

Adam Smith  
Our Great Purpose Additional Notes  
Lesson #1

Adam Smith emphasized how to make a capitalistic economy more humane and meaningful.

He was born in 1723 near Edenborough Scotland.

He studied economics but his main goal was to make people and nations happier. So his writings went way beyond economics.

He was one of the world's greatest thinkers.

Four Main Ideas

1. Specialization

- a. Modern economics produce huge amounts of wealth but ordinary people find their jobs to be “meaningless” i.e. boring.
  - i. He understood that these facts are inter-related and he was the FIRST to understand this.
- b. Products could be produced in huge volume if people specialized in making certain aspects of the product.
- c. But specialization had a problem i.e. no meaning.
  - i. When businesses are small and self-contained help is readily available.
  - ii. If things industrialized then everyone ends up a small cog in a big machine. They don't understand their role as meaningful. There is no sense of purpose.
- d. Companies are morally responsible to remind people of their role and purpose.

2. Consumer Capitalism

- a. Manufacturers begin producing goods for a growing middle class.
  - i. Rousseau greatly opposed this trend. He was a fan of a Spartan way of life.
  - ii. Smith strongly disagreed because he argued that if you have a growing middle class then society has the MEANS to help those that cannot help themselves.

- iii. More wealthy wouldn't let the poor and elderly starve because they built hospitals and schools.
- iv. Smith argued that consumer capitalism, though it had its faults, it was far better for providing for society than a society with high ideals e.g. Sparta.
- v. Capitalism shouldn't just provide for frivolous needs but develop to a point where much higher needs are met i.e. true fulfillment.

### 3. How to treat the rich?

- a. We want to influence the rich to behave well towards society.
  - i. Christian sometimes answer, "make them feel guilty."
  - ii. Leftist response, "raise taxes."
- b. Smith disagreed with both approaches!
  - i. Rich would still ignore the needs of the poor and ultimately flee the country.
  - ii. Smith said that rich really don't care about money but rather, "honor and respect."
  - iii. Society should give the rich plenty of honor and status. They would do good things that narcissists wouldn't normally bother with. Schools, hospitals and also pay workers well.
    - 1. i.e. direct the rich's vanity towards proper objects.

### 4. Educate Consumers

- a. What if corporations produce a negative effect on society?
  - i. Smith said that it's not companies that degrade the world but men's appetites and desires which the companies serve.
  - ii. Consumers should be taught to want better things at a proper price that truly reflects the labor costs of workers.
  - iii. Capitalism can be elevated by changing the wants of the consumer.
- b. Human values can be reconciled with the needs of business.
- c. Create an economy that is profitable and civilized.