Adam Smith's theory of absolute advantage and the use of doxography in the history of economics

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ABSTRACT

This article reconstructs Adam Smith's theory of international trade and compares it with the way it is presented in modern textbooks as the theory of absolute advantage. This textbook presentation falls short of Smith's original ideas. I argue that the reason for this is the doxographic reconstruction of Smith's theory to fit him into a Whig history of international trade theory. In this way the historiography of international trade theory has falsely established Smith as a forerunner of modern neoclassical trade theory. I conclude by discussing to what extent Smith's insights can still be relevant today and what can be learnt from the mistreatment Smith has suffered in the historiography of international trade theory.

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Reinhard Schumacher is a PhD candidate and works as a research fellow at the University of Potsdam, Germany. His main research interests are history of economic thought, international political economy and trade theory.
Adam Smith is well known with his classic works such as The Theory of Moral Sentiments and The Wealth of Nations. Adam Smith was cited as the father of modern economics and is still the most influential economics thinkers. The Wealth of Nations is considered as Adam Smith’s most popular classic work and it is a first modern work of economics. By using the absolute advantages theory, the country able to save the production cost, increase foreign investment and increase of international trade. Although the absolute advantages theory is beneficial to country but there is
disadvantages to country such as a lot of factors of production. Intra- versus inter-industry trade. Absence of absolute advantage. Adam Smith coined the phrase along with a number of other economic terms that are related to one another. It is important to note that absolute advantage is different than another economic principle called comparative advantage. A company or nation that has the comparative advantage of creating a good or service has the lowest opportunity cost of creating that good or service. Opportunity cost is measured by how much an entity has to give up in order to create a product. His theory of laissez-faire government is the foundation of capitalism. A social philosopher, Adam Smith was born in Scotland and focused on moral philosophy and government.