References to Africa in Adam Smith's Wealth of Nations and Some Key Propositions Surrounding Them

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The Knowledge Peddlers

References to Africa in Adam Smith's Wealth of Nations and Some Key Propositions Surrounding Them[1]

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Abstract: Adam Smith sought to illustrate some of his propositions in *The Wealth of Nations* (WON) with examples from Africa. However, the examples were few, and many were neither profound nor instructive from a principles viewpoint. I find that Africa figures very little in the *WON,* and nearly every time it appears cursory. With 20/20 hindsight, one may conclude that opinions about Africa have remained invariant with respect to time. Final value-judgment about whether that is a good or bad thing rests with the reader.

Introduction

Caution! This set of quotes should be read, but perhaps not taken too seriously. For one, it is a product of pure curiosity, and we all know that "curiosity killed the cat." Second, reading Adam Smith's *Wealth of Nations (WON)*, even in the best of circumstances, is not like reading a newspaper. I think to understand the WON one needs to be a good economic historian and an even better moral philosopher – I am neither. For that reason, and to the extent

[1] **ACKNOWLEDGMENTS: This note derives from Adam Smith's Wealth of Nations. I am grateful to Random House for informing me that this book is now in public domain. However, except for the "My Conclusions" section of this note, everything else is due to Adam Smith and his editors, and publisher, Modern Library/Random House. Although in public domain, due credit is still expect, and this note MUST NOT, under ANY circumstance, be used for commercial purpose without explicitly checking with Modern Library/Random House first. I take no responsibility for any violations of appropriate rights.**

to which ideas can be lethal weapons,[2] I do not want to attribute my value-judgments to Smith. Finally, I have never read the entire *WON* with equal enthusiasm. As a student of economic growth and change, I have focused my readings on Chapters 1-3 of Book 1, Chapters 3 and 5 of Book 2, Chapters 1, 3, and 4 of Book 3, and Chapter 7 of Book 4, and have read Book 5 only lightly, although I continue to refer to the latter more often than to others.

In her little classic, *Ancient African Kingdoms* (1969), the historian Margaret Shinnie reports that the Book of Prophet Isaiah in the Bible refers to Africa as 'the land shadowing with wings' (p. 9), where "all knowledge of it was hidden in mists and shadows from all the world except to Africans who lived there" (p. 9). Fast-forwarding time to the 16th century, one wonders what the world's first modern economist (Adam Smith) in the *WON* says about Africa. I turned to the Modern Library's 1937 edition of WON by Edwin Cannan to find out. I searched for, found, and compiled into this note the little I could find about "Africa," "African," and any other direct and indirect references to Africa. Then I studied key propositions surrounding the mention of Africa in the text to see what Smith had in mind about Africa. The propositions are mainly maintained summaries of Smith by Cannan found in the margins of *WON*. While putting together this note I also read the materials fully cited at the end of this text. I am certain that I rubbed off some golden dust of wisdom from those readings, especially from George Stigler whose various work I read since George Murphy, my undergraduate Professor in Comparative Economic Systems at UCLA, introduced me *The Intellectual and the Marketplace* (1984). This is truly not an original work, and I acknowledge every one I ever read about Adam Smith and his WON.

Here is the organization of this note. First, I present Smith's key propositions. Second, cites his references to Africa in relation to the propositions. Finally, I offer my conclusion. From this exercise I find that Africa figures very little in the *WON;* nearly every time it appears Smith makes only cursory references to it, and often as a subject of ridicule rather than real analysis. Knowing what we know now, one may conclude that opinions about Africa have remained invariant with respect to time. Whether that is a good or bad thing is hard to say, and I leave final value-judgment to the reader.

