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Adam Smith and Thomas Paine: Liberal Thought

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Adam Smith and Thomas Paine: Liberal Thought

Adam Smith wrote the Wealth of Nations in 1776, on markets and the invisible hand. Paine wrote Common Sense in 1776, for American independence, and Rights of Man in 1791–92.

At a glance

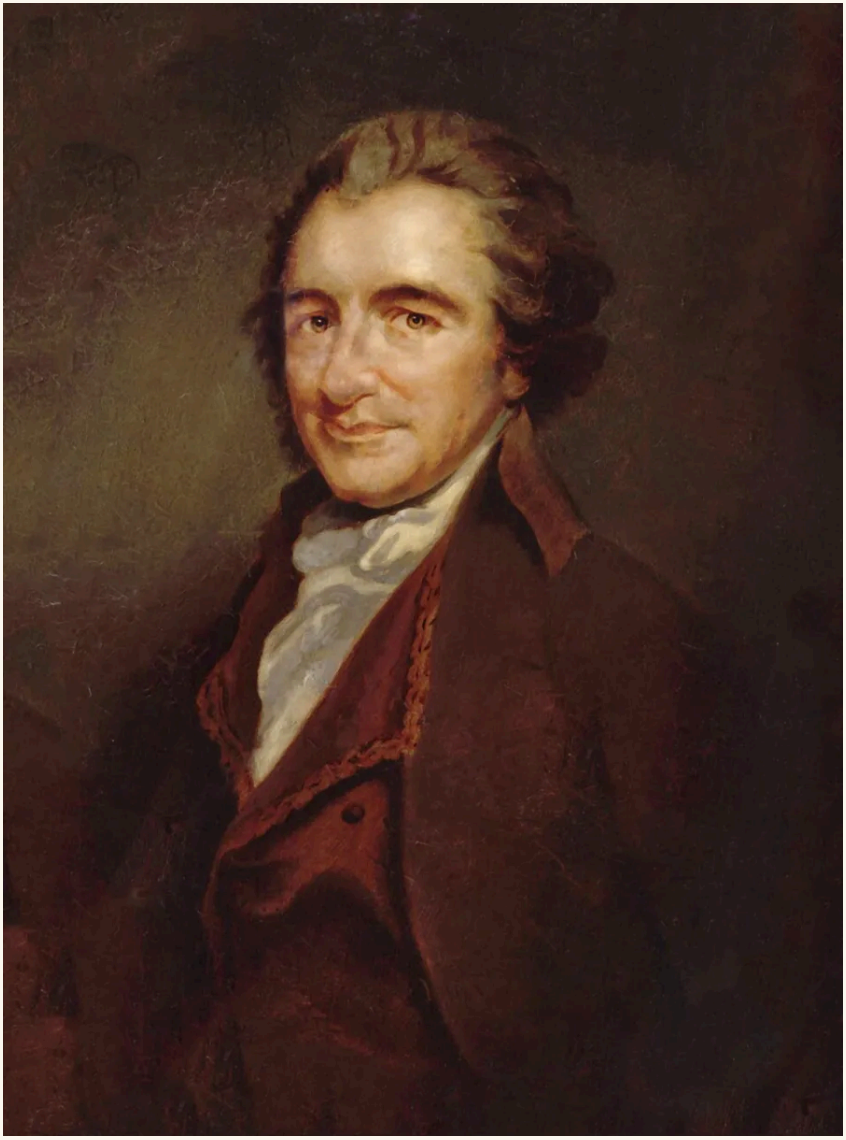
Four key facts on this topic

01 **Smith**Wealth of Nations, 1776.

02 **Idea**The invisible hand.

03 **Paine**Common Sense, 1776.

04 **Paine**Rights of Man, 1791–92.



Thomas Paine, portrait after George Romney. Photo: Auguste Millière / After George Romney / After William Sharp, Wikimedia Commons, public domain.

Who was Adam Smith, and what were his big ideas?

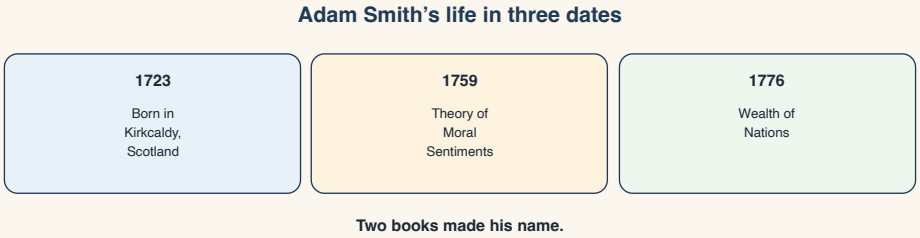
1 Who was Adam Smith?

