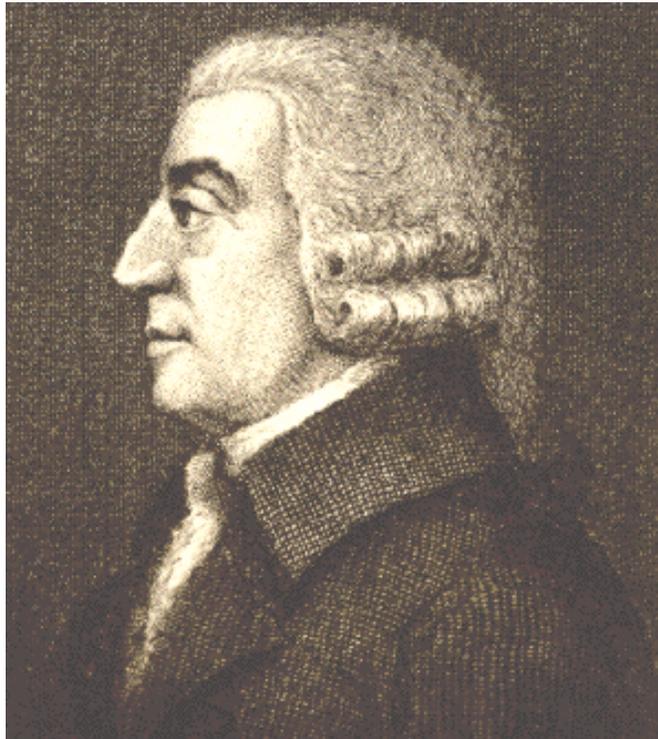


# THE BEST OF THE OLL #7

*Adam Smith, “On Free Trade” (1776)*

*“No regulation of commerce can increase the quantity of industry in any society beyond what its capital can maintain. It can only divert a part of it into a direction into which it might not otherwise have gone.”*



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*[March, 2013]*

## Editor's Introduction

Adam Smith (1723-1790) is commonly regarded as the first modern economist with the publication in 1776 of *The Wealth of Nations*. He wrote in a wide range of disciplines: moral philosophy, jurisprudence, rhetoric and literature, and the history of science. He was one of the leading figures in the Scottish Enlightenment. Smith also studied the social forces giving rise to competition, trade, and markets. While professor of logic, and later professor of moral philosophy at Glasgow University, he also had the opportunity to travel to France, where he met François Quesnay and the physiocrats; he had friends in business and the government, and drew broadly on his observations of life as well as careful statistical work summarizing his findings in tabular form. He is viewed as the founder of modern economic thought, and his work inspires economists to this day. The economic phrase for which he is most famous, the “invisible hand” of economic incentives, was only one of his many contributions to the modern-day teaching of economics. [The image comes from “The Warren J. Samuels Portrait Collection at Duke University.”]

Smith's great work on political economy was first published in 1776, the year in which the American Revolution officially began, Smith's *Wealth of Nations* sparked a revolution of its own. In it Smith analyzes the major elements of political economy, from market pricing and the division of labor to monetary, tax, trade, and other government policies that affect economic behavior. Throughout he offers seminal arguments for free trade, free markets, and limited government.

In this chapter from Book 4 Smith discusses the pros and cons of the free importation of things produced in foreign countries which were also produced within Britain. He comes down strongly in favor of free trade with only a few minor exceptions in times of war, retaliation in tariff wars, and for the equalization of taxation of imported products. The ideas he expressed here laid the intellectual foundation for Britain's policy of free trade which began with the repeal of the Corn Laws in 1846 and lasted for the rest of the 19th century.

It should be noted that Smith's famous metaphor of the “invisible hand” appears here as part of Smith's defence of free trade.

*“Merchants and manufacturers, who being collected into towns, and accustomed to that exclusive corporation spirit which prevails in them, naturally endeavour to obtain against all their countrymen, the same exclusive privilege which they generally possess against the inhabitants of their respective towns. They accordingly seem to have been the original inventors of those restraints upon the importation of foreign goods, which secure to them the monopoly of the home-market.”*

## II. “Of Restraints upon the Importation from foreign Countries of such Goods as can be produced at Home” (1776)<sup>1</sup>

1. By restraining, either by high duties, or by absolute prohibitions, the importation of such goods from foreign countries as can be produced at home, the monopoly of the home-market is more or less secured to the domestick industry employed in producing them. Thus the prohibition [1] of importing either live cattle or salt provisions from foreign countries secures to the graziers of Great Britain the monopoly of the home-market for butchers-meat. The high duties upon the importation of corn, which in times of moderate plenty amount to a prohibition, give a like advantage to the growers of that commodity. [2] The prohibition of the importation of foreign woollens is equally favourable to the woollen manufacturers. [3] The silk manufacture, though altogether employed upon foreign materials, has lately obtained the same advantage. [4] The linen manufacture has not yet obtained it, but is making great strides towards it. [5] Many other sorts of manufacturers have, in the same manner, obtained in Great Britain, either altogether, or very nearly a monopoly against their countrymen. The variety of goods of which the importation into Great Britain is prohibited, either absolutely, or under certain circumstances, greatly exceeds what can easily be suspected by those who are

not well acquainted with the laws of the customs. [6]

