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Adam Smith's *Wealth of Nations* and Economic History

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Abstract

The paper illustrates the role of the historical element in Adam Smith's *Wealth of Nations* (WN) and stresses the link between WN and economic history. It demonstrates that Smith's political economy is grounded in his historical criticism, a distinctive feature of the Scottish historical school. In addition, the paper discusses the WN's twofold historical dimension. Firstly, it shows that Smith's political economy draws on various historical sources to verify and refine his theoretical reasoning. This usage renders the WN an early piece of economic history proper. Secondly, it argues that Smith's observations, recordings, and factual data are a valuable body of evidence for understanding the economic history of the late eighteenth century. Today, 250 years after its appearance, WN continues to highlight Smith's critical contribution: the importance and role of the historical element in understanding economic phenomena.

JEL Classifications: B12, B31, N01.

Keywords: Adam Smith, Wealth of Nations, economic history, historical criticism, historical facts, conjectural history.

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Introduction

Most historians of economic thought regard Adam Smith's (1723-1790) *An Inquiry into the Nature and Causes of the Wealth of Nations* (WN) (1776) as the first systematic attempt to apply observation to theoretical reasoning by analyzing the nature and causes of the opulence of different nations. A series of insightful studies (see *inter alia*, Henry Bittermann 1940; Alec MacFie 1967; Philip Mirowski 1982; Maria Pia Paganelli 2023) illustrates Smith's empiricism and his attempt to construct an economic theory grounded in immediate observation, description and historical evidence. In this way, various scholars stress Smith's relation to historical thinking and economic history. For instance, Kwangsu Kim (2009) links Smith's economic development to his theory of economic history, while Manolis Manioudis and Dimitris Milonakis (2021) propose a four-thematic approach to Smith's use of history, corresponding to four distinct ways in which Smith incorporates the historical element into his political economy.

Most scholars link Smith's use of history with his stages of history. For instance, Daniel Luban (2012) stresses the link between Smith's materialism and his stages theory, while Ronald Meek (1971) emphasizes the close association between Smith's economic history and his stages theory. In the same vein, Anthony Brewer (2008) seeks to link Smith's stages of history with the interpretation of historical evidence. This identification originates in Smith's own narration. Smith, like most members of the Scottish historical school, argues that each society is evolving through four distinct stages. For him, as for other Scottish scholars [i.e., Adam Ferguson (1723-1816) and William Robertson (1721-1793)], the stages of history established a link between economic and social organization (Andrew Skinner 1965). In his *Lectures on Jurisprudence* (1762-1763), Smith pointed out that there "are four distinct states which mankind passes thro:- 1st, the Age of Hunters; 2dly, the Age of Shepherds; 3dly, the Age of Agriculture; and 4thly, the Age of Commerce" (Adam Smith [1762-1763] 1978, 14).

However, Smith's use of history is not limited to discussing the four stages. Smith, like other Scottish scholars, relied heavily on historical and empirical facts (Skinner 1967, 34; William Taylor 1956). His political economy is an intellectual expression of the historiography of the Scottish Enlightenment, which was characterized by the critical examination of historical texts and sources (Tom Pye 2023).

Smith's teacher, the "never-to-be-forgotten" Francis Hutcheson (1694-1746), stimulated his interest in history.[1] According to Dugald Stewart (1753-1828), Hutcheson's lectures directed Smith to the "study of human nature in all its branches, more particularly of the political history of mankind" (Stewart 1793, 13).[2] Smith planned to write a historical account of the general principles of law and government of Europe (Keith Tribe 1999). The contents of Smith's proposed (but never written) theory and history of law and government are illustrated by the two sets of posthumously discovered lecture notes on jurisprudence.[3] However, his poor health prevented him from finishing this essay, which would have been the historical piece of his writings.[4] Generally, Smith's interest in history led him to employ historical criticism as a structural framework for his political economy (Alec Macfie 1955).

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[1] Smith (1977, 308-309), in his letter to Dr. Archibald Davidson (1732-1803), praises the abilities and virtues of the "never to be forgotten Dr Hutcheson".

[2] Smith ([1759] 1982, 301) notes in his *Theory of Moral Sentiments* (1759) that "Dr Hutcheson was undoubtedly, beyond all comparison, the most acute, the most distinct, the most philosophical, and what is of the greatest consequence of all, the soberest and the most judicious".

[3] We thank an anonymous reviewer for bringing this point to our attention.

[4] In one of his letters, dated November 1, 1785, Smith (1977, 286) concedes that "I have likewise two other great works upon the anvil; the one is a sort of Philosophical History of all the different branches of Literature, of Philosophy, Poetry and eloquence; the other is a sort of theory and History of Law and Government. The materials of both are in a great measure collected, and some Part of both is

Smith's WN is characterized by historiographical weaknesses highlighted by various scholars (*inter alia*, Roy Campbell and Skinner 1976; Richard Howay 1982; Manioudis and Milonakis 2021; Salim Rashid 1990). However, it remains a pioneering study of economic history, serving as an informative source for economic historians. This point is stressed in George Clark's inaugural lecture, delivered at the University of Oxford on January 21, 1932. Clark (1932, 97-98) pointed out that economic history "reached its full stature" with Adam Smith, who "is still by common consent the greatest of economic historians, as he is the greatest of economists".

