

Paganelli, Maria Pia

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From “dull” to “cheerful”: the relevance of Adam Smith for today

Maria Pia Paganelli

Department of Economics, Trinity University, San Antonio, Texas, USA

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Abstract

Purpose – Is there a secret recipe for economic growth?

Design/methodology/approach – No, there is no recipe, but we can extrapolate some pieces of advice from Adam Smith.

Findings – An economy can leave behind its “dull” stagnant state and grow when its markets expand, when the productivity of its workers increases thanks to high compensations, which are seen as incentives to work harder and when lobbying and cronyism are kept at bay. Luck plays a role too, but these three ingredients are necessary, even if not sufficient, for an economy to grow and thus be “cheerful.”

Originality/value – These three aspects – expansion of market, liberal compensation of workers and lobbying – especially combined, have often been underestimated in Smith’s understanding of the possible sources of economic growth.

Keywords Adam Smith, Economic growth, Luck, Access to market, Fair compensation, Special interest groups

Paper type Research paper

Adam Smith was born 300 years ago in a small town in Scotland. He was educated in Glasgow and Oxford. He worked as a public lecturer, a university professor and a customs officer, always in Scotland. He traveled a little throughout Europe as a private tutor of a Scottish noble boy, but got so bored in France that he started to write a book. That book turned out to be *The Wealth of Nations* [1] ([1776] 1981). He read extensively about a wide variety of subjects, including the Americas.

So, what can a 300-year-old white man, subject of the British Empire, with relatively limited world exposure (by today’s standards, at least) and the second-hand knowledge of the world tell us today? What could he tell *you*?

I would like to suggest that if today, one is interested in the wealth of a nation, one should consider at least four things to which Smith pays attention. First, that the division of labor is limited by the size of the market; second, that a fair remuneration of labor generates positive incentives, thus increasing productivity; third, that the presence of powerful interest groups capturing state power generates negative consequences for society and finally, that luck matters too.

1. The extent of the market

Let me start with a question. If you were asked what are the two greatest and most important events recorded in the history of mankind, what would you say?



This is how Adam Smith answers that question:

The discovery of America and that of a passage to the East Indies by the Cape of Good Hope, are the two greatest and most important events recorded in the history of mankind. (WN IV.vii.c.80, p. 626)

The discovery of America and how to circumnavigate Africa to arrive to India are not obvious answers for most people. But they will become obvious if we follow Smith’s logic.

Many economists, even if not historians of economics, have heard of Smith’s pin factory. Smith uses the example of the pin factory to illustrate the miracles of the division of labor. It is indeed the division of labor that allows us to produce more than what we could do on our own. It is the division of labor that allows us to specialize and increase productivity.

Most of us, following Smith, are indeed comfortable in attributing to this division of labor, the power that gives us “opulence”, to use a Smith’s term. In his own *Introduction and Plan of the Work*, Smith tells us that opulence comes from increased productivity, and in the very first sentence of Book I, he tells us that “The greatest improvement in the productive power of labor [is] the effect [. . .] of the division of labour” (WN I.i.1, p. 13). Therefore, the key to increasing productivity and thus, economic growth, is the division of labor.

We are able to consume so much because we are unable to produce anything by ourselves, relying instead on the joint production of the specialized labor of many other people. Today, there are online videos of people trying to make a common household item such as a toaster on their own, from scratch. They are funny, as they are improbable. Nobody can make a working toaster from scratch.

This is uncontroversial. But what I would like to emphasize here, is that this is not the whole story that Smith tells us.

The division of labor *by itself* is not enough to generate economic growth. As a matter of fact, division of labor by itself is a recipe for disasters. A pin maker – let alone a pin factory! – in the Highlands of Scotland in Smith’s time would not survive. Why? Because one cannot eat pins. The Highlands of Scotland, Smith tells us, are geographically isolated and sparsely populated. There are not enough people willing and able to buy pins up there. If one specializes in the production of pins, one will starve. They will spend their time producing pins which too few people would buy, leaving them with nothing with which to buy food or other things they may need. Therefore, one should not be surprised that in the Highlands of Scotland there is little division of labor. Each man must be his own pin maker, his own butcher, his own brewer, his own baker, his own carpenter, his own smith or his own mason (WN I.iii.2, pp. 31–32). And the reason is because the market is too small.

