

**Adam Smith
and
Impact of His Doctrine
on
Economic Thought**

01. Physiocrats

- A reaction against mercantilism and was offering an alternative political and social system.
- Publications from 1756-1778 mainly in France.
- As a philosophy and as a thought system.
- Had a short but intensive life.

02. Thinking of Physiocrats

- It was based on concept of Natural order.
- Natural order stands in contrast to social order.
- Economic thinking was based on net product.
an excess of output over the input.
- Circulation of wealth

02. Thinking of Physiocrats

- Economic condition in Britain were for different from France.
- Feudalism was on its last stage.
- Agriculture revolution has already taken place.
- Growing industries and urbanization.
- Change from commercial capitalism to industrial capitalism.

05. Publications

- Theory of moral sentiments in 1759
- An inquiry into the Nature and causes of the wealth of Nations 1776.
- For along period acclaimed as the founder of Economic Science.
- But assigned to Richard Cantillon for Essai Su La Nature Du Commerce in 1755.
- But Smith's impact on Economic thinking was not comparable.

06. His Philosophy

- Everyone is bound to act on the basis of self interest.
- Everyone wants to improve his condition.
- Everyone is the best Judge of his own interest.
- Promotion of personal interest furthers those of society.
- Individual instincts, self-interest and decision-making must be given free play.

07. Wealth of Nations

- The National wealth lies not in foreign trade or land but in labour.
- It is contends are the produce of labour.
- It is not the money value of the wealth being produced.
- It is to be in real terms only.
- A society's material well-being will depend upon the per-capital income.
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08. Division of Labour

- Acquired skill and talents may emerge or get strength earned through the division of labour.
- Man has instincts to exchange and for that he must have surplus items to exchange.
- This leads to their division of labour.
- It leads to a big increase in labour productivity by invention and use of machinery.

09. Market Dependency

- Division of labour is limited by the extent of the market.
- Increased output can be gone in for only if it can be sold.
- Division of labour is limited by the quantity of available capital.
- Capital is the previously produced, but saved and invested portion of the nation wealth.

10. Invisible Hand

- The actual price at which any commodity is sold is called market price.
- The price is determined by supply and effectual demand.
- Effectual demand = capacity and willingness to pay.
- Price will determine supply and demand of the market.
- This mechanism is the invisible hand.

11. Laissez – Faire

- Free hand will increase the productivity.
- It lead to a growth of Economy in a country.
- That is the way to increase the wealth of Nations.
- State should not interfere with Economic activities.
- Free market machinery will produce optimum production.
- Laissez-Faire will increase the wealth of Nations.

12. Impact of Adam Smith's thinking

- Start of the classical Economic thinking.
- Provided doctrine and guidance for the capitalism for 160 years.
- Continuation of the Laissez – Fair with or without amendments.

13. Past – Smith Development

- Many doctrine and theories
- David, Ricardo, Malthus, Menhan, Mills, Say

Thank you