Following this tradition, the paper wishes to demonstrate the links between WN and economic history. The paper's contribution lies in a double framework. Firstly, it shows that historical criticism (the critical and historical reading of sources) is a central element of Smith's political economy and economic theorizing. Secondly, the paper aims to show that WN is, on the one hand, an early piece of economic history proper and, on the other, a source for economic historians. The remainder of the paper is structured as follows. The first section discusses the intellectual streams of Smith's historical criticism, illustrating its importance in WN's political economy. The following two sections present the twofold link between WN and economic history. The second section presents WN as a pioneering work of economic history proper. We show that Smith's historical criticism helped him provide an early version of European economic history. The third section discusses the usefulness of Smith's records for the modern economic historian. In this vein, we argue that the WN is a valuable historical source to understand the transformative waves of the late eighteenth century.

Smith's Historical Criticism as an Integral Part of his Political Economy

Smith's historical criticism is the consequence of various intellectual streams. Firstly, Smith was a profound student of Greek and Roman antiquity. He studied Homer and considered Herodotus as the first author to develop the motif of extending the scope of history (Smith [1776] 1976, 718; Smith 1985, 105). In addition, due to his close acquaintance with the Scottish Enlightenment, he regarded Thucydides (460-400 BC) as the most respected historian.[5] Smith follows the Scottish tradition and notes that there is "no author who has more distinctly explained the causes of events than Thucydides" (Smith 1985, 95). In one of his famous lectures, he characterized Thucydides' work as "a proper design of historical writing" (Smith 1985, 49). Smith pointed out that alongside Thucydides are Xenophon (430-355 BC) and Tacitus (56-120), the latter primarily for his psychological insight. Additionally, throughout his work, he referred to Polybius (202-120 BC) and Dionysius of Halicarnassus (60-7 BC), who lived during the later Greek and early Roman periods of classical antiquity (Smith [1766] 1978; Smith 1985). Smith cited their accounts to illustrate the (economic) differences between ancient Greece and Rome. For Smith ([1766] 1978), Dionysius of Halicarnassus was an excellent critic. Similarly, he argued that Polybius "was the first writer […] who enters into the Civil history of the Nations", and that:

> by the distinctness and accuracy with which he has related a series of events, which would by their importance have been interesting though handled by a less

put in tolerable good order. But the indolence of old age, tho' I struggle violently against it, I feel coming fast upon me, and whether I shall ever be able to finish either is extremely uncertain".

[5] In the same spirit, David Hume (1711-1776), one of the most eminent members of the Scottish Enlightenment and a close friend of Smith, pointed out that: "The first page of Thucydides is, in my opinion, the commencement of real history. All preceding narrations are so intermixed with fable that philosophers ought to abandon them, in a great measure, to the establishment of poets and orators" (cited in Skinner 1967, 34).

> able author; as well as by the views he has given us of the Civil constitution of the Romans, is rendered not only instructing but agreeable. (Smith 1985, 108)

Furthermore, Smith was acquainted with Roman historians through his familiarity with Latin historiography.[6] For Rome, his historical references shift from Titus Livius (Livy) (59 BC-17 AD), who was "of all the Latin historians without doubt the best" (Smith 1985, 108), to Pliny the Elder's (23/24-79) *Natural History*.[7]

Regarding modern historiography, Smith admired Niccolo Machiavelli (1469-1527) as "of all modern Historians the only one who has contented himself with that which is the chief purpose of History, to relate events and connect them with their causes, *without becoming a party of either side*" (Smith 1985, 115, added italics). In discussing the Italian economy of the Middle Ages, he informs us that Francesco Guicciardini (1483-1540) was "one of the most judicious and reserved of modern historians" (Smith [1776] 1976, 426).[8] For British history, he argued that, "Clarendon and Burnet are the two English authors who have signalized themselves chiefly in writing history" (Smith 1985, 115). Alexander Dalrymple (1737-1808), the historians Sir David Dalrymple (Lord Hailes, 1726-1729) and Sir John Cousland (1726-1810) were Smith's friends and directed his historical thinking. Lord Hailes, a Scottish advocate, judge, and historian, had frequent correspondence with Smith (1977) (*inter alia*, letters 115, 116, 117, 118, 119, 120). Hailes was one of the pioneers of sound historical investigation in Great Britain, and his work influenced Smith's historical thinking and writing (Robert Carnie 1978; Donald Nichol 1995).[9]

These intellectual streams directed Smith's critical filtration of historical facts. In addition, as noted in the introduction, Smith, as Hutcheson's student and as an active member of the Scottish historical school, was generally critical of relying upon historical facts. In his informative lecture, entitled *The History of Historians*, we can discern this familiarity (Smith 1985, see lecture xix). Smith was knowledgeable of English Whig history and was critical of English Whig historians, noting that it "has been the fate of all modern histories to be wrote in a party spirit" (Smith 1985, 116). Rashid (1990, 270)—who criticized Smith's economic history—points out that:

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[6] John Rae (1895, 5) observed that "it seems probable that he began Latin in 1733, for Eutropius is the class-book of a beginner in Latin, and the Eutropius which Smith used as a class-book still exists, and contains his signature with the date of that year".