To have a pin factory, one needs to have access to a large enough market to not only sell all the pins produced but also to buy all that one had not been able to produce (but wants to consume) because they have been producing pins.

Access to markets is thus the key in Smith’s economic growth story, more than division of labor itself. It is not an accident that the third chapter of Book I of the *Wealth of Nations* is titled “that the division of labor is limited by the extent of the market” (WN I.iii, pp. 31–36).

Think of how Smith develops his argument. The division of labor, he tells us, is not the result of “any human wisdom [. . . but . . .] the necessary, though very slow and gradual consequence of a certain propensity in human nature [. . .]; the propensity to truck, barter and exchange one thing for another” (WN I.ii.2, p. 25). So, for Smith, we are naturally trading creatures. His starting point is trade. We trade, and by trading we realize that we specialize and trade even more. We thus develop differences in talents and skills which, even if the “vanity of the philosopher” induces them to believe they are innate, they are in reality the result of nurture (Peart & Levy, 2005). It is our natural desire to trade that drives us to look for more and more trading partners, expanding our markets and thus, being able to have division of labor, and grow.

So, if we want to grow prosperous, Adam Smith tells us, we need to expand our markets. Indeed, it is not an accident that all the greatest earlier civilizations emerged near navigable waters, being that seas or rivers. This is a long quotation but worth having in full as it contains Smith's words of explanation:

The nations that [...] appear to have been first civilized, were those that dwelt round the coast of the Mediterranean Sea. That sea, by far the greatest inlet that is known in the world, having no tides or consequently any waves except such as are caused by the wind only, was, by the smoothness of its surface as well as multitude of its islands, and the proximity of neighbouring shores, extremely favourable to the infant navigation of the world [...]. Egypt seems to have been the first in which either agriculture or manufacturers were cultivated and improved to any considerable degree [...] the extent and easiness of this inland navigation [of the Nile and its many different canals] was probably one of the principle causes of the early improvement of Egypt. The improvements in agriculture and manufactures seem likewise to have been of very great antiquity in the provinces of Bengal in the East Indies, and in some of the eastern provinces of China. [...] In Bengal the Ganges and several other great rivers form a great number of navigable canals [...]. In the Eastern provinces of China too, several great rivers form, by their different branches, a multitude of canals and by communicating with one another afford an inland navigation much more extensive than either that of the Nile or the Ganges or perhaps than both of them put together (WN I.iii.5–7, pp. 34–35).

So, in Smith's story, water carriage plays a fundamental role because water carriage is significantly cheaper than land transportation. Water carriage allows for larger markets. Imagine transporting goods from Calcutta to London via land, tells us Smith. Trade would be very limited and restricted to just very precious things (WN I.iii.3, pp. 32–34). Water transport is much cheaper and faster, even for shorter distances. Transporting 200 tons of weight from Edinburgh to London in six weeks, tells us Smith, would need six to eight men via water carriage or 50 broad-wheeled wagons, 100 men and 400 horses. Even today 90% of our traded goods arrive to us via water transport [2].

Note that this argument is similar and yet different from [Coase \(1937, 1960\)](#) and [North \(1984, 1990\)](#)'s arguments that the extension of the market is limited by the transaction costs of defining and enforcing property rights and contracts. Smith mentions something similar when he explains the stagnation of China, which for him was in part due to the corruption of the mandarins and thus the weak enforcement of property rights. Here Smith focuses instead more on the actual accessibility and openness of markets, an argument closer to North's earlier work on the pivotal role of navigation in the expansion of markets (e.g. [1955](#), [1958](#) and [1968](#)).

Note also that for Smith, to grow rich, a country does not need to have any relevant natural resources or even local sources of food, just access to markets. Smith tells us that differently from Peru or Mexico, Asian empires had no mines. Yet, thanks to their extensive internal commerce, they "were in every other respect much richer, better cultivated and more advanced in all arts and manufactures than either Mexico or Peru" (WN IV.i.33, p. 448).