Book 1: Of the Causes of Improvement in the Productive Powers of Labor, and of the Order According to Which Its Produce is Naturally Distributed among the Different Ranks of the People

Chapter 1: Of the Division of Labor

Key Propositions: Division of labor is the great cause of its increased powers, as may be better understood from a particular example, such as pin-making. The effect is similar in all trades and also in the division of employments. The advantage is due to three circumstances: (1) improved dexterity, (2) saving of time, and (3) application of machinery, invented by workmen, or by machine-makers and philosophers. Hence the universal opulence of a well-governed society, even the day-labor's coat being the produce of a vast number of workmen (pp. 3-9).

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[2] This is in reference to Max Lerner's book cited in the references. Max Lerner also introduced the *WON* edition used here.

Reference to Africa: [Division of labor and the specialization it implies is so important to production and distribution] that without the assistance and co-operation of many thousands, the very meanest person in a civilized country could not be provided, even according to, what we falsely imagine, the easy and simple manner in which he is commonly accommodated. Compared, indeed, with the more extravagant luxury of the great, his accommodation must no doubt appear extremely simple and easy; and yet it may be true, perhaps, that the accommodation of an European prince does not always so much exceed that of an industrious and frugal peasant, as the accommodation of the latter exceeds that of many an African king, the absolute master of the lives and liberties of ten thousand naked savages (p. 12).

My Conclusion: Division of labor (specialization) improves labor productivity as well as both functional and personal distribution of income. The absence, or weak presence, of specialization in Africa skews income distribution by social status.

Chapter 2: Of the Principle which Gives Occasion to the Division of Labor

Key Propositions: The division of labor arises from a propensity in human nature to exchange. This propensity is found in man alone. It is encouraged by self-interest and leads to division of labor, thus giving rise to differences of talent more important than the natural differences, and rendering those differences useful (pp. 13-16).

Chapter 3: That the Division of Labor is Limited by the Extent of the Market

Key Propositions: Division of labor is limited by the extent of the power of exchanging. Various trades cannot be carried on except in towns. Water-carriage widens the market, and so the first improvements are on the sea-coast or navigable rivers, for example among the ancient nations on the Mediterranean coast. Improvements first took place in Egypt, Bengal and China; while Africa, Tartary and Siberia, and also Bavaria, Austria and Hungary are backward (pp. 17-20).

Reference to Africa: The extent and easiness of … inland navigation was probably one of the principal causes of the early improvement of Egypt. [However,] it is remarkable that neither the ancient Egyptians, nor the Indians, nor the Chinese, encouraged foreign commerce, but seem all to have derived their great opulence from this inland navigation.

All the inland parts of Africa, …, seem in all ages of the world to have been in the same barbarous and uncivilized state in which we find them at present, … [because] there are in Africa none of those great inlets, such as the Baltic and Adriatic seas in Europe, the Mediterranean and Euxine seas in both Europe and Asia, and the gulfs of Arabia, Persia, India, Bengal, and Siam, in Asia, to carry maritime commerce into the interior parts of that great continent: and the great rivers of Africa are at too great a distance from one another to give occasion to any considerable inland navigation. The commerce besides which any nation can carry on by means of a river which does not break itself into any great number of branches or canals, and which runs into another territory before it reaches the sea, can never be very considerable; because it is always in the power of the nations who possess that other territory to obstruct the communication between the upper country and the sea (pp. 20-21).

My Conclusion: Division of labor depends on the human propensity to exchange. The propensity to exchange is a function of the market extent. Market size is enlarged by navigable water-carriage. The absence of navigable waterways and landlockedness constrain commerce and other improvements in Africa.

Book 4: Of Systems of Political Economy

Chapter 7: Of Colonies

Part 1: Of the Motives for Establishing New Colonies

Key Propositions: Greek colonies were sent out when the population grew too great at home. The mother city claimed no authority. Roman colonies were sent to satisfy the demand for lands and to establish garrisons in conquer territories; they were entirely subject to the mother city. The utility of the American colonies is not so evident. The Venetians had a profitable trade in East India goods, which was envied by the Portuguese and led them to discover the Cape of Good Hope passage, while Columbus endeavored to reach the East Indies by sailing westwards. Columbus mistook the countries he found for the Indies. Hence the names East and West Indies. The countries discovered were not rich in animals or vegetables, cotton being not then considered of great consequence. So Columbus relied on the minerals.