[7] Most of Smith's biographers discuss Livy's influence on him. Rae (1895, 367-368) informs us that, "Among historians Smith rated Livy first either in the ancient or the modern world. He knew of no other who had even a pretence to rival him, unless David Hume perhaps could claim that honour". Ian Ross (1995, 225) also notes that Smith regarded Pliny highly. Smith (1985, 101) himself characterizes Pliny as "a grave author".

[8] Francesco Guicciardini was an Italian historian, friend and critic of Niccolo Machiavelli, who is considered one of the prominent political writers of the Renaissance. In his *History of Italy*, which Smith cited freely in his *Lectures*, he introduced a new style of historiography that shaped Smith's style; he used governmental sources to support his arguments (Mark Philips 1977, 228).

[9] Smith notes that, "I have entered very little into the detail of particulars of which I see your Lordship is very much master. *Your Lordship's particular facts will be of great use to correct my general views*" (Smith 1977, 142, emphasis added). As the letter is dated March 5, 1769, it seems that Hailes assisted Smith in preparing the draft of his WN. Indeed, Hailes sent to Smith a bulk of papers headed "Prices of Corn, Cattle &c. in Scotland from the earliest accounts to the death of James V". This document, as Ross (1995, 235) informs us, presents extracts "from the cartularies (registers of accounts) of the bishoprics of Moray and Aberdeen, and of the monasteries of Dryburgh, Arbroath, Kelso, Scone, Cambuskenneth, and Dunfermline". In his letter dated March 12, 1769 Smith points out that this bulk of notes were of very great use to him (Smith 1977, 151-152).

> When Messance is stated to be a 'French author of great knowledge and ingenuity'; when both Bishop Fleetwood and Thomas Ruddiman are criticized for their use of data; or in the glowing Acknowledgment to Henry Hope that Smith added in the fourth edition with the claim regarding the Bank of Amsterdam […] *these statements are all calculated to suggest a knowledgeable and painstaking scholar*. (added italics)

There are many points in the WN that evidence this view. For instance, in the first book of his WN, Smith points out that the work of independent artificers is increased in the ages of cheapness, even though their produce frequently shows:

> No figure in those publick registers of which the records are sometimes published with so much parade, and from which our merchants and manufacturers would often vainly pretend to announce the prosperity or declension of the greatest empires. (Smith [1776] 1976, 103)

Furthermore, in the eighth chapter of Book I, he uses Sir Matthew Hale's (1609-1676) estimations and argues that Lord Hale, "appears to have enquired very carefully into this subject" (Smith [1776] 1976, 95). In discussing sugar's price in Cochin-China, he uses Pierre Poivre's (1719-1786) observations to illustrate his view, noting that Poivre was a prudent observer of the country's agriculture (Smith [1776] 1976, 173). Moreover, he regarded Amedee-Francois Frezier (1682-1773) and Antonio de Ulloa (1719-1795) (his primary sources about South America) as two of the most respectable and well-informed authors (Smith [1776] 1976, 187). At the same time, he was critical of some travelers' stories, such as those "wonderful accounts of the wealth and cultivation of China, of those of ancient Egypt, and of the ancient state of Indostan" (Smith [1776] 1976, 366). Smith characterizes these narrations and stories as deceptive (Smith [1776] 1976, 729).

The critical perspective of his economic historicism is illustrated in his discussion of corn prices. For Smith, prices:

> have generally been recorded by historians and other writers on account of their extraordinary dearness and cheapness and from which, therefore, it is difficult to form any judgment concerning what may have been the ordinary price. (Smith [1776] 1976, 195-196)

Thus, he is skeptical of those historians who recorded corn prices. He believed that these historians made three methodological mistakes. According to Smith, most writers have been misled by their observations of the price of corn, firstly by confusing conversion prices with market prices, secondly by the rough transcription of ancient statutes of assize, and thirdly by attributing too much importance to excessively low prices (Smith [1776] 1976). On the other hand, when discussing Great Britain's public finance, he cites Thomas Whatley's (1726-1772) work, characterizing him as a well-informed author (Smith [1776] 1976, 922). In addition, he criticizes the facts of an eminent, in his view, political economist, André Morellet (1727-1819), who believed that fifty-five joint-stock companies failed due to their mismanagement. Smith is confident that Morellet:

