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 basic of self interest.
• Everyone wants to improve his condition.
• Everyone is the best Judge of his own interest.
• Promotion of personnel 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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• 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 inverse the productivity.
• It lead to a growth of Economy in a country.
• That is the way to increase the wealth of Nations.
• State shout 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