Think also of how Smith describes the emergence of significant prosperity in Europe (WN III, pp. 376–427). People abandoned the countryside to find protection in cities, trying to avoid the barbaric invasions first and local feuds later. But in cities, one cannot grow food. There are no significant natural resources in urban conglomerates, with the exception of navigable waters. And so, to support themselves, people started to engage in so-called carrying trade. They transported goods that they did not produce, from one place to another. Then they eventually started to produce their own goods to be sold abroad and only then they developed industry for domestic markets. It was the opening to international trade that allowed Medieval European cities to flourish and eventually bring about that silent revolution of commerce that brought prosperity and independence from servitude even to the working poor.

Interestingly enough, for Smith, a country can benefit from international trade, even if it does not carry the trade itself. Smith tells us indeed that “the wealth of antient Egypt, that of China and Indostan, sufficiently demonstrate that a nation may attain a very high degree of opulence, though the greater part of its exportation trade be carried on by foreigners” (WN III.i.7, pp. 379–380).

But remember that the division of labor, and the opulence that it brings about, is limited by the extent of the market. The more extensive the market, the more specialization is possible and the higher the increase in productivity, the more continuous the economic growth. An open economy has an extensive market and thus an unlimited growth potential. This also means that a closed economy has a limited market and a limited growth potential, despite its internal extensive markets. International trade is what drives economic growth.

Indeed, a closed economy, for Smith, can be prosperous, but it can eventually become stagnant. And a stagnant or stationary economy is “dull” (WN I.viii.43, p. 99). This is, in his view, the situation of China in his days. China is rich but it is not growing.

China has been long one of the richest, that is, one of the most fertile, best cultivated, most industrious and most populous countries in the world. It seems, however, to have been long stationary. Marco Polo, who visited more than five hundred years ago, describes its cultivation, industry and populousness, almost in the same terms in which they are described by travelers in the present time. (WN I.viii.24, p. 89)

One of the reasons for China’s lack of growth and being “dull”, in Smith’s account, was that China was a closed economy. China rejected international trade. Its size and wealth made people think they did not need international trade, so they despise it. “The Chinese have little respect for foreign trade. [. . .] Foreign trade, therefore, is, in China, every way confined within a much narrower circle than that to which I would naturally extend itself” (WN IV.ix.40, p. 680). This proved to be a limiting factor for growth. Opening up to international trade would extend the markets more, allowing for the economy to grow.

But the great extent of the empire of China, the vast multitude of its inhabitants, the variety of climate and consequently, of productions in its different provinces and the easy communication by means of water carriage between the greater part of them, render the home market of that country of so great extent, as to be alone sufficient to support very great manufacturers, and to admit of very considerable subdivisions of labour. [. . .] *A more extensive foreign trade, however, which to this great home market added the foreign market of all the rest of the world, especially if any considerable part of this trade was carried on in Chinese ships, could scarce fail to increase very much the manufactures of China and to improve very much the productive powers of its manufacturing industry.* (WN IV.ix.41, pp. 680–681. Emphasis added)

Again, think of Smith’s experience. Scotland was an extremely poor and underdeveloped country until the unification with England. With the Acts of Union which created the UK of Great Britain in 1707, Scotland gained access to the colonial market. Glasgow became one of the most important ports for trade with the North American colonies, and a very prosperous city. Just think that its population went from around 13.000 in 1707 to about 77.000 in 1801.

The opening of markets is, for Smith, a miraculous way to increase opulence, and to allow working poor to be better off than African kings (WN I.i.11, p. 24). It is no longer surprising then, to see that for Smith, the two most important events recorded in the history of humankind are the discoveries of America and of the Ocean route to India. The expansion of markets is what allows division of labor to generate wealth and economic growth and thus, the prosperity to live long and meaningful lives – a lesson which should resonate in a world in which deglobalization is gaining more ground.

2. The fruits of one's labor

But extensive and open markets are not enough.