2. That this monopoly of the home-market frequently gives great encouragement to that particular species of industry which enjoys it, and frequently turns towards that employment a greater share of both the labour and stock of the society than would otherwise have gone to it, cannot be doubted. But whether it tends either to increase the general industry of the society, or to give it the most advantageous direction, is not, perhaps, altogether so evident. [7]

***“No regulation of commerce can increase the quantity of industry in any society beyond what its capital can maintain. It can only divert a part of it into a direction into which it might not otherwise have gone; and it is by no means certain that this artificial direction is likely to be more advantageous to the society than that into which it would have gone of its own accord.”***

3. The general industry of the society never can exceed what the capital of the society can employ. As the number of workmen that can be kept in employment by any particular person must bear a certain proportion to his capital, so the number of

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<sup>1</sup> Adam Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations*, Vol. I ed. R. H. Campbell and A. S. Skinner, vol. II of the *Glasgow Edition of the Works and Correspondence of Adam Smith* (Indianapolis: Liberty Fund, 1981). Book IV, Chapter II "Of Restraints upon the Importation a from foreign Countries of such Goods a as can be produced at Home." <oll.libertyfund.org/title/220/217458>.

those that can be continually employed by all the members of a great society, must bear a certain proportion to the whole capital of that society, and never can exceed that proportion. No regulation of commerce can increase the quantity of industry in any society beyond what its capital can maintain. It can only divert a part of it into a direction into which it might not otherwise have gone; and it is by no means certain that this artificial direction is likely to be more advantageous to the society than that into which it would have gone of its own accord. [8]

4. Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage naturally, or rather necessarily leads him to prefer that employment which is most advantageous to the society.

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5. First, every individual endeavours to employ his capital as near home as he can, and consequently as much as he can in the support of domestick industry; provided always that he can thereby obtain the ordinary, or not a great deal less than the ordinary profits of stock.

[we have cut Smith’s discussion of the Konnisberg-Lisbon trade Sections 6-7]

8. The produce of industry is what it adds to the subject or materials upon which it is employed. In proportion as the value of this produce is great or small, so will likewise be the profits of the employer. But it is only for the sake of profit that any man employs a capital in the support of industry; and he will always, therefore, endeavour to employ it in the support of that industry of which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods. [11]

9. But the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that exchangeable value. [12] As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestick 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. [13] He generally, indeed, neither intends to promote the publick interest, nor knows how much he is promoting it. By preferring the support of domestick 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. [14] 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. I have never known much good done by those who affected to trade for the publick good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it. [15]

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10. What is the species of domestick industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him. The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it. [16]

*“To give the monopoly of the home-market to the produce of domestick industry, in any particular art or manufacture, is in some measure to direct private people in what manner they ought to employ their capitals, and must, in almost all cases, be either a useless or a hurtful regulation.”*

11. To give the monopoly of the home-market to the produce of domestick industry, in any particular art or manufacture, is in some measure to direct private people in what manner they ought to employ their capitals, and must, in almost all cases, be either a useless or a hurtful regulation. If the produce of domestick can be brought there as cheap as that of foreign industry, the regulation is

evidently useless. If it cannot, it must generally be hurtful. It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. The taylor does not attempt to make his own shoes, but buys them of the shoemaker. The shoemaker does not attempt to make his own cloaths, but employs a taylor. The farmer attempts to make neither the one nor the other, but employs those different artificers. All of them find it for their interest to employ their whole industry in a way in which they have some advantage over their neighbours, and to purchase with a part of its produce, or what is the same thing, with the price of a part of it, whatever else they have occasion for. [17]

***“What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage.”***

12. What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage. [18] The general industry of the country, being always in proportion to the

capital which employs it, will not thereby be diminished, no more than that of the above-mentioned artificers; but only left to find out the way in which it can be employed with the greatest advantage. It is certainly not employed to the greatest advantage, when it is thus directed towards an object which it can buy cheaper than it can make. The value of its annual produce is certainly more or less diminished, when it is thus turned away from producing commodities evidently of more value than the commodity which it is directed to produce. According to the supposition, that commodity could be purchased from foreign countries cheaper than it can be made at home. It could, therefore, have been purchased with a part only of the commodities, or, what is the same thing, with a part only of the price of the commodities, which the industry employed by an equal capital, would have produced at home, had it been left to follow its natural course. The industry of the country, therefore, is thus turned away from a more, to a less advantageous employment, and the exchangeable value of its annual produce, instead of being increased, according to the intention of the lawgiver, must necessarily be diminished by every such regulation. [19]

13. By means of such regulations, indeed, a particular manufacture may sometimes be acquired sooner than it could have been otherwise, and after a certain time may be made at home as cheap or cheaper than in the foreign country. But through the industry of the society may be thus carried with advantage into a particular channel sooner than it could have been otherwise, it will by no means follow that the sum total, either of its industry, or of its revenue, can ever be augmented by any such regulation. The

industry of the society can augment only in proportion as its capital augments, and its capital can augment only in proportion to what can be gradually saved out of its revenue. But the immediate effect of every such regulation is to diminish its revenue, and what diminishes its revenue, is certainly not very likely to augment its capital faster than it would have augmented of its own accord, had both capital and industry been left to find out their natural employments.

