Adam Smith and the "Das Adam Smith Problem"

Prelims: Current events of national and international importance | Infrastructure & Economy

Why in News?

Adam smith's famous book, the wealth of nations marks 250th Anniversary on March 9th, 2026.

- **Concern** - Recently Experts have revisited the perceived conflict between his two major works, a dilemma historically termed as "Das Adam Smith Problem."
- **Das Adam Smith Problem -** It refers to an observed conflict between 2 major books of Adam smith.

> ***The Theory of Moral Sentiments (1759)*** **-** *The book emphasize on empathy (Sympathy) to understanding human character & to know how humans cares for others.*
>
> ***The Wealth of Nations (1776)*** **-** *The book emphasize on* ***Self-interest*** *and how economy gets help from the "Invisible Hand".*

- **German thinkers in** - 19th Century believed that smith had changed his mind by moving from believing in Kindness to selfishness.

Modern View

Many Nobel laureate & modern scholars like Amartya Sen, are of view that there is no real conflict. They argue that:

- **Integrated system -** Smith's ideas on Economics & Morals (Ethics) go hand in hand.
- **Practical Empathy -** Moral sentiments looks at how we feel empathy. Where else *Wealth of Nations* looks at how we use that empathy in a market.
- **The Invisible Hand -** It shows that people often end up helping society as a whole, when people are free to work for themselves, provided good moral rules are in place.

Key Figures in the Debate

- **Jacob Viner (1920s) -** Proved that Philosophical base in both books are same.
- **Amartya Sen -** Argues that smith economics does not just talk about self-interest but also about moral institutions needed to make market work.
- **Kenneth Arrow (1950s) -** Say smith Moved economic theory beyond "good vs. bad" to see how markets function collectively.

Significands:

- **History of Ideas -** It shows the roots of the Scottish Enlightenment.

- It explores the balance between Individual Interest and the Public Good.
- **Welfare Economics** - It explains how modern economics still tries to balance "self-regard" (prices) with "pro-social" (helping others) motivations.

Quick Facts
Adam Smith (1723–1790) is primarily known as the "father of modern economics" and a central figure of the Scottish Enlightenment. He is famous for authoring *The Wealth of Nations* (1776), which introduced foundational concepts like the "invisible hand," division of labor, and free-market capitalism, and for *The Theory of Moral Sentiments* (1759).

Reference: The Hindu | IAS Parliament