We may have access to all the markets we can dream of, but if we are not fairly rewarded for the work we do, we are not going to be taking advantage of the opportunities that trade offers us.

For Smith, we work because we want to better our conditions, because we want and we can, enjoy the fruits of our labor. That is the main and most powerful motivation we have. The desire to better our condition, for Smith, is indeed not a violent passion, but a steady one which is present in us from the day we are born until the day we die (WN II.iii.28, p. 341).

It is through an "augmentation of fortune" which most people wish and attempt to better their condition (WN II.iii.28, p. 341). Therefore, the higher the wage, the greater the incentives to work hard, as higher wages are a way to better our condition. Higher wages give people more physical and emotional energy to work and to work hard. Indeed, he tells us that

the liberal reward of labor [...] increases the industry of the common people. The wages of labor are an encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives. A plentiful subsistence increases the bodily strength of the laborer and the comfortable hope of bettering his condition and of ending his days perhaps in ease and plenty, animates him to exert that strength to the utmost. Where wages are high, accordingly, we shall always find the workmen more active, diligent and expeditious, than where they are low. (WN I.viii.44, p. 99)

Smith's reasoning is intuitive:

That men in general should work better when they are ill fed than when they are well fed, when they are disheartened than when they are in good spirits, when they are frequently sick than when they are generally in good health, seems not very probable. (WN I.viii.45, pp. 100–101)

So, for Smith, an independent worker (or a business owner) is the most productive, followed by someone who is paid by piece, followed by someone who is paid a fixed amount, followed finally by the least productive labor: enslaved labor.

Nothing can be more absurd, however, than to imagine that men in general should work less when they work for themselves, than when they work for other people. A poor independent workman will generally be more industrious than even a journeyman who works by the piece. The one enjoys the whole produce of his own industry; the other shares it with his master (WN I.viii.48, p. 101)

For example, for Smith, the university professors who are paid by their students are the most effective teachers and the ones teaching the most innovative things, because their livelihood depends on their success with the students. Professors from endowed universities, on the other hand, who are paid a fixed salary, have little incentive to have "even pretence of teaching," given that they are paid regardless of what they do (WN V.i.f.6–7, pp. 760–761).

Similarly, apprenticeships, where young people are meant to learn a trade by working for free for several years for a master, teaches only "an aversion to labor" (WN I.x.c.14, p. 139).

Smith's logic leads straight into seeing that enslaved labor must be the most expensive labor there is. Enslaved workers do the minimum necessary to stay alive and nothing more. Why do more when someone else will benefit from your labor? It is not an accident, for Smith, who enslaved labor can be found only in extremely profitable industries such as sugar production. Only extremely profitable industries can afford the high inefficiency of enslaved labor (WN III.ii.9–10, pp. 387–388).

So, if wages are kept artificially low, be it because of regulation or "conspiracy of the masters" or injustices of bureaucrats, workers will have less incentive to work and the economy would not grow.

China is for Smith the example of a "dull" stagnant economy. For Smith, China experienced no growth from the time of Marco Polo to his time, despite its great opulence, because among other things, the wages of the lower classes were kept unjustly low.

China seems to have been long stationary, and had probably long ago acquired that full complement of riches which is consistent with the nature of its laws and institutions. But this complement may be much inferior to what, *with other laws and institutions*, the nature of its soil, climate, and situation might admit of. A country which neglects or despises foreign commerce, and which admits the vessels of foreign nations into one or two of its ports only, cannot transact the same quantity of business which it might do with different laws and institutions. In a country too, where thought the rich or the owners of large capitals enjoy a good deal of security, the poor or the owners of small capitals enjoy scarce any, but are liable, under the pretence of justice, to be pillaged and plundered at any time by the inferior mandarines, can never be equal to what the nature and extent of that business might admit. (WN Lix.15, pp. 111–112. Emphasis added)

Note the evaluation that Smith gives about the China of his time is not in absolute terms, but in relative terms. If the laws and institutions change, the economic conditions will change too. The stagnation that China experienced with those laws and institutions can be transformed into growth with different laws and institutions. And growth can start again. Indeed, opening the economy would spark the economic growth that allows for liberal remuneration of labor, which in turn increases productivity and ignites the virtuous spiral of economic growth.