> has been misinformed with regard to the history of two or three of them, which were not joint-stock companies and have not failed. But, in compensation, there have been several joint stock companies which have failed, and which he has omitted. (Smith [1776] 1976, 755-756)

Moreover, Smith was informed of the early discussion about political arithmetic. Andrew Endres (1991, 88) argues that Smith was familiar with the work of Charles Davenant (1656-1714) and studied Gregory King's (1648-1712) *Natural and Political Observations and Conclusions upon the State and Condition of England* (1696). He characterizes King as an "ingenious and well-informed author" (Smith [1776] 1976, 506). However, he was not a keen admirer of political arithmetic. He pointed out that Charles Smith (1713-1777), in his discussion of corn's price, "did not consider that the extraordinary expense of the bounty is the smallest part of the expense which corn exports in truth cost the society" (cited in Ian Ross 1995, 358). In Smith's own words, "I have no great faith in political arithmetick, and I mean not to warrant the exactness of either of these computations" (Smith [1766] 1976, 196). Smith disagreed with William Petty's (1623-1687) Baconian method to weight and measure and Dudley North's (1641-1691) Cartesian method (James Ullmer 2011; Donald Winch 1992). His denial of political arithmetic reflects the unreliability of the methods used to collect statistical data in his time (Arthur Diamond 1986). However, despite his hesitation about political arithmetic, in the eighth chapter of Book I of his WN, he highlights Gregory King's calculations and methodology.

Thus, Smith was an avid reader of history and used as much historical evidence as he could find to develop his political economy. Smith preferred official facts, but, due to the lack of historical evidence of early stages of economic development, he was forced to use other types of historical material, including travelers' tales and historical accounts of eighteenth-century societies, which were at a primitive stage of economic development, such as the societies of South America. However, in some earlier periods, when there was no historical record to rely on, he adopted a form of hypothetical historizing, known as conjectural history, which is commonly attributed to the historical method of the time in Scotland.[10]

Conjectural history helped Smith explain the economic past without historical evidence. Conjectural history is related to a pre-established behavioral framework, concerning human nature, by which systematic analysis may be made of the primary and general issues in the history of humankind. This type of historizing is not designed as an accurate description of the past; it aims to offer general principles concerning historical process and to illustrate the general tendency of historical development. In this vein, Smith's conjectural history, by tracing the uniform elements of human nature, exemplifies the historical progress by setting out, in a typical Newtonian fashion, "a chain of 'possible' or 'natural' (but not, or not necessarily, actual) causes" (Henry Hopfl 1978, 20). In Smith's conjectural historizing events (or past states of human existence) are explained through direct appeal to some propensities of human nature which are, according to Smith's ontology, uniform in the history of humankind. According to Stewart (1793, 293), Smith used assumptions due to the lack of historical evidence and did so:

> when we are unable to ascertain how men have actually conducted themselves upon particular occasions, of considering in what manner they are likely to have proceeded, from the principles of their nature, and the circumstances of their external situation.

Smith's conjectural history is associated with the epistemological view that "when we cannot trace the process by which an event has been produced, it is often of importance to be able to show how it may have been produced by natural causes" (Stewart 1793, 293). Thus, Smith's conjectural history, at the expense of historical facts, attains the epistemological role of filling the gaps of historical narration. This role relates to Smith's philosophy of science and historical criticism, according to which we must avoid the discomfort that *wonder* implies. In Smith's (1985, 100) own words: "We should never leave any chasm or gap in the thread of

[10] We would like to thank two anonymous reviewers for their constructive guidance at this point.

the narration even tho there are no remarkable events to fill up that space. The very notion of gap makes us uneasy".

That said, Smith used historical criticism as a fundamental pillar of his political economy. Historical criticism does not set him apart from his contemporaries, but, as various studies show (*inter alia*, Alexander Dow, Sheila Dow and Alan Hutton 1997; Skinner 1975; James Thompson 1942), it was one of the defining characteristics of the Scottish historical school. Smith's historical criticism assisted him in presenting economic development, as Paganelli (2022) observes, as more accidental than fitting deterministic models.

The *Wealth of Nations* as an Early Piece of Economic History: Uses and Misuses

Smith lived and wrote during a transitional period marked by profound, ongoing socio-economic transformations. He attempted to provide a coherent narrative of how the shift in institutional structures led to the introduction of market relations and, as later came to be known, promoted the Industrial Revolution. In doing so, he stressed the role of both history and contingencies (Stefano Fiori 2012). In Smith's political economy, contingencies play an instrumental role in economic development, and history illustrates the accidental nature of economic progress (Paganelli 2022). Smith (1985, 91), following the tradition of historical criticism (see previous section), believed that facts ought to be real, "otherwise they will not assist us in our future conduct, by pointing out the means to avoid or produce any event". In one of Smith's informative lectures, we read that:

