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Adam Smith's Contributions to Economics and Their Modern Applications

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Adam Smith was an influential figure in establishing the free market economy and overseeing the arduous transition of England's economy to one resembling the ones we know today. Smith was born in the early 18th century, attended Oxford for his university education, and began his professional career as a moral philosopher – a term that encompassed a variety of fields at the time, including political economy, which would later become his focus (Heilbroner). What resembled the economy at this time was disorderly, without regulations or any constant to make one kind of production comparable to another. This society was also incredulously resistant to change, even at the expense of its efficiency. New technologies that threatened the established order of production were outlawed without consideration for the possible contributions they could make (Heilbroner). A notable accomplishment of Smith's work as a moral philosopher is his 1759 publishing of *The Theory of Moral Sentiments*, which established him as a prominent figure in the field at the time and contains ideas about human self-interest central to his later economic principles. He sought to answer the question of how humans can form ethical guidelines and judgments when we are inherently self-interested and concluded that it was our ability to view issues from an objective third-party perspective to form an opinion rather than simply what would be best for ourselves in a given situation (Heilbroner). His philosophical belief that humanity is motivated by self-interest at its core is the basis for the functioning of the free market system he envisioned and ensures its continuous functioning.

Smith was hardly the only early economist studying the workings of the market and its possibilities, but his contributions are regarded as particularly important for the way they built upon the ideas of others to create the most complete picture of the free market society so far, a vision which was partially realized in the course of his lifetime. He published *The Wealth of Nations* in 1776, an extensive text that covered his laws of the market as well as an expansive assortment of adjacent topics. He argued that the self-interest he believed to be at the basis of human nature could be harnessed to propel a fair and independently functioning economy, instead of being restrained by the norms of a change-resistant society. Each individual's motivation to acquire more wealth would be tempered by the individuals around them, each competing to offer the product most appealing to consumers with maximum profit. If an individual – or more commonly in modern cases, a company – went against the norms of the free market by charging way more than its competitors for a product of the same quality, consumers could elect to go elsewhere for that product (Heilbroner).

A modern exception to the principle of competition that didn't exist in society in the same way in Smith's time is the additional worth much of our society places on certain brands over others, independent of the function of the items themselves. A primary example of this false "additional value" is Apple products, which function similarly to competing brands but are considered to be superior because of their easily identifiable design as a status symbol – a sign someone has the money to spend on such a product. This goes against the general functioning of the free market society because the price can't be regulated by its competition in the traditional manner, allowing Apple to charge far over the comparative value for its products. Coupled with their usage of underhanded labor practices at the expense of workers' rights, their profit margins are exceptional.

Apple also exemplifies another aspect of the free market that Adam Smith recognized in his work: the danger of any kind of monopoly in the system. Although interpreted by some to mean he was anti-government, Smith's primary aim was to prevent any one entity from having too much control over the free market, which would hinder its ability to regulate itself (Heilbroner). Not only has Apple managed to have its products compete against similar counterparts for a higher price point, but it has also widened the gap by intentionally making products incompatible with other brands which pushes its users to purchase more Apple products over other options. They are currently being sued by the Department of Justice for this very reason, demonstrating one of the areas in which government supervision is necessary to make sure the system continues to function properly and fairly (Ma). The domination of corporations in the marketplace today is another instance that went against Adam Smith's assumption of what a capitalist economy would become. He believed that such entities wouldn't have the same driving force of self-interest essential to the system's functioning, whereas we can see today they are the ones most powerfully motivated to profit – often for the sake of their CEOs and other executive positions instead of the company and its everyday contributors as a collective. The scale in general of our national and global economies has made way for powerful players, such as corporations and labor unions, that are influential enough to affect the natural cyclical functioning which gives them significant sway in the lives and livelihoods of millions in the process (Heilbroner).

