévétius, and finally François Quesnay, the head of the Physiocratic group, the leading economic school at the time.

By this time Smith started writing his major work, *An Inquiry into the Nature and Causes of the Wealth of Nations*, a work he published in 1776 after his return to Scotland.

The “grand tour” ended abruptly in 1766, when the brother of the young Duke of Buccleuch died in Paris. Smith went back to Kirkcaldy, where he could spend most of his time writing, thanks to the generosity of the Duke, who awarded him a pension. In 1778 Smith was appointed commissioner of customs in Scotland.

Smith passed away in Edinburgh on 17 July 1790.

For further information, a starting point can be the article on Adam Smith in [Wikipedia](#) that contains the essential information. Remember however that the reliability of wikipedia as a source for scholarly research is uncertain. More reliable biographies can be found in your library.

Of WN

Concerning a British author or famous personage, always start from the *Dictionary of National Biography*, the most important biographical encyclopedia. There is an [online version](#). If your University has subscribed to this service, search Smith, Adam in the search engine and find an updated article. Otherwise go to your University or city library and look for the paper version. There is probably one in the reference room.

Most encyclopedias also have an entry on Smith where you can find a biography. Look for the main encyclopedias both in English (*Encyclopaedia Britannica*) and in your own language in your library. There is an online version of the *Britannica* with an [entry on Adam Smith](#). By the way, the “supplemental information” provides links to other valuable online sources.

Another introductory tool is the most recent version of *The New Palgrave Dictionary of Economics* (2008) existing both as a book and as an online version in the [Catalogue of the British Library](#)

Look for the same *opus* in your University Library. They have probably one copy or subscription to the online edition.

2.2 INTERPRETATION

The above mentioned sources can also provide an introduction to the interpretation of Adam Smith multifaceted thought and works.

The interpretation of Smith has radically changed along time. In the nineteenth century he was considered the founder of political economy and of a radical *laissez-faire* approach to economic policies. Karl Marx found in his economic theory the foundations of the labour theory of value, a theory that could be used to demonstrate that the profits of capital and the rent of land derive from the exploitation of wage labour.

From the end of the nineteenth century one of the *foci* of the interpretation of Smith has been the relationship between his moral theory and his economic theory. A. Oncken, in a famous article entitled



“Das Adam Smith Problem” (*Zeitschrift für Sozialwissenschaft*, 1898) argued that there was a contradiction between the *Theory of Moral Sentiments*, in which the main motive of individuals seemed to be the sympathy towards other people, and the *Wealth of Nations*, which based the apology of market mechanisms on the relationships among individuals fundamentally motivated by their self-interest. Oncken opinion has been influential for a long time. It has been severely criticised only in the 1970s by the editors of the Glasgow Edition, who see continuity rather than opposition between TMS and WN. Their main argument is that self interest is praised, albeit as an “inferior virtue”, also in TMS, while the egoistic individual approved in WN is rather the “prudent man”, whose moderation, temperance and thriftiness are described in TMS.

Today the interpretation of Smith's whole work is much more articulated. While new proofs of continuity between TMS and WN have been provided, and the role of *Lectures on Jurisprudence* as an intermediate step has been analysed more in depth, new oppositions between egoistic and altruistic sentiments have been detected both in TMS and in WN.

There are some updated introductory works that provide a guide to the contemporary interpretation of Smith. One is the *Elgar Companion to Adam Smith*, edited by Jeffrey T. Young (2009).

Another interesting guide is *The Elgar Companion to Classical Economics*, edited by Heinz Kurz and Neri Salvadori (1998). Please see the [British Library catalogue](#):

Once again, look for the same *opuses* in your University Library.

A *Critical Assessment* of the literature on Smith was published by John Cunningham Wood between 1984 and 1993. See [British Library catalogue](#)

In order to understand the importance of the current debate on Smith browse one of the databases that may be available in your Library:

1. [EBSCO Business Source Complete / Econlit](#)
2. [JSTOR](#)

Searching “Adam Smith” in the “Subject” or “Title” search engine and ordering it by date, you will discover how many contributions have been published in recent years in journals and books. Associating the term “Adam Smith” to other keywords like “money”, “value”, “division of labour”, “moral philosophy”, “politics” etc, you can find specific literature on a wealth of subjects.