So, for Smith, another key to economic growth is having just and liberal wages. Liberal wages give incentives to work more and to be more productive. His argument contrasts with the idea, common at his time, that the poor are poor because they are lazy (Martin, 2015). One needs to keep their wages to a minimum, the common story went, so that the working poor would keep working. If the working poor receive higher wages, they will stop working and start drinking or fall into all sorts of debaucheries due to indolence. Smith suggests instead that some of the working poor who work by piece, if they “can earn in four days what will maintain them through the week, will be idle the other three” (WN L.viii.44, p. 99), because they are so over-exhausted from working much harder than others, not because they are lazy.

The “great desire of relaxation [. . .] is a call of nature [. . .]. If it is not complied with, the consequences are often dangerous, and sometimes fatal, and such as almost always, sooner or later, bring on the peculiar infirmity of the trade. If masters would always listen to the dictate of reason and humanity, they have frequently occasion rather to moderate, than to animate the application of their workmen. It will be found, I believe, in every sort of trade, that the man who works so moderately as to work constantly, not only preserves his health the longest, but, in the course of the year, executes the greatest quantity of work” (WN L.viii.44, p. 100).

Paying workers well will increase productivity. This argument has parallels to how we understand efficiency wages, with the difference that for Smith the liberal compensation of labor is not a wage set above market price, but it is the actual market price. The problem he sees is that the labor market is highly regulated so that wages are kept artificially low. If liberalized, wages would increase for all.

But the presence of liberal wages also implies the ability of workers to move where they can earn those wages. Indeed, the ability to enjoy the fruits of one’s labor for Smith also implies labor mobility.

Forcing people to be within a specific sector of the economy is a limitation that chokes productivity as it causes a mismatch between workers and employers. Thus, preventing workers from moving to a location with more opportunities is both inefficient and unjust. His language, in this case, is quite categorical:

The property which every man has in his own labour, as it is the original foundation of all other property, so it is the most sacred and inviolable. The patrimony of the poor man lies in the strength and dexterity of his hands and to hinder from employing his strength and his dexterity in what manner he thinks proper without injury to his neighbour, is a plain violation of this most sacred property. It is a manifest encroachment upon the just liberty both of the workman, and of those who might be disposed to employ him. (WN Lx.c.12, p. 138)

Smith highlights another advantage of a liberal remuneration of labor: workers feel they are treated well. For Smith, treating workers with respect will create respect for the employer and thus, an environment that facilitates production and productivity.

Treating workers with respect actually applies even for enslaved workers, for Smith. He claims that the French legal system in the sugar colonies allows judges to rule a bit more in favor of the slaves than the judges in the British sugar colonies courts. Being treated with respect and with justice by the judges induces their masters “to consider him with more regard and to treat him with more gentleness” (WN IV.vii.b.54, p. 587). In their turn, enslaved workers become useful and more productive. Therefore much so, that Smith goes as far as saying that the prosperity of the French sugar colonies “has been entirely owing to the good conduct of the colonists [...] and this superiority has been remarked in nothing so much as in the good management of their slaves” (WN IV.vii.b.56, p. 588).

This respect for the workers, enslaved or not, conflicts with our love of domineering. But when an economy is growing, our love of domineering has to take the back seat. Competition not only forces employers to pay high and fair wages but also to treat their employees well. This ignites a virtuous cycle of productivity. Happy and respected workers produce more, stimulating further economic growth, which in its turn allows competition in the labor market which induces employers to be fair and respectful (WN I.viii.17, p. 86).

The British North American colonies are Smith’s favorite example of this. The economy there is growing so fast, thanks to the extension of the markets that labor has trouble to keep up. Wages are high, employers are very well behaved and employees very productive (WN I.viii.18–22, pp. 86–87).