Another highly relevant example of the dangers of monopolies is Ticketmaster, owned by Live Nation. The companies merged in 2010, passing through regulatory clearances despite concerns they could overpower the industry when combined (Gastelum). As two giants in the live music industry, these two companies used to be rivals – a necessary measure to ensure fair competition across the market. Even before they were merged, the two companies had begun cornering what was once a thoroughly distributed market consisting of various divisions: ticket vendors, venue operators, artists, their agents and managers, concert promoters, and consumers (Gastelum). Each of these groups would contribute a different aspect of the undertaking that is a live music show or tour, and each would charge a fee for their services – which could be attributed to the way they had contributed. With the market consolidated and the process somewhat streamlined, consumers select their tickets for the concerts of their choice, and upon reaching checkout are slapped with ticket fees of almost 30% of the original ticket price added to their total (Dent). That's if they're lucky; more and more tickets are sold out within minutes of release, many of them turned around and resold significantly over face value. This problem came into the public sphere most prominently in 2022 with the release of presale tickets to Taylor Swift's The Eras Tour. The Ticketmaster site crashed due to unprecedented demand and scalpers using bots to get ahold of tickets instantaneously.

The magnitude of the failure on Ticketmaster's part brought them under scrutiny in a public way for the first time, although this conduct wasn't new.

The immense power of Live Nation's monopoly gives them the ability to discourage healthy competition in the industry by using their influence to threaten venues. They have been accused of retaliating against venues by directing concerts elsewhere if the venues consider switching ticket-selling sites from Ticketmaster, as the New York Times discovered in 2013 (Pritchard). The cost of fighting these monopolies becomes too high for venues and other subsections in the system because the end goal of all of these entities is to make a profit. Live Nation-Ticketmaster can present the most lucrative deals because they have money coming in from so many different angles and, by design, no one can compete. From the production side, they have most venues and artists trapped because they have the widest reach of resources.

Consumers are also unlikely to resist because, despite growing knowledge of Live Nation-Ticketmaster's practices, they still want to see the artists featured there. Live music is one of the experiences that can't be replaced as easily as a brand selling an item could be. The unique value of the live music experience and the intense FOMO that can be produced by missing such events is another element that Live Nation-Ticketmaster uses to its advantage. They key into the frenzy, knowing that someone's desire to attend the show of the artist they admire will likely overwhelm their shock at seeing fifty dollars added to their hundred and fifty dollar ticket price at checkout, or even their intense distaste for Ticketmaster's practices.

Although they have gotten away with their behavior since the approval of their merger almost 15 years ago, the Department of Justice in May of 2024 that they are suing Live Nation-Ticketmaster based on their unlawful monopolization of the industry, which allowed them to overcharge consumers and deprive the market of rightful competition and improvements in ticketing technology (Office of Public Affairs). No official trial date has been set yet, but it's not likely to be before 2026, if then, due to the complexity of the case and the players involved. There's variation in the possible outcomes; if the proceedings find Live Nation-Ticketmaster not responsible for an unfair monopoly they will continue the way they have been, and if the Department of Justice successfully proves their conduct unlawful they will be forced to separate in some way (Pritchard). This monopoly should be broken up because it takes away the consumer-lead market, which is essential to a capitalist economy's functioning. Without the opportunity for a consumer to seek their product elsewhere which in turn brings down the price of a previously-overpriced product to a more reasonable one that generates the most demand, customers are forced to pay unfair prices for the concert experiences they covet.

Although Adam Smith couldn't possibly envision how the free market economy he theorized would become the global system we know today, it's clear how his central ideas have remained true throughout the capitalist economy model's evolution. He anticipated the economy would continue to grow as it cycled, directed by the demands of the consumers and limited only by the natural resources available to us – another increasingly relevant factor as humans push the earth's limits with the growth of the population and expanding infrastructure. It even surpassed his expectations, as he speculates in *The Wealth of Nations* that two centuries was the longest a society could hope to sustain itself successfully (Heilbroner). Smith's contributions to the study of economics and his vision for what a free market economy could look like, especially during the crucial time of transition he lived in, were invaluable, and the impact of his ideas live on in the everyday lives of consumers across the globe.

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