A free database containing various bibliographical information is [REPEC](#). Use the IDEAS or ECONPAPERS search engines to find literature on Smith.

3. THE SOURCE TEXT: THE *WEALTH OF NATIONS* (1776)

Fig. 1. Front page of the first edition of the *Wealth of Nations* (source: ***)

An Inquiry into the Nature and Causes of the Wealth of Nations (WN) was published by Adam Smith in 1776. It is Smith's main work on political economy, a science he is credited to have created.

Before describing this work, it is important to notice that Smith himself published five editions of WN during his lifetime (see [Wikipedia](#)):

- 1st edition: 1776
- 2nd edition: 1778
- 3rd edition: 1784 (with important changes)
- 4th edition: 1786
- 5th edition: 1789



Translations of this work derive from different editions published during Smith's lifetime and after his death.

WN is composed of 5 "books", i.e. parts, each including various chapters.

Book I is entitled "Of the Causes of Improvement in the productive Powers of Labour". It contains the famous theory of the division of labour, a result of the natural propensity of individuals to "truck and barter", i.e. to exchange goods. According to Smith, the division of labour is the main cause of the growth of "the wealth of nations", as it increases the productivity of labour. There are two kinds of division of labour: the market division of labour, i.e. the specialisation of firms in different types of production, and the internal division of labour at firm level, i.e. the segmentation of the production process in different operations. Smith makes the famous example of a pin factory, by arguing that while a single artisan, sequentially making the different operations that are required to produce pins, can make at best a handful of pins per day, a small factory in which these operations are divided among a limited number of workers can produce thousands of pins every day. The causes of the increase of productivity generated by the division of labour are essentially three: 1. the greater 'dexterity' of workers employed in a single operation; 2. the reduction of useless passages among operations; 3. the innovations suggested by workers whose attention is focused on a single operation.

Other important contents of Book I are the theory of value and the theory of distribution. Concerning the former, Smith makes a distinction between market prices and natural prices. Market prices are determined by the law of demand and supply, while natural prices are those prices around which market prices gravitate. What determines these prices? Smith introduces a distinction between 'value of use', i.e. utility, and 'value of exchange', i.e. the ratio at which a good is exchanged with another good. Adopting a theological example, the so-called "water-diamond paradox", Smith argues that utility cannot be a reliable measure of exchange value. Water – he writes, is very useful although it is abundant and available for free. The utility of diamonds is very low, and notwithstanding this, it is rare and very expensive. Therefore, there must be a more permanent measure. For Smith this measure is the cost of production. Smith introduces here another distinction between a primitive or 'rude state' and an advanced state. In the former the only cost of production is labour: a deer is worth two beavers if hunting a deer requires double time *vis-à-vis* hunting a beaver. An advanced state is characterised by two further events: land has been appropriated and has become the private property of the class of landlords; capital (or "stock") has been accumulated and is owned by the class of capitalists. Therefore the cost of production does not include only the wages of labour but also the profits of capital and the rent of land. This is the so-called 'additive' theory of value. Nevertheless, labour can still be used as an indirect measure of exchange value. Smith argues that a man is rich when he is able to 'command', i.e. hire, a large number of labourers. So the value of a good corresponds to the number of hours of labour that its owner can 'command' with it. The higher the cost of production of a good, the higher the number of hours of labour it can pay. This is the so-called 'commanded labour' theory of value. It is clear that, for every good, the labour 'embodied' in it, i.e. the number of hours of labour that were employed in producing it, is lower than the number of hours of labour it can command. Marx saw in this difference the admission that profit and rent derive from the 'surplus value' produced by the working class. According to other interpreters like Mark Blaug, is aimed at finding an index number of aggregate income. If next year the national income corresponds to a higher number of hours of labour, this means that there has been growth. Conversely, if the number of hours of labour measuring the aggregate income of a nation is lower, there has been a decrease.