The Council of Castile was attracted by the gold, Columbus proposing that the government should have half the gold and silver discovered. This was an impossible tax was soon reduced. The subsequent Spanish enterprises were all prompted by the same motive. A prudent law-giver would not wish to encourage gold and silver mining, but people have always believed in Eldorado. In this case expectations were to some extent realized, so far as the Spaniards were concerned, but the other nations were not successful.

Part 2: Cause of the Prosperity of New Colonies

Colonists take out knowledge and regular government, land is plentiful and cheap, wages are high, and children are taken care of and are profitable. Population and improvement, which mean wealth and greatness, are encouraged. The progress of Greek colonies was very rapid; that of Roman colonies much less so. The American colonies have had plenty of land and not very much interference from their mother countries: the progress of the Spanish colonies, Mexico and Peru, has been very considerable; and the Portuguese colony of Brazil is very populous. When Spain declined, various countries obtained a footing in America. The Swedish colony of New Jersey was prospering when swallowed up by New York. The Danish colonies of St. Thomas and Santa Cruz have been very prosperous since the exclusive company was dissolved. The Dutch colony of Surinam is prosperous though still under an exclusive company (pp. 532-537).

Reference to Africa: At present the company allows all Dutch ships to trade to Surinam upon paying two and half per cent upon the value of their cargo for a license; and only reserves to itself exclusively the direct trade from Africa to America, which consists almost entirely in slave trade. This relaxation in the exclusive privileges of the company is probably the principal cause of that degree of prosperity which that colony at present enjoys (p. 537).

My Conclusion: Different nations established, justified, and governed colonies differently. Colonies that were not overly controlled by the mother cities (countries) prospered internally and through trade. Africa's trade was heavily controlled and focused on slave trade and that hampered prosperity with effects that linger today.

Key Propositions: The French colony of Canada has shown rapid progress since the dissolution of the exclusive company. St. Domingo, in spite of various obstacles, and the other French sugar colonies, are very thriving. But the progress of the English colonies has been the most rapid. They have not so much good land as the Spanish and Portuguese, but their institutions are more favorable to its improvement, e.g.:

(1) The engrossing of uncultivated land has been more restrained.
(2) Primogeniture and entails are less prevalent and alienation more frequent.
(3) Taxes are more moderate.
(4) The trade monopoly of the mother country has been less oppressive, since there has been no exclusive company with its interest to buy the produce of the colonies as cheap as possible, nor any restriction of commerce to a particular port and to particular licensed ships, but freedom for every subject to trade with every port in the mother country, and freedom to export everything but the enumerated commodities to other places besides the mother country. Some most important productions are not enumerated, as grain, timber, cattle, fish, sugar, and rum (pp. 538-545).

Reference to Africa: Rum is a very important article in the trade which the Americans carry on to the coast of Africa, from which they bring back negroe slaves in return (p. 545).

My Conclusion: A liberal (trade) policy regime almost surely led to prosperity except for Africa where trade concentrated on slaves.

Part 3: Of the Advantages which Europe has derived from the Discovery of America, and from that of a Passage to the East Indies by the Cape of Good Hope

Key Propositions: The advantages derived by Europe from America are (1) the advantages of Europe in general, and (2) the advantages of the particular countries which have colonies.

The advantages of Europe are: (a) an increase of enjoyments, (b) an augmentation of industry not only in the countries which trade with America directly, but also in other countries which do not send their produce to America, or even receive any produce from America. The exclusive trade of the mother countries reduces the enjoyment and industry of all Europe and America, especially the latter.

The particular advantages of the colonizing countries are (a) the common advantages derived from provinces, (b) the peculiar advantages derived from provinces in America: (i) the common advantages are contributions of military forces and revenue, but none of the colonies have ever furnished military force, and the colonies of Spain and Portugal alone have contributed revenue. (ii) the exclusive trade is the sole peculiar advantage. The exclusive trade of each country is a disadvantage to other countries, rather than an advantage to that country, e.g., England gets tobacco cheaper than France but not cheaper than it would if there were no exclusive trade. To subject other countries to this disadvantage England has made two sacrifices.

