



## ADAM SMITH IN GREECE

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Adam Smith was born in 1723 in Kirkcaldy of Scotland. Between 1737 and 1740 he studied in the University of Glasgow, and after that he went on with his studies with a scholarship to Oxford. In 1751 he was offered a job as Professor of Logic in the University of Glasgow, where, a couple of years later he acquired the position of the Professor of Moral Philosophy. Drawing inspiration from the Encyclopaedists of his era, Smith's lectures went far beyond ethics, to discuss issues of physics, theology, philosophy of law, rhetoric, calligraphy and (what is nowadays called) political economy.

At the time, Glasgow was the epicenter of what was about to be called the "Scottish Enlightenment", an intellectual movement emphasizing on history and on the founding of citizen's society. In 1740 the first political economy club in the world had already been formed, and Smith was one of its members.

Nonetheless, Smith's era was a transition era in the history of English industry, characterized by the coexistence of different forms of industrial organization: individual craftsmen, home industry and manufacturers. Actually, as Smith himself noted, there were more manufacturers in Scotland than in England at the time.

Smith was influenced not only by the changes that were going on around him but also from great thinkers of his time, many of whom were his friends. David Hume (Smith's close friend) had already published his economic work in the early 1750's. A few years later, Quesnay published economical articles and his "Tableau Economique".

In 1759 Smith published *The Theory of Moral Sentiments*, a book which boosted his reputation. It was about the routes and the criteria of moral approval or disapproval of the moral judgments in general. In 1764 he was assigned to educate the Duke of Buccleuch and the two traveled across Europe, where Smith had the chance to meet with great thinkers of his time. Among them, there were the Physiocrats. During the trip, Smith got his hands on writing the drafts of an enquiry on political economy, a subject that he had already taught, and discussed in the club with his close friend and philosopher David Hume and also with the Physiocrats. This would be *An Inquiry into the Nature and Causes of the Wealth of Nations*, which was first published in



1776. It is, until now, thought to be the foundation stone of Classical Political Economy.

But *An Inquiry into the Nature and Causes of the Wealth of Nations* did not contain purely original ideas, under the strict definition of the term. Many scholars had already been occupied with similar subjects: John Lock, James Steuart, Bernard de Mandeville, Sir William Petty, Cantillon, Turgot, David Hartley, and of course Quesnay and Hume (Heilbroner 2000). Like most of the classic works, *An Inquiry into the Nature and Causes of the Wealth of Nations* is the product of a whole era and not the work of one and only person, as it is evident that Smith drew elements from his predecessors. Of course, Smith's thought went way beyond the one of the Mercantilists, who were occupied with practical issues of economic policy, and the one of the Physiocrats, who were working on agricultural economics. Instead, he created the theoretical foundation of the emerging industrial capitalism (Rubin 1993). Finally, *An Inquiry into the Nature and Causes of the Wealth of Nations* should be seen as a really revolutionary book, especially in the context of 18<sup>th</sup> century Scotland.

Smith's spectrum of fields of interest and knowledge can be really shocking. A book as big and caustic as *An Inquiry into the Nature and Causes of the Wealth of Nations* could have doubtlessly been written only during the 18<sup>th</sup> century (Heilbroner 2000). Indeed, Smith's two books show us that he was a lot more than an economist; he probably thought of his books as part of a broader research within the field of Social Sciences (Backhouse 2009).

Very few economists after Smith embraced their time the way he did; he shared the beliefs of his time, and at the same time he shaped them as well. Adam Smith died in 1790, at the age of 67.

#### ADAM SMITH'S KEY IDEAS:

##### a) Division of labor

The Mercantilists, like Thomas Mun, believed that the source of wealth was international commerce; on the contrary, Smith focused his own analysis on the production process. He recognizes labor (in general) as the only cause of wealth. According to Smith, there are only two circumstances under which a nation's wealth can grow. The first is the rising of the productivity of each individual worker and the second is the growth of the population of productive workers as a presentence of the society.