As to distribution, Book one contains only a few indications. 'Natural' wages are measured by the amount of necessities that are required for the survival of the labourer and his family (so-called 'subsistence wage'). More exactly, natural wages are those that are sufficient to keep the population steady (demographers say that this happens when each couple grows two kids). If market wages exceed natural wages, either more labourers marry or married labourers make more children, and the population grows. The reverse happens when market wages are lower than natural wages.



The most interesting part of the chapter on profits is the theory of the tendency of profits to decrease along time, a theory that, with different arguments, was later shared by all 'classical' economists: Thomas R. Malthus, David Ricardo, John Stuart Mill and Karl Marx. Smith believes that the cause of this decrease is the increasing competition among firms. Ricardo severely criticised this argument, replying that competition can lower More interesting is chapter 10, in which Smith discusses the causes of variation of wages and profits. Among the causes of variation there is the so-called 'compensation effect': honourable or professionally rewarding professions are less paid than socially dishonourable or less desirable professions. For this reason, philosophers are among the less paid professionals: they don't work for money; they work for the pleasure of philosophising and for eternal glory. As to land rent, Smith argues that rent is high only when prices are high, thus confirming that he sees rent as a 'differential' income.

Book II is entitled "Of the Nature, Accumulation, and Employment of Stock". It is divided into four chapters, dealing with the different topics. Chapter one analyses the different types of capital (fixed capital, i.e. the capital invested in machinery and plants, and circulating capital, composed of raw materials and wages). Wages are for Smith anticipated by the capitalist at the beginning of the production process. Chapter two deals with money, while chapter three, the most important of Book II, deals with the "accumulation of capital", i.e. the reinvestment of the profits earned by capitalists. According to Smith this is, together with the division of labour, the main cause of the growth of the 'wealth of nations'. Capital produces growth only when it is invested in 'productive labour'. It is wasted every time it is spent in hiring 'unproductive labour'. Productive labour is that labour that (1) produces material goods, and (2) produces a surplus, i.e. a value of exchange that is higher than the cost of the labour employed in producing those goods. An example is the labour hired by a capitalist to produce goods for sale. Unproductive labour is the labour that (1) produces 'immaterial goods', i.e. services, and (2) consumes income without producing a surplus. An example is the work of domestic servants. Chapter IV of Book II examines the issue of money lending or credit. The most controversial issue of this chapter is Smith's approval of the legal limitation of the rate of interest (the so called 'usury laws', as such limitation was intended as a measure against usury). Smith argues that these laws encourage credit institutions to lend money to 'prudent' borrowers instead of financing 'prodigals' (those consumers who spend huge amounts of money in extravagant or luxury goods) and 'projectors' (adventurers and incautious entrepreneurs). These categories are almost always unsolvable, thus wasting the capital accumulated by moneylenders. Prudent borrowers can be financed at low rates of interest, whereas for risky borrowers banks require high rates: and under usury laws such rates are not allowed.

Book III is entitled 'Of the different Progress of Opulence in different Nations'. This book is the 'historical' side of Smith's theory. It contains Smith's idea of a "natural progress of opulence" progressing from an agricultural to an industrial and commercial stage, and of the mutual cooperation between town and country.

Book IV is entitled 'Of Systems of political Economy'. It contains Smith's critique to the most fashionable economic theories at his times: the 'mercantilist' or protectionist views and 'Physiocratic' theories.