***“The industry of the society can augment only in proportion as its capital augments, and its capital can augment only in proportion to what can be gradually saved out of its revenue. But the immediate effect of every such regulation is to diminish its revenue, and what diminishes its revenue, is certainly not very likely to augment its capital faster than it would have augmented of its own accord”***

14. Though for want of such regulations the society should never acquire the proposed manufacture, it would not, upon that account, necessarily be the poorer in any one period of its duration. In every period of its duration its whole capital and industry might still have been employed, though upon different objects, in the manner that was most advantageous at the time. In every period its revenue might have been the greatest which its capital could afford, and both capital and

revenue might have been augmented with the greatest possible rapidity.

15. The natural advantages which one country has over another in producing particular commodities are sometimes so great, that it is acknowledged by all the world to be in vain to struggle with them. [20] By means of glasses, hotbeds, and hotwalls, very good grapes can be raised in Scotland, and very good wine too can be made of them at about thirty times the expence for which at least equally good can be brought from foreign countries. Would it be a reasonable law to prohibit the importation of all foreign wines, merely to encourage the making of claret and burgundy in Scotland? But if there would be a manifest absurdity in turning towards any employment, thirty times more of the capital and industry of the country, than would be necessary to purchase from foreign countries an equal quantity of the commodities wanted, there must be an absurdity, though not altogether so glaring, yet exactly of the same kind, in turning towards any such employment a thirtieth, or even a three hundredth part more of either. Whether the advantages which one country has over another, be natural or acquired, is in this respect of no consequence. As long as the one country has those advantages, and the other wants them, it will always be more advantageous for the latter, rather to buy of the former than to make. It is an acquired advantage only, which one artificer has over his neighbour, who exercises another trade; and yet they both find it more advantageous to buy of one another, than to make what does not belong to their particular trades. [21]

16. Merchants and manufacturers are the people who derive the greatest advantage from this monopoly of the home market. The

prohibition [22] of the importation of foreign cattle, and of salt provisions, together with the high duties upon foreign corn, which in times of moderate plenty amount to a prohibition, [23] are not near so advantageous to the graziers and farmers of Great Britain, as other regulations of the same kind are to its merchants and manufacturers. Manufactures, those of the finer kind especially, are more easily transported from one country to another than corn or cattle. It is in the fetching and carrying manufactures, accordingly, that foreign trade is chiefly employed. [24] In manufactures, a very small advantage will enable foreigners to undersell our own workmen, even in the home market. It will require a very great one to enable them to do so in the rude produce of the soil. If the free importation of foreign manufactures was permitted, several of the home manufactures would probably suffer, and some of them, perhaps, go to ruin altogether, and a considerable part of the stock and industry at present employed in them, would be forced to find out some other employment. But the freest importation of the rude produce of the soil could have no such effect upon the agriculture of the country.

[we have cut Smith's discussion of the importation of foreign cattle & salt Sections 17-19]

20. Even the free importation of foreign corn could very little affect the interest of the farmers of Great Britain. Corn is a much more bulky commodity than butcher's-meat. [28] A pound of wheat at a penny is as dear as a pound of butcher's-meat at fourpence. The small quantity of foreign corn imported

even in times of the greatest scarcity, may satisfy our farmers that they can have nothing to fear from the freest importation. The average quantity imported, one year with another, amounts only, according to the very well informed author of the tracts upon the corn trade, [29] to twenty-three thousand seven hundred and twenty-eight quarters of all sorts of grain, and does not exceed the five hundredth and seventy-one part of the annual consumption. [30] But as the bounty upon corn occasions a greater exportation in years of plenty, so it must of consequence occasion a greater importation in years of scarcity, than in the actual state of tillage, would otherwise take place. By means of it, the plenty of one year does not compensate the scarcity of another, [31] and as the average quantity exported is necessarily augmented by it, so must likewise, in the actual state of tillage, the average quantity imported. If there was no bounty, as less corn would be exported, so it is probable that, one year with another, less would be imported than at present. The corn merchants, the fetchers and carriers of corn, between Great Britain and foreign countries, would have much less employment, and might suffer considerably; but the country gentlemen and farmers could suffer very little. It is in the corn merchants accordingly, rather than in the country gentlemen and farmers, that I have observed the greatest anxiety for the renewal and continuation of the bounty. [32]

21. Country gentlemen and farmers are, to their great honour, of all people, the least subject to the wretched spirit of monopoly. [33] The undertaker of a great manufactory is sometimes alarmed if another work of the same kind is established within twenty miles of him. The Dutch undertaker of the woollen

manufacture at Abbeville, stipulated that no work of the same kind should be established within thirty leagues of that city. [34] Farmers and country gentlemen, on the contrary, are generally disposed rather to promote than to obstruct the cultivation and improvement of their neighbours farms and estates. They have no secrets, such as those of the greater part of manufacturers, but are generally rather fond of communicating to their neighbours, and of extending as far as possible any new practice which they have found to be advantageous. *Pius Questus*, says old Cato, *stabilissimusque, minimeque invidiosus; minimeque male cogitantes sunt, qui in eo studio occupati sunt.* [35] Country gentlemen and farmers, dispersed in different parts of the country, cannot so easily combine [36] as merchants and manufacturers, who being collected into towns, and accustomed to that exclusive corporation spirit which prevails in them, naturally endeavour to obtain against all their countrymen, the same exclusive privilege which they generally possess against the inhabitants of their respective towns. They accordingly seem to have been the original inventors of those restraints upon the importation of foreign goods, which secure to them the monopoly of the home-market. It was probably in imitation of them, and to put themselves upon a level with those who, they found, were disposed to oppress them, that the country gentlemen and farmers of Great Britain so far forgot the generosity which is natural to their station, as to demand the exclusive privilege of supplying their countrymen with corn and butcher's-meat. [37] They did not perhaps take time to consider, how much less their interest could be affected by the freedom of trade, than that of the people whose example they followed.