Of course, the rising of productivity takes place when the level of labor division rises too, while the growth of the population of productive workers demands a growth and an accumulation of capital that is spend on maintaining all that population.

Smith gives us three reasons why the division of labor raises the productivity:

- 1) Each worker gains in dexterity by repeating the same moves again and again
- 2) No time is lost in the transition from one move to another
- 3) The breaking down of labor in basic moves brings about the invention of time saving tools

#### b) Labor theory of value

Beginning with his analysis of the idea of value, Smith makes a distinction between the value of use and the value of exchange. He insists that the first one is completely out of his field of research, and he focuses his attention on the second. It is of crucial importance to state that in the core of Smith's perception of (exchange) value there is a fundamental duality. On the one hand, Smith wants to discover the causes of the amount of value that is included in a merchandize, and the causes of the changes on that amount. On the other hand, he wants to find a precise, unchangeable standard that could be used to measure the value of a merchandize. This duality is the cause of many contradictions and theoretical sufferings of Adam Smith's work.

#### c) Distribution Theory

Smith was one of the first to describe the class division of the society and the classification of income. He recognized three classes: capitalists, landlords and workers. In the same way, the income was profit, annuity land charge, and wage. For Smith, interest is not a separate income; instead, it is only a part of profits paid to the one who lent the capital to the owner of the factory.

Smith is very careful to make the distinction between profits and wages, he does not think of profits the wage paid for a different kind of job that is management of supervision. As he clearly states in the 6<sup>th</sup> chapter of "Book I", profits depend on the amount of the invested capital and on the time spent for supervision. This is why profits depend on completely different principals than wages.



## A. SMITH'S THEORETICAL INFLUENCE

Classical economists presented competing theories of those of Smith, termed the "labor theory of value". Later Marxian economics descending from classical economics also use Smith's labour theories, in part. The first volume of Karl Marx's major work, *Capital*, was published in German in 1867. In it, Marx focused on the labour theory of value and what he considered to be the exploitation of labour by capital. The labour theory of value held that the value of a thing was determined by the labor that went into its production. This contrasts with the modern contention of neoclassical economics, that the value of a thing is determined by what one is willing to give up to obtain the thing.

The body of theory later termed "neoclassical economics" or "marginalism" formed from about 1870 to 1910. The term "economics" was popularized by such neoclassical economists as Alfred Marshall as a concise synonym for "economic science" and a substitute for the earlier, broader term "political economy" used by Smith. This corresponded to the influence on the subject of mathematical methods used in the natural sciences. Neoclassical economics systematized supply and demand as joint determinants of price and quantity in market equilibrium, affecting both the allocation of output and the distribution of income. It dispensed with the labour theory of value of which Smith was most famously identified with in classical economics, in favor of a marginal utility theory of value on the demand side and a more general theory of costs on the supply side.

## ADAM SMITH IN GREECE

The first translations of Adam Smith's works into Greek appeared during the 1930's, nearly 150 years after the publication of his masterpiece. The role of the "Argiris Papazisis" Publications was crucial. The publishing house was the first to make a systematic attempt to familiarize Greek readers with what was already classic and part of the history of economic thought, by funding the translation and publication of the works of Smith, Ricardo, Mill, Quesnay, Malthus and others. Very often these publications were prologued by Professor of Economics Dimitris Kalitsounakis. The translation of *An Inquiry into the Nature and Causes of the Wealth of Nations* was interrupted by the World War II. After the war the project was halted probably due to the poor response of the market and the lack of interest from the community of economists in Greece.



The main reason for the delayed translations of Adam Smith's works into Greek is that during the 19<sup>th</sup> century economic texts were translated almost exclusively from French. France, as well as its thinkers, was highly respected among Greeks, so books written in French were picked out in order to be translated. The ideas of Smith though were already popular in France, where several textbooks simplifying economical thought were circulating. Such books were of the first economic texts translated into Greek. So, in a way, Adam Smith's ideas found their way into Greece long before the translation of his actual works.



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