Smith examines in various chapters the theory and praxis of the "Mercantile or Commercial System", the approach that dominated the economic policies of modern European states. He argues that gold and silver are not wealth but only the medium through which wealth is exchanged. A policy consisting in increasing the quantity of precious metals within a country, through protection of the national industry is therefore as absurd as detrimental to the welfare of a country. Goods, not gold, is wealth, and only through free trade the quantity of goods available to a country is maximised. Through free trade, each country specialises in the trades in which it has an advantage (an absolute advantage for Smith). Furthermore, mercantile policies run against the 'natural progress of opulence, as they forcefully anticipate the stage of manufactures and trade without bringing the agricultural stage to perfection. Smith believes that the responsibility of mercantile policies lies in the alliance between the



courts and the class of merchants, who 'lobbied' for protection of their trades. The 'self-love' of the mercantile class cannot but be disapproved by any 'impartial spectator' who cares for the welfare of a country. It is along this reasoning, and more exactly in chapter 2 ("Of Restraints upon the Importation from Foreign Countries of such Goods as can be Produced at Home"), that the "Invisible Hand" is explicitly mentioned (actually only once). Smith argues that there is no need to protect the industry of a country, because it is the interest of merchants and manufacturers to invest in domestic rather than in foreign trades, as it is easier to trade at home than in distant countries:

"As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. 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. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it." (Smith 1776, Book 4, Chapter 2)

Physiocratic theories are examined in the last chapter of the Book, ch. 9 'Of the Agricultural Systems'. Smith praises Quesnay and the Physiocrats for their free-trade views and for their arguments against mercantilist policies. However he does not agree with them on the doctrine that only the agricultural sector is productive (i.e. productive of surplus). Any trade, including manufactures, can produce a surplus.

Finally, Book V is entitled 'Of the Revenue of the Sovereign or Commonwealth'. This part deals with the nature and extent of the role of the State as this affects the wealth of nations. Smith believes that the State must limit itself to protect internal and external security, and to perform such public works that are outside the reach (and profitability) of private investors. One important role of government is the education of the youth. Public primary education is advocated as a task of the State also as a means against the evil consequences of the division of labour. When, as it was usual at his time, young children are put to work at an early age, and the operation they perform lies under the system of divided labour, the knowledge they can have of the rest of the world is clearly very limited. Primary education, by providing elementary notions about a wide range of domains, is an antidote against the narrow-mindedness that results from the division of labour.

As to the sources of public expenditure, Smith examines taxation and postulates four "maxims" of taxation: proportionality, transparency, convenience, and efficiency.

The *Wealth of Nations* is probably one of the most frequently republished books. There have been numerous editions in the 19th and 20th centuries. At the time of the bicentenary of the *Wealth of Nations*, a critical edition of all available works of Smith has been published by Oxford University Press under the label 'The Glasgow Edition of the Works and Correspondence of Adam Smith'. Although it is covered by copyright for its new introduction and critical apparatus, the whole edition is freely available online in the website of the [Liberty Fund](#)

A very complete bibliography of the editions and translations of Smith's works is *A Critical Bibliography of Adam Smith*, edited by Keith Tribe (advisory editor: Hiroshi Mizuta), London : Pickering & Chatto, 2002. See the entry in the [British Library catalogue](#)

There are many introductory guides to the *Wealth of Nations*, of very different value.



4. TRANSLATIONS OF THE *WEALTH OF NATIONS* ACROSS EUROPE

4.1 *WN IN THE WORLD*

The *Wealth of Nations* had a rapid success all over Europe. No other text of political economy before Smith had had such a spread, as you can easily see by consulting the <http://eet.pixel-online.org/database.php> Database of our EE-T portal. Some of them date from the late 18th century, while a peak of success was reached in the early decades of the 19th century, when it played its main theoretical and ideological role, as the basis of classical economics and the source of inspiration of *laissez-faire* policies. It was especially thanks to the French translations, and to the role of French-speaking economists such as Jean-Baptiste Say and the early Simonde de Sismondi, that the WN became the flagship and the icon of the new science of political economy. This science explained the natural laws of functioning of the market, the central role of the market, as an institution, in ‘governing’ societies, and the need both for private individuals – entrepreneurs, but also workers – and for statesmen and legislators to know the economic laws in order to legislate and promote the welfare of their ‘subjects’ or citizens.