The expansion of markets and allowing workers to enjoy the fruits of their labor, breaks free what today we call increasing returns, and allows an economy to grow prosperously and creates a “cheerful” society, which Smith opposes to the “dull” state of a stationary economy or the “melancholy” of a declining society (WN I.viii.43, p. 99). Smith’s words may be a quite relevant reminder of what allows for growth in a time in which we are experiencing protectionism and anti-immigration waves making labor a relative inflexible factor of production.

3. The danger of special interest groups

Smith recognizes that increasing returns can be halted and the economy can slow down if not even stall or contract. Bengal is Smith’s example of a “melancholic” society because its economy is contracting. Bengal, in Smith’s account, is a very fertile country where “three or four hundred thousand people die of hunger in one year” (WN I.viii.26. p. 91).

How is that possible?

The expansion of the market brings prosperity to consumers, but it is also a profit opportunity for those who can enter that market. And if only a few can enter, that profit is going to be very high and not be shared. Special interest groups have thus all the incentives to capture state power for their own benefits, creating monopolies that serve their wallets, at the expense of everyone else. And trade in Bengal fell in the hands of the most powerful of those monopolies: the East India Company.

Smith offers a detailed analysis of the formation and operation of state sponsored monopolies (Paganelli, 2023). The special interest groups that Smith identifies in his time were mostly merchants and manufacturers. They can easily cartelize, given their geographical concentration and that they are relatively few in number (WN I.x.c.22, p. 142).

The problem that Smith identifies is that “The interest of the dealers, however, in any particular branch of trade or manufacturers, is *always in some respect different from, and even opposite to, that of the publick*” (WN I.xi.p. 10, pp. 266–267. Emphasis added). Merchants and manufacturers want to expand their markets, which are not in contradiction with the interest

of society, but they want to do it while also limiting competition in them. Limiting competition implies monopoly power and thus, higher profits for them at the cost of higher prices and a lower quantity supplied to the consumers.

This desire for higher prices is the reason why, for Smith, the interest of merchants and manufacturers is always opposite to the interest of society and the reason why their rhetoric is always covered with hypocrites. Merchants and manufacturers themselves do their business by buying where it is cheap, independently of who produces the merchandise. But they do not want other people to be allowed to do the same. People, like merchants, also want to buy from the cheapest seller. But the merchants want them to buy from them at the highest price possible. They want monopoly pricing. This is why the spirit of monopoly is always directly opposite to the interest of the great body of the people (WN IV.iii.c.10, pp. 493–494).

The problem for Smith, is serious, because merchants and manufacturers are willing and able to disguise their interest for the interest of society, convincing most people and the statesmen, that their interest is the same as the interest of society itself. As a consequence, they are able to direct legislation in their favor. Smith indeed claims that: “The clamour and sophistry of merchants and manufacturers easily persuade them that the private interest of a part, and of a subordinate part of the society, is the general interest of the whole” (WN I.x.c.25, p. 144).

Politicians and the general public fall for the special interest groups. Mostly because they do not know any better or they do not care enough to know. Smith believes that the majority of the people have an intuitive sense that trade makes a country better off, but they do not understand the actual process through which this improvement takes place. Nobody does. But merchants play on this ignorance. People see that the merchants know how to enrich themselves and they believe their false claim that they also know how to enrich the nation too. (WN IV.i.10, p. 434).

Thus, with their perverse sophistry, they transform “a bond of union and friendship” that brings trading partners together into a belief that others, that other trading partners and that foreigners, are enemies. Merchants and manufacturers convince people and governments that the neighbors are necessarily enemies, so that their wealth and power would inflame violence and “discord and animosity” (WN IV.iii.c.9, p. 493). The “passionate confidence of interested falsehood” of merchants and manufacturers is such that they make every nation look with envy at the prosperity of other countries. Their faulty rhetoric transforms the merchants and manufactures of rich nations into dangerous rivals, even if in reality their competition is beneficial to the majority of the people.

In fact, Smith tells his readers, in reality, the wealth of one’s neighbor is beneficial in trade. A rich man is a better customer than a poor one. Open ports enrich cities and towns; they do not ruin them. Amsterdam is a very good example of this. Monopolies are even more absurd economic policies if we think that “consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer [...] But in the mercantile system, the interest of the consumer is almost constantly sacrificed to that of the producer and it seems to consider production and not consumption, as the ultimate end and object of all industry and commerce” (WN IV.viii.49, p. 660) while the opposite is true.