> The Truth and Evidence of Historical facts is now in much more request and more critically Examined than among the Antients because of all the Numerous Sects among us whether Civil or Religious, there is hardly one of the reasonableness of whose Tenets does not depend on some historical fact […] Besides no fact that is called in question interests us so much or makes so lasting impression, as those of whose truth we are altogether satisfied. (Smith 1985, 101-102)

Smith employed history to test his theoretical arguments and verify the principles of his political economy (Manioudis and Giorgos Meramveliotakis 2026; Manioudis and Milonakis 2021). His openness to historical facts led him to make use of every type of factual data. In doing so, he utilized various historical sources, including archival records, literature, and travelers' notes. Thus, his historical sources were both primary and secondary, allowing him to move smoothly from macro-historical evidence to micro-historical references.

Smith's historiographical approach, which remains under-examined among economic historians and historians of economic thought, is evident throughout his WN. In the tenth chapter of Book I of his *magnum opus*, as he narrates the history of the Poor Laws, he uses various official statutes, as well as travelers' notes, such as those of Pierre Poivre, Antonio de Ulloa, and Amedee-Francois Frezier. Furthermore, in the eleventh chapter of Book I, in discussing corn prices, he indexed (critically) official statutes [*inter alia*, 25 Edward III, st. 2 (1350)]. At the same time, he uses micro-historical references, such as those of William Thorne (fl. 1397), who recorded the prices of the menu list offered by Ralph de Born in 1309 when the latter was nominated as abbot of St. Augustine's, Canterbury (Smith [1776] 1976, 196).[11] Smith delineates Thorne's references and informs us that these prices are not recorded

[11] William Thorne was an English Benedictine historian and a monk of St. Augustine's Canterbury (Anthony Davis 1934). Smith transcribed Thorne's notes and used them to illustrate his views. He points out that, "In that feast were consumed, firstly fifty-three quarters of wheat, which cost nineteen pounds, or seven-shillings and two pence a quarter, equal to about twenty and one and six-pence of our present money; secondly, eight and fifty of malt, which cost seventeen pounds ten shillings, or six shillings a quarter, equal to about eighteen shillings of our present money; thirdly, twenty quarters of oats, which,

because they are either extraordinarily dear or extraordinarily cheap, but are mentioned (almost) accidentally (Smith [1776] 1976, 196). In addition, in discussing England's low wool prices, he observed that "the price of English wool has fallen very considerably since the time of Edward III (1339)" (Smith [1776] 1976, 248). Moreover, he points out that "there are many authentic records" that demonstrate that, during the reign of Edward III, the average price of corn decreased (Smith [1776] 1976, 248).

On the other hand, when discussing the price of raw hides in ancient times, he informs us that he did not find "any such authentick records" and instead cites the questionable accounts of William Fleetwood (1656-1723). In Smith's own words:

> an account in 1425, between the prior of Burcester Oxford and one of his canons gives us their price, at least as it was stated, upon that particular occasion; viz. five ox hides at twelve shillings, five cow hides at seven shillings and three pence; thirty-six-sheep skins of two years old at nine shillings; sixteen calves skin at two shillings. (Smith [1776] 1976, 249)

Smith gave epistemological priority to official registrations and statutes but stressed the unreliable character of many of them. For instance, he noted that he had gleaned out the printed debates of the House of Commons, which were "*not always the most authentic records of truth*" (Smith [1776] 1976, 738-739, emphasis added). However, in the absence of official archives, he turned his attention to analysts', travelers', and chroniclers' records. At the same time, Smith cited governors' memorabilia. He pointed out that:

> The innumerable memoirs which have come down to us from those times, were, the greater part of them, written by people who took pleasure in recording and magnifying events in which, they flattered themselves, they had been considerable actors. (Smith [1776] 1976, 624)

To conclude, the variety of historical material is striking "whether the impression derived from those quoted in the WN itself, from the resources in Smith's library, or the accounts of the Library at Glasgow when he controlled its expenditure" (Campbell and Skinner 1976, 51). Furthermore, Smith was engaged in historical research and studied many discrete "histories" and statistical accounts of international trade and demographics during the era of European joint stock companies and American colonization.

Despite the positive features of his historical writing, some points highlight the limitations of Smith's historiography. Firstly, despite the diversity of his historical sources, there is no evidence to support his apprehension of antiquity. Indeed, early written historical evidence, such as that from Egypt and Mesopotamia, was not available to Smith because it had not yet been deciphered. Additionally, he had no evidence regarding periods before Homeric Greece (Brewer 2008). Smith, despite writing essays of natural theology (James Alvey 2004; Kim 1997), treated theology only incidentally compared to other matters (Bittermann 1940). According to Campbell and Skinner (1976, 51), "even historical parts of the Bible and its apparent relevance to the discussion of a nomadic life are virtually ignored, with only the most incidental of references to the Old Testament". This avoidance limited the range of his historical sources and narrowed the available factual evidence for describing the initial stages of economic development.