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22. To prohibit by a perpetual law the importation of foreign corn and cattle, is in reality to enact, that the population and industry of the country shall at no time exceed what the rude produce of its own soil can maintain.

23. There seem, however, to be two cases in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestick industry.

[we have cut Smith's long discussion on exceptions to free trade because of defence, navigation acts, and taxation Sections 24-36]

37. As there are two cases in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of

domestick industry; so there are two others in which it may sometimes be a matter of deliberation; in the one, how far it is proper to continue the free importation of certain foreign goods; and in the other, how far, or in what manner it may be proper to restore that free importation after it has been for some time interrupted.

38. The case in which it may sometimes be a matter of deliberation how far it is proper to continue the free importation of certain foreign goods, is, when some foreign nation restrains by high duties or prohibitions the importation of some of our manufactures into their country. Revenge in this case naturally dictates retaliation, and that we should impose the like duties and prohibitions upon the importation of some or all of their manufactures into ours. Nations, accordingly seldom fail to retaliate in this manner. The French have been particularly forward to favour their own manufactures by restraining the importation of such foreign goods as could come into competition with them. In this consisted a great part of the policy of Mr. Colbert, [49] who, notwithstanding his great abilities, seems in this case to have been imposed upon by the sophistry of merchants and manufacturers, who are always demanding a monopoly against their countrymen. It is at present the opinion of the most intelligent men in France that his operations of this kind have not been beneficial to his country. [50] That minister, by the tarif of 1667, imposed very high duties upon a great number of foreign manufactures. Upon his refusing to moderate them in favour of the Dutch, they in 1671 prohibited the importation of the wines, brandies, and manufactures of France. The war of 1672 seems to have been in part

occasioned by this commercial dispute. The peace of Nimeguen put an end to it in 1678, by moderating some of those duties in favour of the Dutch, who in consequence took off their prohibition. It was about the same time that the French and English began mutually to oppress each other's industry, by the like duties and prohibitions, of which the French, however, seem to have set the first example. The spirit of hostility which has subsisted between the two nations ever since, has hitherto hindered them from being moderated on either side. In 1697 the English prohibited the importation of bonelace, the manufacture of Flanders. [51] The government of that country, at that time under the dominion of Spain, prohibited in return the importation of English woollens. In 1700, the prohibition of importing bonelace into England, was taken off upon condition that the importation of English woollens into Flanders should be put on the same footing as before. [52]

39. There may be good policy in retaliations of this kind, when there is a probability that they will procure the repeal of the high duties or prohibitions complained of. The recovery of a great foreign market will generally more than compensate the transitory inconveniency of paying dearer during a short time for some sorts of goods. To judge whether such retaliations are likely to produce such an effect, does not, perhaps, belong so much to the science of a legislator, whose deliberations ought to be governed by general principles which are always the same, as to the skill of that insidious and crafty animal, vulgarly called a statesman or politician, [53] whose councils are directed by the momentary fluctuations of affairs. When there is no probability that any such repeal

can be procured, it seems a bad method of compensating the injury done to certain classes of our people, to do another injury ourselves, not only to those classes, but to almost all the other classes of them. When our neighbours prohibit some manufacture of ours, we generally prohibit, not only the same, for that alone would seldom affect them considerably, but some other manufacture of theirs. This may no doubt give encouragement to some particular class of workmen among ourselves, and by excluding some of their rivals, may enable them to raise their price in the home-market. Those workmen, however, who suffered by our neighbours prohibition will not be benefited by ours. On the contrary, they and almost all the other classes of our citizens will thereby be obliged to pay dearer than before for certain goods. Every such law, therefore, imposes a real tax upon the whole country, not in favour of that particular class of workmen who were injured by our neighbours prohibition, but of some other class.

*“To judge whether such retaliations are likely to produce such an effect, does not, perhaps, belong so much to the science of a legislator, whose deliberations ought to be governed by general principles which are always the same, as to the skill of that insidious and crafty animal, vulgarly called a statesman or politician, whose councils are directed by the momentary fluctuations of affairs.”*

40. The case in which it may sometimes be a matter of deliberation, how far, or in what manner it is proper to restore the free importation of foreign goods, after it has been for some time interrupted, is, when particular manufactures, by means of high duties or prohibitions upon all foreign goods which can come into competition with them, have been so far extended as to employ a great multitude of hands. [54] Humanity may in this case require that the freedom of trade should be restored only by slow gradations, and with a good deal of reserve and circumspection. Were those high duties and prohibitions taken away all at once, cheaper foreign goods of the same kind might be poured so fast into the home market, as to deprive all at once many thousands of our people of their ordinary employment and means of subsistence. The disorder which this would occasion might no doubt be very considerable. It would in all probability, however, be much less than is commonly imagined, for the two following reasons:

41. First, all those manufactures, of which any part is commonly exported to other European countries without a bounty, could be very little affected by the freest importation of foreign goods. Such manufactures must be sold as cheap abroad as any other foreign goods of the same quality and kind, and consequently must be sold cheaper at home. They would still, therefore, keep possession of the home market, and though a capricious man of fashion might sometimes prefer foreign wares, merely because they were foreign, to cheaper and better goods of the same kind that were made at home, this folly could, from the nature of things, extend to so few, that it could make no sensible impression upon the general employment of the people.