1.1 Where and when did he live?

Adam Smith was born in 1723 in Kirkcaldy, Scotland. He lived during a period of great learning. It is known as the Scottish Enlightenment.

1.2 What did he write?

Smith published two books in his lifetime. The first was the Theory of Moral Sentiments in 1759. The second was the Inquiry into the Nature and Causes of the Wealth of Nations in 1776. People usually call it the Wealth of Nations.



Key dates in Smith's life.

19. **Think it through:** Is Smith only an economist? See answer ↓

Quick check 1. True or false: Adam Smith published the Wealth of Nations in 1776. *(True or False?)* See answer ↓

Quick check 2. True or false: Smith published the Theory of Moral Sentiments in 1776. *(True or False?)* See answer ↓

Sources: adamsmithworks.org

2 What is the invisible hand?

2.1 What did Smith actually say?

Smith wrote about a trader who invests his money to earn a profit. The trader intends only his own gain. Yet he is led by an invisible hand to promote an end which was no part of his intention.

So one person chasing private gain can end up helping society. Smith put it this way. By pursuing his own interest, a person frequently promotes that of society more effectually than when he really intends to promote it.

2.2 Where does the phrase appear?

The famous phrase is in Book IV, Chapter II of the Wealth of Nations. A common summary is that each person serving their own ends is led, as if by an invisible hand, to serve others' ends too.

20. **Think it through:** Does the invisible hand mean greed is good? See answer ↓

Quick check 3. True or false: In the invisible-hand passage, the trader intends to help society. *(True or False?)* See answer ↓

> **Quick check 4.** True or false: The invisible hand appears in the Wealth of Nations. *(True or False?)* See answer ↓

Sources: adamsmithworks.org

3 Why attack mercantilism?

3.1 What was the mercantile system?

Mercantilism was the older view of trade. It held that a country grows rich through a favourable balance of trade. Smith described the system as one that proposes to enrich the whole country by means of the balance of trade.

3.2 What was Smith's complaint?

Smith said such expedients force the trade of a country into a channel much less advantageous than the one it would naturally take. In plain words, rules made trade less useful.

Scholars add that Smith wanted the state to end its policies of favouring industry over agriculture. These were common in his time.

3.3 Why does it matter for exams?

Mercantilism is the system Smith directly criticised in the Wealth of Nations. Options such as Keynesianism or Marxism are wrong.

> **Quick check 5.** True or false: Smith criticised mercantilism in the Wealth of Nations. *(True or False?)* See answer ↓

Quick check 6. True or false: Smith wanted the state to favour industry over agriculture. *(True or False?)* See answer ↓

Sources: gutenberg.org; plato.stanford.edu

4 Division of labour

4.1 What is the pin factory?

Smith used a pin factory as his example. Making a pin is divided into about eighteen distinct operations. Different workers handle different tasks.

4.2 What difference does it make?

Ten persons sharing the tasks could make upwards of 48,000 pins in a day. That is 4,800 pins for each person. Working separately, each could not have made twenty, perhaps not one pin in a day.



Smith's pin-factory example.

The lesson is simple. Splitting a job into steps lets workers specialise. Output per person then rises sharply.

21. **Think it through:** Why is the example so famous? See answer ↓

Quick check 7. True or false: Ten pin-makers sharing tasks could make over 48,000 pins a day. *(True or False?)* See answer ↓

Quick check 8. True or false: Working alone, a pin-maker could easily make 4,800 pins a day. *(True or False?)* See answer ↓

Sources: adamsmithworks.org

5 Sympathy and the spectator

5.1 What is sympathy?

Smith begins the Theory of Moral Sentiments with sympathy. He describes it as arising when we imagine how we would feel in the circumstances of others.

5.2 Who is the impartial spectator?

Smith asks us to judge, and act on, the feelings that a well-informed and impartial spectator would have. Think of an honest observer with no stake in the matter.

22. **Think it through:** How can you use this in daily life? See answer ↓

5.3 What is natural liberty?

Smith's political interest included guaranteeing ordinary people the natural liberty to act on their own judgments.

> **Quick check 9.** True or false: The impartial spectator is a biased friend. *(True or False?)* See answer ↓

> **Quick check 10.** True or false: Sympathy in Smith means imagining how we would feel in another's place. *(True or False?)*
>
> See answer ↓

Who was Thomas Paine, and what did he write?

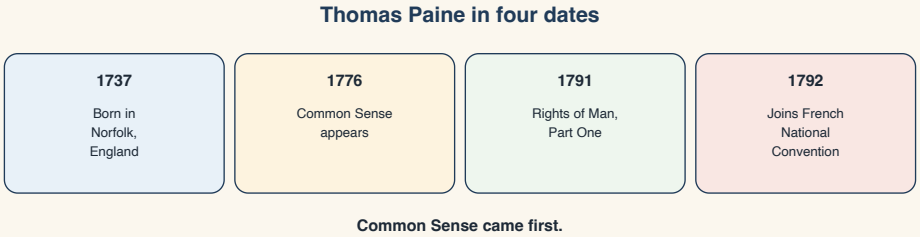
6 Who was Thomas Paine?