The withdrawal of foreign capital from the colony trade raised profits in it and drew capital from other British trades and thereby raised profits in them, and continues to do so. The colony trade has increased faster than the whole British capital, and the colonial monopoly has merely changed the direction of British trade. The monopoly has kept the rate of profit in British trade higher than it naturally would have been, and this puts the country at a disadvantage in the trades of which she has no monopoly, making her buy less and sell less, and enabling other countries to undersell her in foreign markets. High profits raise the price of manufactures more than high wages. So British capital has been taken from European and Mediterranean trade, partly attracted by high profit in the colony trade, and partly driven out by foreign competition.

While raising British profit, the monopoly has lowered foreign profits. The colony trade is supposed to be more advantageous than others, but trade with a neighboring country is more advantageous than with a distant one, and a direct trade is more advantageous than a roundabout, while the monopoly has forced capital into (1) a distant and (2) roundabout trade. [Thus,] (i) the trade with America and the West Indies is distant and the returns peculiarly infrequent, [and] (ii) it is also largely roundabout trade.

The monopoly has also forced part of the capital of Great Britain into a carrying trade, and makes her whole industry and commerce less secure owing to its being driven into one channel. The gradual relaxation of the monopoly is desirable. The monopoly is bad, but the trade is itself is good. The trade in its natural state increases the productive labor of Great Britain. The monopoly diminishes it. The natural good effects of the trade more than counterbalance the bad effects of the monopoly. The colonies offer a market for the manufactured rather than the rude produce of Europe, but the monopoly has not maintained the manufactures of Spain and Portugal, where the bad effects of the monopoly have nearly overbalanced the good effects of trade.

The discovery of America and the Cape passage are greatest events in history: the misfortunes of the natives of the East and West Indies may be temporary, so the results may be beneficial to all. Meantime the discovery has exalted the mercantile system. The countries which possess America and trade to the East Indies appear to get all the advantage, but this is not the case. The monopoly regulations sometimes harm the country which establishes them more than others (pp. 557-592).

Reference to Africa: In the mean time one of the principal effects of those discoveries has been to raise the mercantile system to a degree of splendor and glory which it could never otherwise have attained to. It is the object of that system to enrich a great nation rather by trade and manufactures than by the improvement and cultivation of land, rather by the industry of the towns than by that of the country. But in consequence of those discoveries, the commercial towns of Europe, instead of being the manufacturers and carriers for but a very small part of the world (…) have now become the manufacturers for the numerous and thriving cultivators of America, and the carriers, and in some respects the manufacturers too, for almost all the different nations of Asia, Africa, and America. Two new worlds have been opened to their industry, each of them much greater and more extensive than the old one, and the market of one of them growing still greater and greater every day (p. 591).

My Conclusion: Monopolization of colonies and trade had an adverse effect on progress, and led to a sharp conflict between colonists and natives. In some cases colonists were not successful in conquering all nations and taking their land, turning them into plantations.

Key Propositions: Monopolies of the American kind always attract, but monopolies of exclusive companies sometimes attract, sometimes repel stock. In poor countries they attract, in rich they repel. Both effects are hurtful. A country which cannot trade to the East Indies without an exclusive company should not trade there. The idea that the large capital of a company is necessary is fallacious (pp. 596-598).

