

Adam Smith's "Liberal plan"

"Mr. Colbert, the famous minister of Lewis XIV. was a man of probity, of great industry and knowledge of detail, of great experience and acuteness in the examination of public accounts, and of abilities, in short, every way fitted for introducing method and good order into the collection and expenditure of the public revenue. That minister had unfortunately embraced all the prejudices of the mercantile system, in its nature and essence a system of restraint and regulation, and such as could scarce fail to be agreeable to a laborious and plodding man of business, who had been accustomed to regulate the different departments of public offices, and to establish the necessary checks and controls for confining each to its proper sphere. The industry and commerce of a great country he endeavoured to regulate upon the same model as the departments of a public office; and instead of allowing every man to pursue his own interest in his own way, upon the liberal plan of equality, liberty, and justice, he bestowed upon certain branches of industry extraordinary privileges, while he laid others under as extraordinary restraints. He was not only disposed, like other European ministers, to encourage more the industry of the towns than that of the country; but, in order to support the industry of the towns, he was willing even to depress and keep down that of the country. In order to render provisions cheap to the inhabitants of the towns, and thereby to encourage manufactures and foreign commerce, he prohibited altogether the exportation of corn, and thus excluded the inhabitants of the country from every foreign market for by far the most important part of the produce of their industry. This prohibition, joined to the restraints imposed by the ancient provincial laws of France upon the transportation of corn from one province to another, and to the arbitrary and degrading taxes which are levied upon the cultivators in almost all the provinces, discouraged and kept down the agriculture of that country very much below the state to which it would naturally have risen in so very fertile a soil and so very happy a climate. This state of discouragement and depression was felt more or less in every different part of the country, and many different inquiries were set on foot concerning the causes of it. One of those causes appeared to be the preference given, by the institutions of Mr. Colbert, to the industry of the towns above that of the country."

- Adam Smith, *"An Inquiry into the Nature and Causes of the Wealth of Nations"*, Book IV, Chapter 9, paragraph 3. 1776.

Discussion/homework questions:

1. What does it mean for a country's economy to be based on agriculture:
 - From the perspective of an economist studying the country?
 - From the perspective of the government of the country?
 - From the perspective of people living in the country?
2. Do you believe it would be better for a country to be based on agriculture? If not, what should it be based on? (Justify your answer.)
3. Do you think there is such a thing as a perfect economy? What does it look like?
4. In a way, Adam Smith says Mr. Colbert believed that the perfect economy in France would be based on agriculture. Do you think that, even if he's right, it would be the optimal economy?
5. Who do you believe should get to decide what an economy is based on?
6. How does this relate to your optimal meal plan and grocery list?