But a great part of all the different branches of our woollen manufacture, of our tanned leather, and of our hardware, are annually exported to other European countries without any bounty, and these are the manufactures which employ the greatest number of hands. The silk, perhaps, is the manufacture which would suffer the most by this freedom of trade, and after it the linen, though the latter much less than the former.

***“Though a great number of people should, by thus restoring the freedom of trade, be thrown all at once out of their ordinary employment and common method of subsistence, it would by no means follow that they would thereby be deprived either of employment or subsistence. By the reduction of the army and navy at the end of the late war more than a hundred thousand soldiers and seamen, a number equal to what is employed in the greatest manufactures, were all at once thrown out of their ordinary employment; but, though they no doubt suffered some inconveniency, they were not thereby deprived of all employment and subsistence.”***

42. Secondly, though a great number of people should, by thus restoring the freedom of trade, be thrown all at once out of their ordinary employment and common method

of subsistence, it would by no means follow that they would thereby be deprived either of employment or subsistence. By the reduction of the army and navy at the end of the late war more than a hundred thousand soldiers and seamen, a number equal to what is employed in the greatest manufactures, were all at once thrown out of their ordinary employment; but, though they no doubt suffered some inconveniency, they were not thereby deprived of all employment and subsistence. The greater part of the seamen, it is probable, gradually betook themselves to the merchant-service as they could find occasion, and in the mean time both they and the soldiers were absorbed in the great mass of the people, and employed in a great variety of occupations. Not only no great convulsion, but no sensible disorder arose from so great a change in the situation of more than a hundred thousand men, all accustomed to the use of arms, and many of them to rapine and plunder. The number of vagrants was scarce anywhere sensibly increased by it, even the wages of labour were not reduced by it in any occupation, so far as I have been able to learn, except in that of seamen in the merchant-service. [55] But if we compare together the habits of a soldier and of any sort of manufacturer, we shall find that those of the latter do not tend so much to disqualify him from being employed in a new trade, as those of the former from being employed in any. The manufacturer has always been accustomed to look for his subsistence from his labour only: the soldier to expect it from his pay. Application and industry have been familiar to the one; idleness and dissipation to the other. But it is surely much easier to change the direction of industry from one sort of labour to another, than to turn idleness and dissipation to any. To the greater part of

manufactures besides, it has already been observed, [56] there are other collateral manufactures of so similar a nature, that a workman can easily transfer his industry from one of them to another. The greater part of such workmen too are occasionally employed in country labour. The stock which employed them in a particular manufacture before, will still remain in the country to employ an equal number of people in some other way. The capital of the country remaining the same, the demand for labour will likewise be the same, or very nearly the same, though it may be exerted in different places and for different occupations. Soldiers and seamen, indeed, when discharged from the king's service, are at liberty to exercise any trade, within any town or place of Great Britain or Ireland. [57] Let the same natural liberty of exercising what species of industry they please be restored to all his majesty's subjects, in the same manner as to soldiers and seamen; that is, break down the exclusive privileges of corporations, and repeal the statute of apprenticeship, both which are real encroachments upon natural liberty, and add to these the repeal of the law of settlements, so that a poor workman, when thrown out of employment either in one trade or in one place, may seek for it in another trade or in another place, without the fear either of a prosecution or of a removal, and neither the publick nor the individuals will suffer much more from the occasional disbanding some particular classes of manufacturers, than from that of soldiers. [58] Our manufacturers have no doubt great merit with their country, but they cannot have more than those who defend it with their blood, nor deserve to be treated with more delicacy.

*“Let the same natural liberty of exercising what species of industry they please be restored to all his majesty's subjects, in the same manner as to soldiers and seamen; that is, break down the exclusive privileges of corporations, and repeal the statute of apprenticeship, both which are real encroachments upon natural liberty, and add to these the repeal of the law of settlements, so that a poor workman, when thrown out of employment either in one trade or in one place, may seek for it in another trade or in another place, without the fear either of a prosecution or of a removal.”*

43. To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the prejudices of the publick, but what is much more unconquerable, the private interests of many individuals, irresistibly oppose it. Were the officers of the army to oppose with the same zeal and unanimity any reduction in the number of forces, with which master manufacturers set themselves against every law that is likely to increase the number of their rivals in the home market; were the former to animate their soldiers, in the same manner as the latter enflame their workmen, to attack with violence and outrage the proposers of any such regulation; to attempt to reduce the

army would be as dangerous as it has now become to attempt to diminish in any respect the monopoly which our manufacturers have obtained against us. This monopoly has so much increased the number of some particular tribes of them, that, like an overgrown standing army, they have become formidable to the government, and upon many occasions intimidate the legislature. [59] The member of parliament who supports every proposal for strengthening this monopoly, is sure to acquire not only the reputation of understanding trade, but great popularity and influence with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest publick services can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists.