Secondly, Smith's economic history, as Manioudis and Milonakis (2021) argue, is highly Eurocentric. Smith regards Europe (and, mainly, Britain) as the chief force shaping global

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which cost four pounds, or four shillings a quarter, equal to about twelve shillings of our present money" (Smith [1776] 1976, 196).

economic development. He believed that the farming stage of economic development (and the subsequent civilizations in this stage) found its roots in Europe and more specifically in ancient Greece. In his WN, the great civilizations of Asia are mentioned only; there is no reference to the early history of South or East Asia, and the references to Africa remain superficial (Voxi Heinrich Amavilah 2010). On the other hand, Smith devoted a great deal of focus on American matters (Skinner 1977) and argued that the colonies of North America "had become European economies" (John Pocock 2006, 285).

Lastly, Smith's direct appeal to historical facts is violated in many instances (Manioudis and Milonakis 2021). Various scholars provide examples of this violation (*inter alia*, Henry Buckle 1857; Campbell and Skinner 1976; Howay 1982; Rashid 1990). For instance, Buckle ([1857] 1970, 285) noted in his *History of Civilization of England* (1857) that Smith rejected statistics "as the basis of his science, and merely used them by way of illustration when he could select what he liked". Furthermore, Campbell and Skinner (1976) argue that Smith's historical approach to both the *law of settlements* and the *poor laws* is not scientific despite Smith's forceful objections. According to their approach, Smith failed to "distinguish between the intention of the statute and the manner and extent of its implementation" (Campbell and Skinner 1976, 53).

However, despite his historiographical weaknesses, Smith offers a thorough economic history from the fall of the Roman Empire to the last quarter of the eighteenth century (Kim 2009). The examples of his economic (and social) history are multifaceted. Some of these examples, like the references about child labor and mortality (Smith [1776] 1976, 139; Smith [1766] 1978, 540), the impact of *Poor Laws* on the free circulation of labor (Smith [1776] 1976, 156), the effect of navigation acts on Britain's rate profits, the revolution in transportations (Smith [1776] 1976, 163; [1762-1763] 1978, 356), his critical appraisal of the transition from the putting out system to manufacturing production (Smith [1776] 1976, 263), the references about fluctuations of interest rates (Smith [1776] 1976, 106), his comments about the operation of the English banking system (Smith [1776] 1976, 299), the valuable information about wars' expenses (Smith [1776] 1976, 909), the added (in the third edition of WN) information on the history of trading companies, the records about prices and wages, and foremost the short history of the accumulation of the British national debt (Smith [1776] 1976, 41-43), are examples employed by an early economic historian (Manioudis and Milonakis 2021).

The *Wealth of Nations* as a Source of Economic History

Smith wished to systematize a world in a state of transformation and observed it, as most of his biographers inform us, with the critical eye of a meticulous observer.[12] His remarks comprise the report of an attentive scholar who offers a colorful picture of the late eighteenth century. Smith's accounts provide valuable historical evidence to economic historians. For instance, his famous references to the pin-maker or to the philosopher and porter are

[12] Rae (1895, 7) points out that Smith was an excellent observer. Furthermore, his late biographer, Ross (1995, xviii), says that Smith "learned much about practical affairs from observation of local industries and the improving state of agriculture in the Fife hinterland". The sharpness of his perceptiveness is illustrated in one of his letters to the Duke of Buccleuch's stepfather, Charles Townshend (1725-1767), in which he described the Duke's temper (Smith 1977, 114-115). The details arrayed show his eminent abilities in observation. Smith had been highly observant from childhood and had incorporated many of his observations into his writings. Ross (1995, 61) has cited as a typical instance of his perceptiveness his first travel to Oxford, which helped Smith to formulate "such views as those suggesting that Birmingham specialised in manufactures meeting the demands of 'fancy and fashion', with its buttons and tinplate, while Sheffield met those of 'use and necessity' with its knives and scissors".

organically linked to his grand theoretical program, which aims to delineate the course and asymmetries of economic development.

Smith attempted to delineate the main features of the commercial capitalism of the late eighteenth century by citing observations of Scotland[13]—where he was born and lectured—England—where he lived and studied—France—where he had traveled frequently—and Holland—with which he was acquainted due to his job as a Commissioner of Customs.[14] Smith's experience as a Commissioner of Customs assisted him in incorporating new factual material in the subsequent editions of the WN. As John Rae (1895, 333) points out, most of the additions and corrections introduced, mainly, into the third edition of the WN (1784)— "are connected with that branch of the public service".[15] These additions include information on matters such as duties, bounties and drawbacks (Bob Coats 1975, 220), which are informative for the economic historian of the late eighteenth century. In this vein, Charles Wilson (1967, 496) rightly concludes that the "arguments of *The Wealth of Nations* were the product of logic working upon material drawn from the observation of three relatively mature mercantile economies: those of England, France and Holland".