Reference to Africa: There are not numerous and thriving colonies in Africa and the East Indies, as in America. Africa, however, as well as several of the countries comprehended under the general name of the East Indies, are inhabited by barbarous nations. But those nations were by no means so weak and defenseless as the miserable and helpless Americans …. The most barbarous nations either of Africa or of the East Indies were shepherds; even the Hottentots were so. In Africa and the East Indies, therefore, it was more difficult to displace the natives, and to extend the European plantations over the greater part of the lands of the original inhabitants. The genius of the exclusive companies, besides, is unfavorable, it has already been observed, to the growth of new colonies, and has probably been the principal cause of the little progress which they have made in the East Indies. The Portuguese carried on the trade both on Africa and the East Indies without any exclusive companies, and their settlements at Congo, Angola, and Benguela on the coast of Africa, …., though much depressed by superstition and every sort of bad government, yet bear some faint resemblance to the colonies of America. The Dutch settlements at the Cape of Good Hope and at Batavia, are at the present the most considerable colonies which Europeans have established either in Africa or in the East Indies, and both these settlements are peculiarly fortunate in their situation. The Cape of Good Hope was inhabited by a race of people almost as barbarous and quite as incapable of defending themselves as the natives of America. It is besides the half-way house … between Europe and the East Indies, at which almost every European ship makes some stay both in going and returning. The supplying of those ships with every sort of fresh provisions, with fruit and sometimes with wine, affords alone a very extensive market for the surplus produce of the colonists (pp. 599-600).

My Conclusion: The discovery of American and the passage around the Cape of Good Hope clearly increased prospects for mercantilism. It improved agriculture and thereby extending the extent of the market for manufactures around the world, including Africa, which in turn facilitated colonialism. Even so, it remains debatable whether or not the benefits of colonialism ever exceeded its costs as the share of Africa's trade in global trade even them was very tiny – in fact barring slaves it was nearly zero.

Chapter 8: Conclusion of the Mercantile System

The mercantile system discourages the exportation of materials of manufacture and instruments of trade. It encourages the importation of materials though not of instruments of trade. Various materials are exempt from customs duties. Yarn though a manufactured article is free from duty, because the spinners are poor, unprotected people, and the master weavers are rich and powerful. This exemption and also the bounty or the exportation of linen are given by temporary law. Bounties on imported materials have been chiefly given to American produce, such as naval stores, colonial indigo, colonial hemp or undressed dax, American wood, colonial raw silk, colonial barrel staves, and Irish hemp. These commodities were subject to duties when coming from foreign countries. It was alleged that the interest of the colonies and of the mother country was the same. The exportation of wool and live sheep [and fuller's earth, raw hide, horns, and some metals] is forbidden under heavy penalties ….

Though prohibition of exportation cannot be justified, a duty on the exportation of wool might furnish revenue with little inconvenience. On various other materials of manufacture considerable export duties are imposed. Gum senega has a particular history and is subject to a large export duty (pp. 607-622).

Reference to Africa: Gum senega, or gum Arabic, [like other] enumerated dying drugs, might be imported duty free. … France enjoyed, at the time, an exclusive trade to the country most productive of those drugs, that which lies in the neighborhood of the Senegal; and the British market could not be easily supplied by the immediate importation of them from the place of growth. … Therefore, gum senega was allowed to be imported … from any part of Europe. … The exportation of gum senega from his majesty's dominions in Africa was confined to Great Britain, and was subjected to all the same restrictions, regulations, forfeitures and penalties, as that of the enumerated commodities of the British colonies in America and the West Indies. … The enormous duty presented such temptation to smuggling, that great quantities of this commodity were clandestinely exported, probably to all the manufacturing countries of Europe, but particularly to Holland, not only from Great Britain but from Africa (p. 622).

My Conclusion: The joint effects of slavery and export taxes on African products did not benefit wealth building by Africans themselves. It was a one way transfer of resources, whichever way one looks at it.

Chapter 9: Of the Agricultural Systems, or of Those Systems of Political Economy, which Represent the Produce of Land as Either the Sole or the Principal Source of the Revenue and Wealth of Every Country

Key Propositions: Mr. Colbert, the famous minister of Lewis XIV adopted the mercantile system and favored town industry, with the result that French philosophers who supported the agricultural system undervalue town industry. There are three classes in their system: (1) proprietors, (2) cultivators, and (3) artificers, manufacturers and merchants. Proprietors contribute to production by expenses on improvement of land, cultivators, by original and annual expenses of cultivation. These expenses should be free from all taxation.