In addition, Smith also tells us that “to hurt in any degree the interest of any other order of citizens, for no other purpose but to promote that of some other, is evidently contrary to justice and equality of treatment which the sovereign owes to all his subjects” (WN IV.viii.30, p. 654).

And despite that, if someone dares to object to them, their power is such that they can even “intimidate the legislature” either with insults or with violence (WN IV.ii.43, p. 471).

These special interest groups, thus, restrict or even block economic growth, damaging the entire society and possibly even undermining the stability of society. It is not an accident that defined his *Wealth of Nations* as a “very violent attack” against the mercantile interests of Britain (Smith, 1987, I, 251). And it is not an accident that his arguments sound familiar to someone exposed to the vast literature developed from the emergence of the public

choice theory in the early 1960s (e.g. [Buchanan & Tullock, 1962](#); [Tullock, 1967](#); [Olson, 1971](#); [Krueger, 1974](#)) to the new political economy literature in more recent years. They work in his days as well as in ours.

4. Luck

I would like to suggest that there is yet another piece of advice we can extract from Smith's work, in addition to the three mentioned above: institutions able to channel and support increasing returns and thus favoring economic growth are not the result of human design, but the unintentional results of human actions and most relevantly, the results of accidents.

An unintended consequence can be predicted. I do not intend to benefit the butcher, the brewer or the baker when I buy my dinner from them, but you can predict that my action will benefit them too, even if without my intention. Accidents, on the other hand, are by their nature unpredictable and not directly controllable. Therefore, Smith reminds us to be humble and recognize our potential inability to shape growth, as some conditions are outside our control; they are accidental ([Paganelli, 2022](#); see also [Arthur, 1989](#); [North, 1990](#); [Acemoglu, Johnson, & Robinson, 2001](#); [Alston, 2017](#)).

The discovery of America, one of the two greatest discoveries of humankind, was after all, the result of "A course of accidents, which no human wisdom could foresee, [and] rendered this project much more successful than the undertakers had any reasonable grounds for expecting" (WN IV.vii.a.21, pp. 563–564).

The fall of the feudal system ignited a process of growth in Europe. But in Smith's account, the growth of Europe started with a negative, unpredicted exogenous shock: the barbarian invasions (WN III.ii.1, p. 376). For protection, people abandoned the cultivation of the land, flocking under the protection of Lords. And some, to escape the oppression of Lords, grouped into towns, seeking subsistence via carrying trade.

Even the military superiority of wealthy countries is the result of a lucky accident, for Smith. Firearms give a large superior edge to the countries that can afford them. But the invention of gun-power was "a mere accident": "the unavoidable effects of the natural progress of improvement have, in this respect, been a good deal enhanced by a great revolution in the art of war, to which *a mere accident*, the invention of gun-power, seems to have given occasion" (WN V.1.a.44, p. 708, emphasis added).

5. Conclusions

Smith maintains a sort of moderate optimism about the powers of our desire to better our conditions. It allows us to grow despite many kinds of obstacles: "Like the unknown principle of animal life, it frequently restores health and vigour to the constitution, in spite, not only of the disease, but of the absurd prescriptions of the doctor" (WN II.ii.31, p. 343).

He suggests carefully examining those who propose a law and those who support it and to be overly cautious about legislation coming from powerful interest groups. Competition, both domestic and international, not only disciplines firms and favors innovation but also it brings a way to reduce income inequalities, as with more competition the returns on profits will decrease and wages will increase.

With some luck, a nation may take advantage of the benefits of increasing returns to scale of open markets and the fair wages that come with competition will bring that opulence that allows to have a "cheerful" future.

Notes

1. WN from here on. Citations following the Glasgow edition with WN Book.Chapter.Part.Paragraph
2. <https://www.oecd.org/ocean/topics/ocean-shipping/>

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Further reading

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Corresponding author

Maria Pia Paganelli can be contacted at: mpaganel@trinity.edu