Additionally, during his lengthy travels with Henry Scott, 3rd Duke of Buccleuch (1746-1812), he observed many pivotal scenes that shaped his thinking and economic analysis. For instance, in Marseilles, he visited a porcelain factory that amazed him with its division of labor. Furthermore, he traveled to Geneva during an intriguing time: a constitutional crisis (Rae 1895, 188). Generally, his long residence abroad provided him with various experiences that (through his copious observation) became an integral part of his theoretical reasoning. Stewart (1793, 300) stressed this point by noting that:

> His long residence in one of the most enlightened mercantile towns in this island, and the habits of intimacy in which he lived with the most respectable of its inhabitants, afforded him an about of deriving what commercial information he stood in need of, from the best sources.

Furthermore, Smith attempted to describe earlier ages of economic development by using references to North America—which is for him the model of "the natural course of things"—from data transmitted to him by "the constant habit of hearing much about the American Colonies […] during his thirteen years in Glasgow from the intelligent merchants" (Rae 1895, 266). In contrast, due to insufficient factual evidence, he had less to say about the governments of Spain and Portugal, even less about Germany, and nothing regarding Bohemia, Hungary, or Poland.

However, Smith's recordings are characterized by limitations. It is well known that Smith possessed a strong memory. He was marked for "his power of memory" (Rae 1895, 8) as he

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[13] Rae's (1895, 87) comment is indicative: "Smith was not only a teacher in Glasgow, but he was also a learner, and the conditions of time and place were most favourable, in many important ways, for his instruction". Smith, through his participation in the Select Society in Edinburgh, was familiarized with political and economic questions such as "outdoor relief, entail, banking, linen export bounties, whisky duties, foundling hospitals, whether the institution of slavery be advantageous to the free and whether a union with Ireland would be advantageous to Great Britain?" (Rae 1895, 112).

[14] In the fourth edition of the WN (1786), Smith accords special thanks to Henry Hope (1735-1811), an Amsterdam merchant banker. Smith had acquainted him through his position as a commissioner and notes that Hope provided him with "the most distinct as well as the most liberal information concerning a very interesting and important subject, the Bank of Amsterdam, of which no printed account has ever appeared to me satisfactory or even intelligible" (Smith [1776] 1976, 401-402).

[15] Smith's historical example of the bounty of Scottish fisheries (see WN, Book IV, c. v, § 33, 521) was cited due to Smith's experience as a Commissioner of Customs, which "furnished him with many opportunities of gaining *accurate* information" (Rae 1895, 363).

had a "retentive memory and was studious by nature" (Ross 1995, 19).[16] However, many of his quotations are not cited *in verbatim* (Campbell and Skinner 1976, 52). This inaccuracy rendered his records neither accurate nor precise. Thus, due to their subjective character, some of these memoirs, despite their historical interest, are controversial and even contradictory.

Furthermore, at many points in his WN, Smith presents the discrepancy between historical and empirical facts and his political economy as simple variations of "the natural course of things", attributed to (erroneously) state administration (Manioudis and Meramveliotakis 2026). These points, despite being controversial in theoretical terms (as associated with simple empiricism), are of great historical interest. Their theoretical inconsistencies do not nullify their richness as precious pearls of early economic history. The examples are numerous, making WN a valuable source of economic history.

In discussing the Bank of England's operations, he observes that upon "one occasion, in 1763, it is said to have advanced […] in one week, about 1.600.000*l*.; a great part of it in bullion" (Smith [1776] 1976, 320) and goes on that "I do not, however, pretend to warrant either the greatness of the sum, or the shortness of time" (Smith [1776] 1976, 320). Furthermore, Smith provides valuable information on public finance. In discussing it, he uses either official registrations or checked secondary sources. His historical records regarding public revenues owe their appearance to his experience with the Chancellor's office in Downing Street and his close acquaintance with Townshend (Ross 1995, 223). For France's public revenues, he observes that:

> In 1765 and 1766, the whole revenue paid into the treasury of France, according to the best, though, I acknowledge, *very imperfect accounts* which I could get of it, usually run between 308 and 325 millions of livres; that is, it did not amount to fifteen millions sterling. (Smith [1776] 1976, 905, added italics)

Furthermore, in another informative discussion (for economic historians) concerning the profits of joint stock companies, he observes that:

> It does not seem probable […] that the profits ever approached to what the late Mr. Dobbs imagined them. A much sober and judicious writer, Mr. Anderson, author of *The Historical and Chronological Deduction of Commerce*, very justly observes, that upon examining the accounts which Mr. Dobbs himself has given for several years together, of their exports and imports, and upon making proper allowances for their extraordinary risk and expence, it does not appear that their profits deserve to be envied, or that they can much, if at all, exceed the ordinary profits of trade. (Smith [1776] 1976, 744)

In his WN Smith records rent fluctuations, the exceptionally high child mortality rate, the low living standards of workers, the rates of profits, and the low price of labor. In this vein, the *locus classicus* of political economy operates as a valuable source of economic history. A typical example is Smith's discussion of wages, which is informative and provides rich factual data for late eighteenth-century Britain. He points out that "there are many plain symptoms that the wages of labour are no-where regulated by this lowest rate, which is consistent with common humanity" (Smith [1776] 1976, 91). Moreover, Smith distinguishes between summer and winter wages and informs us that, although expenses are higher in winter, summer wages are higher. In his own words:

[16] For instance, Andrew Dalzell (1742-1806), his professor of Greek in Edinburgh "was impressed with the retentiveness of his memory of the minutiae of the subject" (Ross 1995, 41).