***“To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the prejudices of the publick, but what is much more unconquerable, the private interests of many individuals, irresistibly oppose it.”***

***“The legislature, were it possible that its deliberations could be always directed, not by the clamorous importunity of partial interests, but by an extensive view of the general good, ought upon this very account, perhaps, to be particularly careful neither to establish any new monopolies of this kind, nor to extend further those which are already established. Every such regulation introduces some degree of real disorder into the constitution of the state, which it will be difficult afterwards to cure without occasioning another disorder.”***

44. The undertaker of a great manufacture who, by the home markets being suddenly laid open to the competition of foreigners, should be obliged to abandon his trade, would no doubt suffer very considerably. That part of his capital which had usually been employed in purchasing materials and in paying his workmen, might, without much difficulty, perhaps, find another employment. But that part of it which was fixed in workhouses, and in the instruments of trade, could scarce be disposed of without considerable loss. The equitable regard, therefore, to his interest requires that changes of this kind should never be introduced suddenly, but slowly, gradually, and after a very long warning. The legislature, were it possible that its deliberations could be always directed, not by the clamorous importunity of partial interests, but by an extensive view of

the general good, ought upon this very account, perhaps, to be particularly careful neither to establish any new monopolies of this kind, nor to extend further those which are already established. Every such regulation introduces some degree of real disorder into the constitution of the state, [60] which it will be difficult afterwards to cure without occasioning another disorder.

How far it may be proper to impose taxes upon the importation of foreign goods, in order, not to prevent their importation, but to raise a revenue for government, I shall consider hereafter when I come to treat of taxes. [61] Taxes imposed with a view to prevent, or even to diminish importation, are evidently as destructive of the revenue of the customs as of the freedom of trade.

## Notes

[1] By 18 and 19 Charles II, c. 2 (1666) in *Statutes of the Realm*, v.597; 18 Charles II, c. 2 in Ruffhead's edition. Imports from Ireland were allowed from 1759 by 32 George II, c. 11 (1758). See above, III.iv.20, and below, IV.ii.16 and V.ii.k.13.

[2] 22 Charles II, c. 13 (1670). See above, III.iv.20, and below, IV.ii.16, IV.v.a.23, IV.v.b.33 and 37, IV.vii.b.33, V.ii.k.13.

[3] By 4 Edward IV, c. 1 (1464). Controls over the import and export of wool are discussed at IV.viii.17, where it is pointed out that the manufacturers of woollen products had been more successful than others in persuading the legislature to meet their special needs. Cf. Pownall, *Letter*, 29–31. In Letter 203 addressed to William Eden, dated 3 January 1780, Smith called for a repeal of

all prohibitions on importation, and that on the exportation of wool.

[4] 6 George III, c. 28 (1766), extended by 11 George III, c. 49 (1771). See below, IV.iv.7. See also above, II.v.15 and III.iii.19, where Smith comments on the fact that the silk manufacture was based on foreign materials.

[5] Additional duties were imposed from 25 May 1767 by 7 George III, c. 28 (1766).

[6] In the letter (203) to Eden just cited, Smith commented on the ineffectiveness of absolute prohibitions on importation, and added that:

About a week after I was made a Commissioner of the Customs, upon looking over the list of prohibited goods, (which is hung up in every Customhouse and which is well worth your considering) and upon examining my own wearing apparel, I found, to my great astonishment, that I had scarce a stock, a cravat, a pair of ruffles, or a pocket handkerchief which was not prohibited to be worn or used in G. Britain. I wished to set an example and burnt them all. I will not advise you to examine either your own or Mrs Eden's apparel or household furniture, least you be brought into a scrape of the same kind. See below, V.ii.k.64: 'to pretend to have any scruple about buying smuggled goods . . . would in most countries be regarded as one of those pedantic pieces of hypocrisy which . . . serve only to expose the person who affects to practice them, to the suspicion of being a greater knave than most of his neighbours.' Smith's appointment afforded Edward Gibbon an opportunity for some heavy humour; In Letter 187 addressed to Smith, dated 26 November 1777 he wrote that: Among the strange reports, which are every

day circulated in this wide town, I heard one to-day so very extraordinary, that I know not how to give credit to it. I was informed that a place of Commissioner of the Customs in Scotland had been given to a Philosopher who for his own glory and for the benefit of mankind had enlightened the world by the most profound and systematic treatise on the great objects of trade and revenue which had ever been published in any age or in any Country.

[7] See above, II.v.31. Smith comments frequently on the ‘natural balance of industry’ in this chapter and throughout Book IV. See, for example, IV.ii.12,31, IV.iv.14, and IV.v.a.39. The claim that an artificial direction regarding the use of resources is less satisfactory than a ‘natural’ one is made at IV.v.a.3,24, IV.vii.c.43,97, and cf. IV.ix.51. The idea is applied in the analysis of taxation, for example, at V.ii.k.63. It will be observed that in making this point, the reference is to the dynamic analysis of II.v. and III.i rather than to the treatment of the static allocative mechanism offered in Book I.