6.1 How did he begin?

Thomas Paine was born on 29 January 1737 to a family of moderate means in Norfolk, England. At twelve he left school. He was apprenticed to his father to learn the craft of staymaking. Staymaking is the making of corset stays.

6.2 How did he reach America?

Paine secured letters of introduction from Benjamin Franklin. He sailed for the New World in April 1774.



Key dates in Paine's life.

> **Quick check 11.** True or false: Paine was born in Norfolk, England. *(True or False?)* See answer ↓

> **Quick check 12.** True or false: Paine trained as a clerk. *(True or False?)* See answer ↓

Sources: plato.stanford.edu

7 What did Common Sense say?

7.1 When did it appear?

Common Sense was published anonymously in Philadelphia in January 1776. At that time, both separation from Great Britain and reconciliation were being considered. Anonymous means the author's name was not printed.

7.2 How did Paine argue?

Paine used simple rational arguments. He focused blame for the colonies' troubles on the British king. The pamphlet became a central text behind the call for American independence.

Paine also wrote about the difference between society and government. Society is produced by our wants. Government is produced by our wickedness. The first promotes happiness by uniting our affections. The second restrains our vices.

23. **Think it through:** Why does the society versus government split matter? See answer ↓

Quick check 13. True or false: Common Sense was published anonymously. *(True or False?)* See answer ↓

Quick check 14. True or false: Common Sense argued against American independence. *(True or False?)* See answer ↓

Sources: loc.gov

8 Rights of Man and after

8.1 Why did Paine write it?

Edmund Burke's Reflections on the Revolution in France appeared in November 1790. Paine decided to answer it. The result was Rights of Man. Part One came out in February or March 1791. It joined a story of French events with a sharp attack on Burke.

8.2 What was Part Two?

Rights of Man, Part the Second, came out in March 1792. It was explicitly republican. A republic is a state without a king, ruled by elected representatives.

The work was the most widely read pamphlet in the movement for reform in Britain in the 1790s. One editor of Paine's writings calls the Paine–Burke exchange a duel that turned into a war between royalism and republicanism in Europe.

8.3 What else did he write?

Paine was a member of the French National Convention between 1792 and 1795. His Age of Reason gave a popular deist text. A deist believes in a creator on grounds of reason alone.

Agrarian Justice set out a case for a tax on inheritance. The money would give a capital grant to everyone reaching the age of majority. It would also give an annual pension to all at fifty.

Many see Paine as a key figure in claims that the state owes people welfare and education.

> **Quick check 15.** True or false: Paine wrote Rights of Man to answer Edmund Burke. *(True or False?)* See answer ↓

> **Quick check 16.** True or false: Rights of Man, Part Two, was written in support of monarchy. *(True or False?)* See answer ↓

Sources: gutenberg.org

How do Smith and Paine compare?

9 Smith and Paine compared

9.1 What should you not mix up?

Smith and Paine side by side

Point	Adam Smith	Thomas Paine
Born	1723, Kirkcaldy, Scotland	1737, Norfolk, England
Best-known works	Theory of Moral Sentiments (1759); Wealth of Nations (1776)	Common Sense (1776); Rights of Man (1791–92)
Main concern	How markets and morals work	Independence, republics and welfare

Both wrote in the 1700s.

- **Smith:** invisible hand, pin factory, mercantilism, impartial spectator.
- **Paine:** Common Sense (1776), Rights of Man (1791–92), Age of Reason, Agrarian Justice.
- **Same year:** both major 1776 works appeared that year. One is a book on wealth. The other is a pamphlet on independence.

Quick check 17. True or false: Smith wrote Common Sense. *(True or False?)* See answer ↓

Quick check 18. True or false: Both Smith and Paine published a major work in 1776. *(True or False?)* See answer ↓

Exam Practice

Remember this

- **Smith:** Theory of Moral Sentiments (1759); Wealth of Nations (1776).
- **Invisible hand:** self-interest can serve society without a plan.
- **Pin factory:** ten workers made over 48,000 pins a day.
- **Paine:** Common Sense (1776); Rights of Man (1791–92).
- **Mercantilism:** the system Smith criticised.

Explain it back: Say in one line what the invisible hand means.

