**Text 10. Read and translate the text. Answer the questions.**

**The Wealth of Nations by Adam Smith**

*The Wealth of Nations* is in fact a continuation of the philosophical theme begun in *The Theory of Moral Sentiments*. The ultimate problem to which Smith addresses himself is how the inner struggle between the passions and the “impartial spectator”—explicated in *Moral Sentiments* in terms of the single individual – works its effects in the larger arena of history itself, both in the long-run evolution of [society](https://www.britannica.com/topic/society) and in terms of the immediate characteristics of the stage of history typical of Smith’s own day.

Smith outlines the four main stages of organization through which society is impelled, unless blocked by wars, deficiencies of resources, or bad policies of government: the original “rude” state of hunters, a second stage of nomadic agriculture, a third stage of feudal, or manorial, “farming,” and a fourth and final stage of commercial interdependence.

It should be noted that each of these stages is accompanied by institutions suited to its needs. For example, in the age of the huntsman, “there is scarce any property…; so there is seldom any established magistrate or any regular administration of justice.” With the advent of flocks there emerges a more complex form of social organization, [comprising](https://www.merriam-webster.com/dictionary/comprising) not only “formidable” armies but the central institution of [private property](https://www.britannica.com/topic/private-property) with its indispensable buttress of law and order as well. It is the very essence of Smith’s thought that he recognized this institution, whose social usefulness he never doubted, as an instrument for the protection of privilege, rather than one to be justified in terms of natural law: “Civil government,” he wrote, “so far as it is instituted for the security of [property](https://www.britannica.com/topic/property-legal-concept), is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all.” Finally, Smith describes the evolution through feudalism into a stage of society requiring new institutions, such as market-determined rather than guild-determined wages and free rather than government-constrained enterprise. This later became known as [laissez-faire](https://www.britannica.com/topic/laissez-faire) [capitalism;](https://www.britannica.com/topic/capitalism) Smith called it the system of perfect liberty.

There is an obvious resemblance between this [succession](https://www.britannica.com/topic/inheritance-law) of changes in the material basis of production, each bringing its requisite alterations in the superstructure of laws and civil institutions, and the [Marxian conception](https://www.britannica.com/topic/Marxism) of history. Though the resemblance is indeed remarkable, there is also a crucial difference: in the Marxian scheme the engine of evolution is ultimately the struggle between contending classes, whereas in Smith’s philosophical history the primal moving agency is “human nature” driven by the desire for self-betterment and guided (or misguided) by the faculties of reason.

The theory of historical evolution, although it is perhaps the binding [conception](https://www.merriam-webster.com/dictionary/conception) of *The Wealth of Nations*, is subordinated within the work itself to a detailed description of how the “invisible hand” actually operates within the commercial, or final, stage of society. The question, which had already been considerably elucidated by earlier writers, required both an explanation of the underlying orderliness in the pricing of individual commodities and an explanation of the “laws” that regulated the division of the entire “wealth” of the nation (which Smith saw as its annual production of goods and services) among the three great claimant classes – labourers, landlords, and manufacturers.

This orderliness, as would be expected, was produced by the interaction of the two aspects of human nature, its response to its passions and its susceptibility to reason and sympathy. But whereas *The Theory of Moral Sentiments* had relied mainly on the presence of the “inner man” to provide the necessary restraints to private action, in *The Wealth of Nations* one finds an institutional mechanism that acts to [reconcile](https://www.merriam-webster.com/dictionary/reconcile) the disruptive possibilities [inherent](https://www.merriam-webster.com/dictionary/inherent) in a blind obedience to the passions alone. This protective mechanism is [competition](https://www.britannica.com/topic/competition-economics), an arrangement by which the passionate desire for bettering one’s condition—“a desire that comes with us from the womb, and never leaves us until we go into the grave”—is turned into a socially [beneficial](https://www.merriam-webster.com/dictionary/beneficial) agency by pitting one person’s drive for self-betterment against another’s.

**Questions:**

1. What is the main problem of the “*The Wealth of Nations”* by Adam Smith?
2. What stages did Adam Smith single out in the organization of the society?
3. Why is Adam Smith’s theory called “the theory of an invisible hand”?
4. What aspects of human nature interact according to Smith?
5. How can competition help for bettering of economic conditions?