Artificers, manufacturers and merchants can augment revenue only by privation. The unproductive class is maintained at the expense of the other two, but is useful to them, and it is not their interest to discourage its industry; nor is it ever the interest of the unproductive class to oppress the others. Mercantile states similarly are maintained at the expense of landed states, but are greatly useful to them, and it is not the interest of landed nations to discourage their industry by high duties.

Freedom of trade would in due time supply artificers, etc., at home, in consequence of the increase of their capital, which would first employ manufacturers, and afterwards overflow into foreign trade. Freedom of trade therefore is best for introducing manufactures and foreign trade. High duties and prohibitions sink the value of agricultural produce, raise mercantile and manufacturing profit, and could only raise up manufacturers and merchants prematurely. The distribution of the produce of land is represented in the Economical Table. Nations can prosper in spite of hurtful regulations. The system is wrong in representing artificers, etc., as unproductive …. In spite of its errors the system has been valuable. Some nations, like China for example, have favored agriculture (pp. 627-645).

Reference to Africa: Egypt and the Gentoo government of Indostan favored agriculture. The people were divided into castes in these countries. Egypt and India were dependent on other nations for foreign trade. The land tax gave [Egypt and] eastern sovereigns a particular interest in agriculture (p. 645).

My Conclusion: Barring slave trade (really slave taking), and given a land tax, Africa was no truly engaged in any meaningful international trade, and so the size of the market remained constrained.

Book 5: Of the Revenue of the Sovereign or Commonwealth

Chapter 1: Of the Expenses of the Sovereign of Commonwealth

Part 3: Of the Expense of Public Works and Public Institutions

Article 1: Of the Public Works and Institutions which are necessary for facilitating particular Branches of Commerce

Key Propositions: Some particular institutions are required to facilitate particular branches of commerce, as trade with barbarous nations requires forts, and trade with other nations requires ambassadors. Branches of commerce which require extraordinary expense for their protection may reasonably bear a particular tax. The proceeds of such taxes should be at the disposal of the executive, but have often been given to companies of merchants, which have always proved in the long run burdensome or useless. They are either regulated or joint stock companies. Regulated companies are like corporations of trades and act like them (pp. 690-692).

Reference to Africa: There are five existing regulated companies: Hamburg, Russian, Eastland, Turkey, and African. The Hamburg, Russian and Eastland companies are merely useless. The Turkey Company is an oppressive monopoly. Regulated companies are more unfit to maintain forts than joint stock companies, but the African company was charged with this duty. The Royal African Company, having lost exclusive privileges [over Senegal and it dependencies] failed (pp. 696-697).

My Conclusion: Even as Smith and other spoke against regulation, the African Royal Company suffered from it, and failed because of it.

Article 2: Of the Expense of the Institutions for the education of Youth

Key Propositions: Institutions for education may also be made to furnish their own expense, or may be endowed. Have endowments really promoted useful education? [The answer depends because] exertion is always in proportion to its necessity. Endowments diminish the necessity of application, which is not entirely removed where the teacher receives part of his emoluments from fees, but is entirely absent when his whole revenue arises from endowments. Members of a college or university are indulgent to their fellow members. External control is ignorant and capricious. To compel young [people] to attend a university has a bad effect on the teachers. [And then there are questions about what to teach, how, and what language.] In Greece the state directed education in gymnastics. The Romans had Campus Martius, resembling the gymnasium, but no music. They were none the worse for its absence (pp. 716-729).

Reference to Africa: Music and dancing are the great amusements of almost all barbarous nations, and the great accomplishments which are supposed to fit any man for entertaining his society. It is so at this day among Negroes on the coast of Africa [as it was among ancient Celts and Scandinavians, and ancient Greeks] (p.729).

My Conclusion: Smith did not value music and dance as productive force in the education of the youth.

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