

CHAPTER 1

A New World

1. Adam Smith, The Results of Colonization (1776)

Source: Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations (London, 1776), Vol. 2, pp. 190–91, 235–37.

“The discovery of America,” the British writer Adam Smith announced in his celebrated work *The Wealth of Nations*, published in 1776, was one of “the two greatest and most important events recorded in the history of mankind.” Smith is regarded as the founder of modern economics. It is not surprising that looking back nearly three centuries after the initial voyage of Christopher Columbus in 1492, Smith focused primarily on the economic results of the conquest and colonization of North and South America. The influx of goods from the New World, he insisted, greatly increased the “enjoyments” of the people of Europe and the market for European goods. Nonetheless, Smith did not fail to note the price paid by the indigenous population of the New World, who suffered a dramatic decline in population due to epidemics, wars of conquest, and the exploitation of their labor. “Benefits” for some, Smith observed, went hand in hand with “dreadful misfortunes” for others—a fitting commentary on the long encounter between the Old and New Worlds.

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

What are [the advantages] which Europe has derived from the discovery and colonization of America?

The general advantages which Europe, considered as one great country, has derived from the discovery and colonization of America, consist, first, in the increase of its enjoyments; and, secondly, in the augmentation of its industry.

The surplus produce of America, imported into Europe, furnishes the inhabitants of this great continent with a variety of commodities which they could not otherwise have possessed; some for convenience and use, some for pleasure, and some for ornament, and thereby contributes to increase their enjoyments.

The discovery and colonization of America, it will readily be allowed, have contributed to augment the industry, first, of all the countries which trade to it directly, such as Spain, Portugal, France, and England; and, secondly, of all those which, without trading to it directly, send, through the medium of other countries, goods to it of their own produce; such as Austrian Flanders, and some provinces of Germany, which, through the medium of the countries before mentioned, send to it a considerable quantity of linen and other goods. All such countries have evidently gained a more extensive market for their surplus produce, and must consequently have been encouraged to increase its quantity....

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The discovery of America, and that of a passage to the East Indies by the Cape of Good Hope, are the two greatest and most important events recorded in the history of mankind. Their consequences have already been very great; but, in the short period of between two and three centuries which has elapsed since these discoveries were made, it is impossible that the whole extent of their consequences can have been seen. What benefits or what misfortunes to mankind may hereafter result from those great events, no human wisdom can foresee. By uniting, in some measure, the most distant parts of the world, by enabling them to relieve one another's wants, to increase one another's enjoyments, and to encourage one another's

industry, their general tendency would seem to be beneficial. To the natives however, both of the East and West Indies, all the commercial benefits which can have resulted from those events have been sunk and lost in the dreadful misfortunes which they have occasioned....

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In the meantime one of the principal effects of those discoveries has been to raise the mercantile system to a degree of splendour 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 (that part of Europe which is washed by the Atlantic Ocean, and the countries which lie round the Baltic and Mediterranean seas), 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.

Questions

1. According to Adam Smith, how did the "discovery and colonization" of America affect the economic development of Europe?
2. Why does Smith believe that the "benefits" of colonization outweigh the "misfortunes?"