> In almost every part of Great Britain there is a distinction, even in the lowest species of labour, between summer and winter wages. Summer wages are always highest. But on account of the extraordinary expense of fewel, the maintance of a family is most expensive in winter. (Smith [1776] 1976, 91)

Moreover, he observes that the high rise in the price of provisions "has not in many parts of the kingdom been accompanied with any sensible rise in the money price of labour" (Smith [1776] 1976, 92). He highlights this difference by noting: "The prices of bread and butcher's meat are generally the same or very nearly the same through the greater part of the united kingdom" and "the wages of labour in a great town and its neighborhood are frequently a forth, or a fifth part, twenty or five and twenty per cent higher than at a few miles distance". (Smith [1776] 1976, 92).

Furthermore, he notes, "the wages of labour vary with the ease of hardship, the cleanliness or dirtiness, the honorableness or dishonorableness of the employment" (Smith [1776] 1976, 116). He empirically identifies these variations using the example of the public executioner and that of the keeper of a tavern who "is never master of his own house and who is exposed to the brutality of every drunkard, exercises neither a very agreeable nor a very creditable business" (Smith [1776] 1976, 118). In some cases, historical evidence led Smith to depart from strict economic liberalism. For instance, Smith's discussion of the regulation of the labor contract (Tony Aspromourgos 2023) is a typical example of this distancing, which is informative for the economic history of the eighteenth century. In his own words:

> Whenever the legislature attempts to regulate the differences between masters and their workmen, its counsellors are always the masters. When the regulation, therefore, is in favour of the workmen, it is always just and equitable; but it is sometimes otherwise when in favour of the masters. Thus, the law which obliges the masters in several different trades to pay their workmen in money and not in goods, is quite just and equitable. (Smith [1776] 1976, 157-158)

Moreover, in WN's discussion of the creation of new markets in South America during the eighteenth century, he presents informative factual evidence (mainly travelers' notes) to describe the region's economic institutions. Following this, he adopts an institutionalist critique and presents a wealth of data on their demographic development. Smith links his narration with Frezier and Ulloa's references, noting "Frezier, who visited Peru in 1713, represents Lima as containing between 25.000-28.000 inhabitants. Ulloa, who resided in the same country between 1740 and 1746, represents it as containing more than 50.000" (Smith [1776] 1976, 222). Smith's descriptions are full of historical interest in conceiving the variations (and asymmetries) of global economic development during the eighteenth century. Many examples across Smith's *locus classicus* demonstrate the value of WN as a source of economic history. Obviously, many of Smith's accounts are questionable because he does not consistently cite his sources. However, because Smith provides evidence relevant to the main research questions in contemporary economic history, WN is a rich source of historical information for economic historians.

Conclusion

Today, 250 years after its publication, WN is rightly regarded as the foundation stone of economic science, shedding light on critical issues in the capitalist economic system. Smith's views on value, wages, rents, profits, the division of labor, the theory of prices, international trade, economic development, and other topics have led to the emergence of different schools

of economic thought that continually debate the prospects of the twenty-first century. This paper aims to demonstrate that WN must be conceived as one of the pioneering texts in economic history. In this research, we stress the twofold historical dimension of WN. On the one hand, Smith is the first political economist to use historical evidence to evaluate his theoretical propositions systematically. He utilized various historical sources to evidence the principles of his political economy. WN is based on the organic linkage between theory and history. Smith's transition from primary to secondary sources and from macro-historical evidence to micro-historical facts rendered his WN as an early text of economic history. At the same time, Smith, in discussing the economic and monetary phenomena of the late eighteenth century, provided critical factual data for the modern economic historian to present the transition from commercial to industrial capitalism. Smith's descriptions transform WN into a valuable source of modern economic history.

However, beyond the twofold historical dimension of WN, Smith demonstrates the importance of history in shaping political economy. WN documents the importance of the historical element and of historical criticism in understanding (and explaining) economic phenomena. This contribution is a critical legacy for contemporary economic theory, which often ignores the influence of history on economic activity. Thus, as John Clapham ([1929] 1971, 61) rightly observes, despite WN's historiographical weaknesses, "never before or since in the development of economic thought have historical and analytical workmanship been as finely blended as in the WN".

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