The novelties that WN introduced, also thanks to the way in which it was interpreted by its first readers and popularisers, were essentially two:

1. political economy is a science, with its natural and universal laws, not simply and art of the legislator containing maxims that help the sovereign to govern a country with wisdom and prudence
2. the laws of political economy indicate that the progress of wealth and the welfare of the population depend on the natural laws that regulate production, distribution and exchange, rather than on the paternal care of the sovereign.

But there are translations of WN even in the second part of the 19th century and all along the 20th century. What does it mean? It means that WN has gradually become a “classic” of economics, a book that many people like to read not to learn the basic of the economic science, but to study the history of this discipline, to draw inspiration from Smith’s sentences and arguments, or simply for the pleasure of reading a great book that changed the world.

Another remarkable feature of the spread of WN is that it was, and still is, translated almost everywhere in the globe. The *Critical Bibliography of Adam Smith*, edited by Keith Tribe (advisory editor: Hiroshi Mizuta) (London : Pickering & Chatto, 2002) provides an introduction to the spread of WN in the world.

4.2 *WN IN ITALY*

The first Italian translation of WN was made in the late 18th century, i.e. very early compared to other countries. The last ones date from very recently. This fact reveals that the research and discussion about Smith’s economic ideas is still ongoing, and the pleasure of reading his work is still unchanged.

This translation was published in Naples in 1790-91: *Ricerche sulla natura, e le cagioni della ricchezza delle nazioni. Del Signor Smith. Tradotte per la prima volta in italiano dall'ultima edizione inglese*, 5 Vols, In Napoli : presso Giuseppe Policarpo Merande, negoziante di libri dirimpetto la Chiesa di S. Angelo-a-Nido, 1790-1791. Despite the subtitle, textual analysis reveals that this edition was actually based on Blavet’s French translation of 1779-80.

As an introduction to Italian translations see the “Note on Italian Editions” in Tribe (2002: 392-96).



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5. FERRARA'S TRANSLATION OF 1851 AND ITS SOURCES

The translation of the *Wealth of Nations* promoted by Francesco Ferrara was the second translation published in Italy. It was entitled *Ricerche sopra la natura e le cause della ricchezza delle nazioni, traduzione eseguita sull'ultima edizione inglese del sig. Mac Culloch, preceduta dalla vita dell'autore del sig. V. Cousin*. It was published in 1851 as Vol. 2 of the 1st series of the *Biblioteca dell'Economista*, and published by Pomba in Turin. See the [entry](#) in the Database of the EE-T Portal for the description of this text.

6. REFERENCES

The referencing style adopted is the [Harvard System of Referencing](#)



TEACHER-ASSISTED EXERCISES

1. Using the sources mentioned in section 2.1 above, try to write a biography of Adam Smith in which you explain how he came to writing his main economic work, the *Wealth of Nations*.
2. Using the sources mentioned in sections 2.1 and 2.2. above, try to make a table or a map of the main topics explored by scholars in the last decade, concerning the interpretation of Smith.
3. Explore the [database](#) of the EE-T portal and the tools mentioned in section 4, to see how many translations were made in the world. Make a graph with the number of translations made in each decade from the 1770s until today. What does this graph indicate?
4. Searching the [database](#) of the EE-T portal and the tools mentioned in section 4, and using a world map or Google Maps “places I’ve visited” or similar tools, make a map of translations of the *Wealth of Nations* all over the world. What does this map indicate?
5. Is the [database](#) complete? Using Tribe’s Guide and Library Catalogues, make or suggest entries.

SELF TEST

4. Make a new entry in the EE-T Database, using an edition available in your library that is missing.

Questions	Answers	Solutions	Explanations
Question?	Answer A	Correct answer	This answer is correct because XXXXX
	Answer B	Wrong answer	This answer is wrong because XXXXX. Please try again.
	Answer C	Wrong answer	This answer is wrong because XXXXX. Please try again.
	Answer D	Wrong answer	This answer is wrong because XXXXX. Please try again.
	Answer E	Wrong answer	This answer is wrong because XXXXX. Please try again.