Practice MCQs

1. What did Adam Smith argue in The Wealth of Nations (1776)?

A. Government should control all economic activity

B. Trade between nations should be banned entirely

C. Individuals pursuing self-interest could collectively benefit society through market exchange

D. Wealth should be distributed equally by decree

See answer ↓

2. What does Smith's concept of the "invisible hand" describe?

A. A conspiracy among wealthy merchants

B. How uncoordinated individual economic decisions can produce broadly beneficial social outcomes

C. A religious doctrine about fate

D. A government agency controlling markets

See answer ↓

3. What pamphlet did Thomas Paine write arguing forcefully for American independence?

A. Common Sense

B. The Wealth of Nations

C. Leviathan

D. The Prince

See answer ↓

4. What did Thomas Paine defend in Rights of Man?

A. Religious orthodoxy

B. Colonial rule in America

C. The French Revolution and a strong case for democratic, republican government

D. The British monarchy

See answer ↓

5. What other work did Adam Smith write, exploring sympathy and moral judgment as foundations for ethics?

A. The Theory of Moral Sentiments

B. Leviathan

C. Common Sense

D. Meditations

See answer ↓

6. Which economic system did Adam Smith directly criticise in "The Wealth of Nations"?

A. Marxism

B. Mercantilism

C. Keynesianism

D. Monetarism

See answer ↓

Answer Key

1. **C.** The correct answer is **Individuals pursuing self-interest could collectively benefit society through market exchange**. Smith wrote that by pursuing his own interest a person frequently promotes that of society more effectively than when he intends to. Memory hook: private gain, public benefit. ↑ Q1
2. **B.** The correct answer is **How uncoordinated individual economic decisions can produce broadly beneficial social outcomes**. In the passage, the trader intends only his own gain, yet is led by an invisible hand to promote an end that was no part of his intention. Memory hook: no plan, yet a good result. ↑ Q2
3. **A.** The correct answer is **Common Sense**. It was published anonymously in Philadelphia in January 1776. It was a central text behind the call for American independence. Memory hook: Common Sense for independence. ↑ Q3
4. **C.** The correct answer is **The French Revolution and a strong case for democratic, republican government**. Rights of Man answered Edmund Burke's Reflections on the Revolution in France. Part Two, in March 1792, was explicitly republican. Memory hook: Rights of Man answers Burke. ↑ Q4
5. **A.** The correct answer is **The Theory of Moral Sentiments**. Smith published it in 1759. It begins with sympathy, which arises when we imagine how we would feel in the circumstances of others. Memory hook: moral book first (1759), wealth book later (1776). ↑ Q5
6. **B.** The correct answer is **Mercantilism**. Smith attacked the mercantile system and its aim of enriching a country through the balance of trade. He said such expedients force trade into a less advantageous channel. Memory hook: Smith versus mercantilism. ↑ Q6

Quick-check answers

1. **True.** The Inquiry into the Nature and Causes of the Wealth of Nations came out in 1776. ↑ 1
2. **False.** That book came out in 1759. The Wealth of Nations came in 1776. ↑ 2
3. **False.** Smith says the trader intends only his own gain. Society benefits without being his aim. ↑ 3
4. **True.** It is in Book IV, Chapter II. ↑ 4
5. **True.** He argued its trade expedients pushed trade into worse channels. ↑ 5

6. **False.** He wanted such policies ended. ↑ 6
7. **True.** Smith gives the figure as upwards of forty-eight thousand a day. ↑ 7
8. **False.** Working separately, a person could not make even twenty. ↑ 8
9. **False.** The spectator is well-informed and impartial. ↑ 9
10. **True.** That is how the Theory of Moral Sentiments describes it. ↑ 10
11. **True.** He was born there on 29 January 1737. ↑ 11
12. **False.** He was apprenticed to his father to learn staymaking. ↑ 12
13. **True.** It appeared without the author's name in January 1776. ↑ 13
14. **False.** It was a central text behind the call for independence. ↑ 14
15. **True.** Burke's Reflections appeared in November 1790 and Paine decided to answer it. ↑ 15
16. **False.** It was explicitly republican. ↑ 16
17. **False.** Paine wrote Common Sense. Smith wrote the Wealth of Nations. ↑ 17
18. **True.** Smith's Wealth of Nations and Paine's Common Sense both date from 1776. ↑ 18
19. **Think it through.** His first book is about morals and sympathy. His second is about wealth. ↑ 19
20. **Think it through.** Smith's point is about outcomes. Free exchange can serve many people without any plan. He also wrote a whole book on sympathy and morals. ↑ 20
21. **Think it through.** It shows how production grows without any new machine. Only the way work is organised changes. ↑ 21
22. **Think it through.** Before a hard choice, ask what a fair outsider would feel. This is a simple test of your own conduct. ↑ 22
23. **Think it through.** It treats government as a restraint on vices, not a source of happiness. ↑ 23

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