[8] In LJ (B) 233–4, ed. Cannan 180–1, Smith refers to ‘a natural balance of industry’ and to the ‘natural connection of all trades’, and makes the point that regulation will break the ‘balance of industry’. A similar point is made in LJ (A) vi.92. The doctrine is succinctly stated in ED 3.5.:

there is in every country what may be called a natural balance of industry, or a disposition in the people to apply to each species of work precisely in proportion to the demand for that work. That whatever tends to break this balance tends to hurt national or public opulence; whether it be by giving extraordinary discouragement to some sorts

of industry or extraordinary encouragement to others. In this context, the criticism is extended to bounties (see below, IV.v.) and occurs in the discussion of policies which prevent the coincidence of market and natural price. See especially, LJ (B) 232–5, ed. Cannan 180–1, and above, I.vii. Compare Mandeville’s comment in the Sixth Dialogue: ‘we may learn, how the short-sighted Wisdom, of perhaps well-meaning People, may rob us of a Felicity, that would flow spontaneously from the Nature of every large Society, if none were to divert or interrupt the Stream.’ (*The Fable of the Bees*, pt. ii. 425, ed. Kaye ii.353.)

[11] See above, II.iii.6.

[12] A similar point is made at I.vi.17, I.xi.p.7, and II.ii.1.

[13] See below, IV.vii.c.88.

[14] Cf. TMS IV.i.1.10, where Smith also uses the concept of the ‘invisible hand’ in an economic context.

[15] There is an interesting variation on this theme in Steuart’s *Principles*, i.165, ed. Skinner i.143–4.

[16] Similar sentiments are expressed in IV.v.b.16 and IV.ix.51, where intervention is said to be presumptuous and impolitic, not to mention unjust. The argument is also applied at I.x.c.12.

[17] See above, I.ii.5.

[18] Cf. LJ (B) 261–2, ed. Cannan 204: ‘All commerce that is carried on betwixt any two countries must necessarily be advantageous to both. The very intention of commerce is to exchange your own commodities for others which you think will be more convenient for you. When two men trade between themselves it is undoubtedly for

the advantage of both . . . The case is exactly the same betwixt any two nations.’ See also ED 4.9. The same example is provided in LJ (A) vi.159–60, with the qualification that exchange between individuals will always be beneficial only where they are ‘prudent’. See above, 447 n. 55.

[19] See below, IV.ix.50, where it is pointed out that intervention with the use of capital is ‘in reality subversive of the great purpose which it means to promote’. Without questioning this argument, Pownall adverted to the infant industry case as justifying protection on the ground that trades so protected might in the long run become competitive—citing as examples, the woollen and hardware manufactures. However, Pownall did not extend his argument to cases where manufactures were based on foreign materials, such as flax and silk: ‘Against such your principle, in the full force of its arguments, stands unanswerable.’ (Letter, 28–9.) Smith’s main qualifications to the doctrine of free trade appear below, IV.ii.22f. See also III.iii.19 and IV.viii.4.

[20] See above, I.vii.24.

[21] See above, I.ii.4.

[22] 18 and 19 Charles II, c. 2 (1666) in *Statutes of the Realm*, v.597; 18 Charles II, c. 2 in Ruffhead’s edition. See above, III.iv.20, IV.ii.1, and below, V.ii.k.13.

[23] 22 Charles II, c. 13 (1670). See above, III.iv.20 and IV.ii.1, and below, IV.v.a.23, IV.v.b.33 and 37, IV.vii.b.33, V.ii.k.13.

[24] See above, IV.i.29, and generally, III.iii.17–20.

[28] Cf. I.xi.b.12.

[29] Charles Smith, *Three Tracts on the Corn Trade and Corn Laws*, 144–5. Charles Smith is

described as ‘ingenious and well-informed’ at IV.v.a.4. See also IV.v.a.8 and IV.v.b.28. There is a long discussion of the bounty in IV.v.a.

[30] The same figure is quoted at IV.v.b.28. Pownall, *Letter*, 30, disputed these figures: ‘It is not the ratio of the quantity of corn exported or imported, and the quantity of the whole stock raised, but the ratio between the surplus and this quantity exported or imported, which creates the effect: it is not a ratio of 1/571, but a ratio of 1/15, which acts and operates on the market; it is not the 1/571 part but the 1/15 part which would operate to the depression of the market and the oppression of the farmer’.

[31] See above, I.xi.g.4, and below, IV.v.a.22.

[32] See below, IV.v.a.22, where it is stated that corn merchants are the only set of men to whom the bounty could be ‘essentially serviceable’.

[33] Cf. I.xi.a, where Smith discusses the determinants of rent.

[34] The authority for the extreme statement is not clear. King stated: ‘In 1665, He [the King of France] settled Mr. Josas van Robay, a foreign Protestant, at Abbeville in Picardy, and by Letters Patent granted to him and his Workmen the free Exercise of their Religion, and several other very considerable Privileges, which their Families enjoy to this Day. This Clothier fixed the Manufacture of all sorts of *Spanish* Cloth in that City, and the King lent him by Agreement 2,000 Livres for every Loom he set up, until he had 40 Looms at work; so that he received 80,000 Livres. And at last it was found, he had so well established that Manufacture, that by degrees the Payment of the whole was

remitted.’ (Charles King, *The British Merchant* (London 1743), ii.82.)

[35] ‘At ex agricolis et viri fortissimi et milites strenuissimi gignuntur, maximeque pius quaestus stabilissimusque consequitur minimeque invidiosus, minimeque male cogitantes sunt qui in eo studio occupati sunt. . . . On the other hand, it is from the farming class that the bravest men and the sturdiest soldiers come, their calling is most highly respected, their livelihood is most assured and is looked on with the least hostility, and those who are engaged in that pursuit are least inclined to be disaffected.’ (Cato, *De Re Rustica*, introduction, translated by W. D. Hooper, revised by H. B. Ash in Loeb Classical Library (1934), 2–3.)

[36] Smith makes much of the point regarding ease of combination in discussing positions of economic power. See, for example, I.x.c.19, IV.v.b.4,24, IV.viii.34; and cf. I.viii.12, where the point is brought into the discussion of wages. See also IV.viii.4, where Smith discusses the poor bargaining position of those people who were engaged in the production of linen on an outwork basis; and cf. I.x.b.50, where it is remarked that the low rates of return for such workers were partly due to the fact that this was not their sole employment.

[37] See above, IV.i.10. Smith comments on the generosity of country gentlemen at I.xi.p.10.

[49] Colbert is mentioned below, IV.ix.3,4, as a man of great industry and acuteness, who had ‘unfortunately embraced all the prejudices of the mercantile system’.

[50] Presumably this is a reference to the physiocrats, whose doctrines are reviewed in IV.ix. Cf. IV.ix.49, where it is stated that from

one point of view the inconsistencies of physiocratic policy were more marked than those of the mercantile system.

[51] 14 Charles II, c. 13 (1662) in *Statutes of the Realm*, v.405–6; 13 and 14 Charles II, c. 13 in Ruffhead’s edition, and 9 William III, c. 9 (1697) in *Statutes of the Realm*, vii. 304–6; 9 and 10 William III, c. 9 in Ruffhead’s edition.

[52] 11 William III, c. 11 (1698) in *Statutes of the Realm*, vii.600; 11 and 12 William III, c. 11 in Ruffhead’s edition, to become effective ‘three months after the prohibition of the Woollen manufactures in Flanders shall be taken off’.

[53] Cf. LJ (B) 327, ed. Cannan 254: ‘They whom we call politicians are not the most remarkable men in the world for probity and punctuality.’

[54] Smith discusses another problem of dislocation in IV.vii.c.44,45, arising from the likely loss of the American trade. He also introduces a qualification to the doctrine of free trade at IV.v.b.39, where he points out that the policy of one country may hinder another from establishing ‘what would otherwise be the best policy’.

[55] See above, I.x.b.45.

[56] Above, I.x.c.43.

[57] The privilege was given after particular wars by 12 Charles II, c. 16 (1660); 12 Anne, c. 14, (1712) in *Statutes of the Realm*, ix.791–3; 12 Anne, st.1, c. 13 in Ruffhead’s edition, and 3 George III, c. 8 (1762). See above, I.x.c.9.

[58] The obstructions caused by the corporation laws and the Poor Laws are discussed above, I.x.c.

[59] See above, I.xi.p.10, where Smith points out that mercantile groups may influence the legislature. Cf. I.viii.13, I.x.c.61, IV.vii.b.49, IV.viii.17, and V.i.e.4.

[60] TMS VI.ii.2.8 states that: ‘Upon the manner in which any state is divided into the different orders and societies which compose it . . . depends what is called the constitution of that particular state.’ For a more conventional use of the term, see below, IV.vii.c.77. In the chapter of the TMS above cited, Smith spends a good deal of time in describing the ‘subaltern’ societies which comprise the state and the loyalties which they attract; an interesting emphasis when we recall that Part VI was the last major piece of work which Smith completed, together with the emphasis given to economic pressure groups, especially in WN IV.

[61] Below, V.ii.k.57–65.

## Further Information

### SOURCE

The edition used for this extract: Adam Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations*, Vol. I ed. R. H. Campbell and A. S. Skinner, vol. II of the *Glasgow Edition of the Works and Correspondence of Adam Smith* (Indianapolis: Liberty Fund, 1981). Book IV, Chapter II "Of Restraints upon the Importation a from foreign Countries of such Goods a as can be produced at Home." <[oll.libertyfund.org/title/220/217458](http://oll.libertyfund.org/title/220/217458)>.

### FURTHER READING

Other works by Adam Smith (1723-1790) <[oll.libertyfund.org/person/44](http://oll.libertyfund.org/person/44)>.

School of Thought: The Scottish Enlightenment <[oll.libertyfund.org/collection/19](http://oll.libertyfund.org/collection/19)>.

***“The distinctive principle of Western social philosophy is individualism. It aims at the creation of a sphere in which the individual is free to think, to choose, and to act without being restrained by the interference of the social apparatus of coercion and oppression, the State.”***  
***[Ludwig von Mises, “Liberty and Property” (1958)]***



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Another useful sampling of the contents of the site is the collection of weekly “Quotations about Liberty and Power” which are organized by themes such as Free Trade, Money and Banking, Natural Rights, and so on. See for example, Richard Cobden’s “I have a dream” speech <[oll.libertyfund.org/quote/326](http://oll.libertyfund.org/quote/326)>.

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